

# **RBC Group**

**Consolidated Financial Statements  
for the year ended 31 December 2012 and  
Auditor's Report**

# RBC GROUP

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

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Management is responsible for the preparation of consolidated financial statements that present fairly the financial position of OJSC RBC (the "Company") and its subsidiaries (together the "Group") as of 31 December 2012, and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

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

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

Management is also responsible for:

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

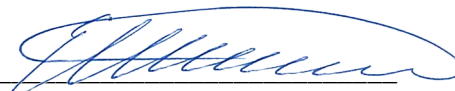
The consolidated financial statements of the Group for the year ended 31 December 2012 were approved by management on 30 April 2013.

**On behalf of Management:**

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**Sergey Lavrukhin**  
General Director of OJSC "RBC"

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**Evgeny Shishkov**  
Deputy General Director on Finance of OJSC "RBC"

30 April 2013

## **INDEPENDENT AUDITOR'S REPORT**

To Shareholders and Board of Directors of OJSC RBC:

We have audited the accompanying consolidated financial statements of OJSC RBC and its subsidiaries (collectively – “the Group”), which comprise the consolidated statement of financial position as at 31 December 2012 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for 2012, and notes comprising a summary of significant accounting policies and other explanatory information.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on 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.

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

### **Opinion**

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

## Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 (e), which indicates that as at 31 December 2012 the Group had negative net assets of 3,269 Mln RUB and working capital deficit of 6,486 Mln RUB due to non-compliance with certain loan agreement covenants. These facts raise substantial doubt about the Group's ability to continue as a going concern without financial support. Management's plans in regard to these matters are also discussed in Note 2 (e) to the consolidated financial statements.

## Other Matters

The consolidated financial statements of OJSC RBC and its subsidiaries for the year ended 31 December 2011 were audited by another auditor who expressed an unqualified opinion on those consolidated financial statements on 14 June 2012.

We draw attention to the fact that USD amounts in the accompanying consolidated financial statements are presented solely for the convenience of the users as described in Note 2 (d). These amounts do not form a part of these consolidated financial statements, and, accordingly, we do not express any assurance on them.

We also draw attention to the fact that information included in Note 36 in the accompanying consolidated financial statements is a non-IFRS measure and does not form part of the consolidated financial statements and, accordingly, we do not express any assurance on it.

*Deloitte & Touche*

30 April 2013

Moscow, Russian Federation

*Головкина Наталья Валерьевна*  
Golovkina Natalia Valerievna, Partner  
(certificate no. 00011193 dated 14 January 2013)

ZAO "Deloitte & Touche CIS"



The Entity: OJSC RBC

Certificate of registration in the Unified State Register  
№ 1057746899572 of 14/05/2005, issued by Moscow Interdistrict  
Inspectorate of the Russian Ministry of Taxation № 46.

Address: 117393, Moscow, Profsoyuznaya str. 78.

Independent Auditor: ZAO "Deloitte & Touche CIS"

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

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

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

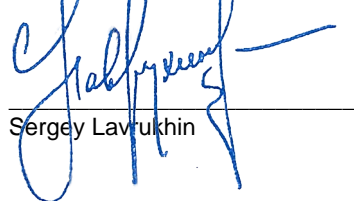
# RBC GROUP

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

|  | Note | Year ended                     |                                |
|--|------|--------------------------------|--------------------------------|
|  |      | 31 December<br>2012<br>Mln RUB | 31 December<br>2011<br>Mln RUB |
| Revenue  | 8    | 5,064                          | 4,091                          |
| Cost of sales  | 9    | (3,305)                        | (2,500)                        |
| <b>Gross profit</b>  |      | <b>1,759</b>                   | <b>1,591</b>                   |
| Other income   | 10   | 380                            | 173                            |
| Selling expenses   | 11   | (1,155)                        | (1,038)                        |
| Administrative expenses  | 12   | (555)                          | (391)                          |
| Other expenses   | 13   | (91)                           | (51)                           |
| <b>Profit from operating activities</b>                                    |      | <b>338</b>                     | <b>284</b>                     |
| Financial income   | 14   | 23                             | 1,130                          |
| Financial expenses   | 14   | (507)                          | (452)                          |
| Gain / (loss) on foreign exchange differences, net                         |      | 387                            | (351)                          |
| Share of profit of associates and joint ventures, net of income tax        | 19   | 1                              | 76                             |
| <b>Profit before income tax</b>  |      | <b>242</b>                     | <b>687</b>                     |
| Income tax expense   | 22   | (52)                           | (28)                           |
| <b>Discontinued operations</b>   |      |                                |                                |
| Profit / (loss) for the period from discontinued operations                |      | 29                             | (10)                           |
| <b>Profit for the year</b>   |      | <b>219</b>                     | <b>649</b>                     |
| <b>Other comprehensive (expense) / income</b>                              |      |                                |                                |
| Exchange differences on translating of foreign operations                  |      | (1)                            | 3                              |
| <b>Other comprehensive (loss) / income for the year, net of income tax</b> |      | <b>(1)</b>                     | <b>3</b>                       |
| <b>Total comprehensive income for the year</b>                             |      | <b>218</b>                     | <b>652</b>                     |
| <b>Profit / (loss) attributable to:</b>                                    |      |                                |                                |
| Owners of the Company  |      | 232                            | 662                            |
| Non-controlling interests  |      | (13)                           | (13)                           |
| <b>Profit for the year</b>   |      | <b>219</b>                     | <b>649</b>                     |
| <b>Total comprehensive income for the year attributable to:</b>            |      |                                |                                |
| Owners of the Company  |      | 231                            | 665                            |
| Non-controlling interests  |      | (13)                           | (13)                           |
| <b>Total comprehensive income for the year</b>                             |      | <b>218</b>                     | <b>652</b>                     |
| Earnings per share, basic and diluted (in RUB per share)                   | 27   | <b>0.68</b>                    | <b>2.10</b>                    |

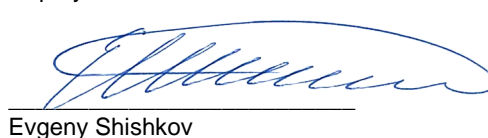
These consolidated financial statements for the year ended 31 December 2012 were approved by management on 30 April 2013 and signed on its behalf by:

General Director



Sergey Lavrukhin

Deputy General Director on Finance



Evgeny Shishkov

The notes set out on pages 14 to 88 form an integral part of these consolidated financial statements.

# RBC GROUP

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

|  | Note | Year ended                      |                                 |
|--|------|---------------------------------|---------------------------------|
|  |      | 31 December<br>2012<br>Mln USD* | 31 December<br>2011<br>Mln USD* |
| Revenue  | 8    | 167                             | 135                             |
| Cost of sales  | 9    | (109)                           | (82)                            |
| <b>Gross profit</b>  |      | <b>58</b>                       | <b>53</b>                       |
| Other income   | 10   | 12                              | 6                               |
| Selling expenses   | 11   | (38)                            | (34)                            |
| Administrative expenses  | 12   | (18)                            | (13)                            |
| Other expenses   | 13   | (3)                             | (2)                             |
| <b>Profit from operating activities</b>  |      | <b>11</b>                       | <b>10</b>                       |
| Financial income   | 14   | 1                               | 37                              |
| Financial expenses   | 14   | (17)                            | (15)                            |
| Gain / (loss) on foreign exchange differences, net                             |      | 13                              | (12)                            |
| Share of profit of associates and joint ventures, net of income tax            | 19   | -                               | 2                               |
| <b>Profit before income tax</b>  |      | <b>8</b>                        | <b>22</b>                       |
| Income tax expense   | 22   | (2)                             | (1)                             |
| <b>Discontinued operations</b>   |      |                                 |                                 |
| Profit / (loss) for the period from discontinued operations:                   |      | 1                               | -                               |
| <b>Profit for the year</b>   |      | <b>7</b>                        | <b>21</b>                       |
| <b>Other comprehensive (expense) / income</b>                                  |      |                                 |                                 |
| Exchange differences on translating of foreign operations                      |      | -                               | -                               |
| <b>Other comprehensive (loss) / income for the year,<br/>net of income tax</b> |      | <b>-</b>                        | <b>-</b>                        |
| <b>Total comprehensive income for the year</b>                                 |      | <b>7</b>                        | <b>21</b>                       |
| <b>Profit / (loss) attributable to:</b>  |      |                                 |                                 |
| Owners of the Company  |      | 7                               | 21                              |
| Non-controlling interests  |      | -                               | -                               |
| <b>Profit for the year</b>   |      | <b>7</b>                        | <b>21</b>                       |
| <b>Total comprehensive income for the year attributable to:</b>                |      |                                 |                                 |
| Owners of the Company  |      | 7                               | 21                              |
| Non-controlling interests  |      | -                               | -                               |
| <b>Total comprehensive income for the year</b>                                 |      | <b>7</b>                        | <b>21</b>                       |
| Earnings per share, basic and diluted (in USD* per share)                      | 27   | <b>0.02</b>                     | <b>0.07</b>                     |

The notes set out on pages 14 to 88 form an integral part of these consolidated financial statements.

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

# RBC GROUP

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2012

|  | Note | 31 December<br>2012<br>Mln RUB | 31 December<br>2011<br>Mln RUB | 31 December<br>2012<br>Mln USD* | 31 December<br>2011<br>Mln USD* |
|--|------|--------------------------------|--------------------------------|---------------------------------|---------------------------------|
| <b>ASSETS</b>                                |      |                                |                                |                                 |                                 |
| <b>Non-current assets</b>                    |      |                                |                                |                                 |                                 |
| Property, plant and equipment                | 16   | 448                            | 335                            | 15                              | 11                              |
| Intangible assets                            | 17   | 2,436                          | 1,280                          | 80                              | 42                              |
| Investments in associates and joint ventures | 19   | 123                            | 281                            | 4                               | 9                               |
| Other investments                            | 20   | 155                            | 8                              | 6                               | -                               |
| Deferred tax assets                          | 22   | 187                            | 255                            | 6                               | 8                               |
| Other non-current assets                     | 21   | 99                             | 179                            | 3                               | 6                               |
| <b>Total non-current assets</b>              |      | <b>3,448</b>                   | <b>2,338</b>                   | <b>114</b>                      | <b>76</b>                       |
| <b>Current assets</b>                        |      |                                |                                |                                 |                                 |
| Inventories                                  | 23   | 26                             | 24                             | 1                               | 1                               |
| Other investments                            | 20   | 8                              | 15                             | -                               | -                               |
| Income tax receivable                        |      | 14                             | 18                             | -                               | 1                               |
| Trade and other receivables                  | 24   | 1,268                          | 990                            | 42                              | 33                              |
| Cash and cash equivalents                    | 25   | 508                            | 713                            | 17                              | 23                              |
| Assets classified as held for sale           | 15   | 328                            | -                              | 11                              | -                               |
| <b>Total current assets</b>                  |      | <b>2,152</b>                   | <b>1,760</b>                   | <b>71</b>                       | <b>58</b>                       |
| <b>Total assets</b>                          |      | <b>5,600</b>                   | <b>4,098</b>                   | <b>185</b>                      | <b>134</b>                      |

The notes set out on pages 14 to 88 form an integral part of these consolidated financial statements.

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

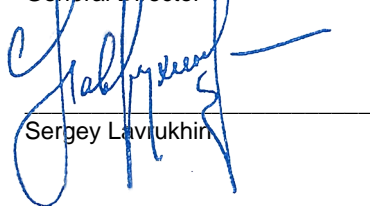


# RBC GROUP

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED) AS OF 31 DECEMBER 2012

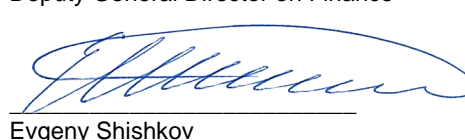
|   | Note | 31 December<br>2012<br>Mln RUB | 31 December<br>2011<br>Mln RUB | 31 December<br>2012<br>Mln USD* | 31 December<br>2011<br>Mln USD* |
|---|------|--------------------------------|--------------------------------|---------------------------------|---------------------------------|
| <b>EQUITY AND LIABILITIES</b>   |      |                                |                                |                                 |                                 |
| <b>Equity</b>   |      |                                |                                |                                 |                                 |
| Share capital   | 26   | -                              | -                              | -                               | -                               |
| Share premium   | 26   | 3,281                          | 2,346                          | 108                             | 77                              |
| Treasury shares   |      | (631)                          | (631)                          | (21)                            | (21)                            |
| Translation reserve   |      | (7)                            | (6)                            | -                               | -                               |
| Accumulated losses  |      | (5,941)                        | (6,165)                        | (196)                           | (203)                           |
| <b>Total equity attributable to owners of the Company</b>               |      | <b>(3,298)</b>                 | <b>(4,456)</b>                 | <b>(109)</b>                    | <b>(147)</b>                    |
| Non-controlling interests   |      | 29                             | 34                             | 1                               | 1                               |
| <b>Total equity</b>   |      | <b>(3,269)</b>                 | <b>(4,422)</b>                 | <b>(108)</b>                    | <b>(146)</b>                    |
| <b>Non-current liabilities</b>  |      |                                |                                |                                 |                                 |
| Loans and borrowings  | 28   | -                              | 6,988                          | -                               | 230                             |
| Derivative financial liabilities  | 28   | 43                             | 21                             | 1                               | 1                               |
| Deferred tax liabilities  | 22   | 188                            | 93                             | 6                               | 3                               |
| <b>Total non-current liabilities</b>                                    |      | <b>231</b>                     | <b>7,102</b>                   | <b>7</b>                        | <b>234</b>                      |
| <b>Current liabilities</b>  |      |                                |                                |                                 |                                 |
| Loans and borrowings  | 28   | 6,958                          | 33                             | 229                             | 1                               |
| Trade and other payables  | 29   | 1,294                          | 1,351                          | 43                              | 44                              |
| Income tax payable  |      | 1                              | 1                              | -                               | -                               |
| Provisions  | 30   | 288                            | 33                             | 11                              | 1                               |
| Liabilities directly associated with assets classified as held for sale | 15   | 97                             | -                              | 3                               | -                               |
| <b>Total current liabilities</b>  |      | <b>8,638</b>                   | <b>1,418</b>                   | <b>286</b>                      | <b>46</b>                       |
| <b>Total liabilities</b>  |      | <b>8,869</b>                   | <b>8,520</b>                   | <b>293</b>                      | <b>280</b>                      |
| <b>Total equity and liabilities</b>                                     |      | <b>5,600</b>                   | <b>4,098</b>                   | <b>185</b>                      | <b>134</b>                      |

General Director



Sergey Laviukhin

Deputy General Director on Finance



Evgeny Shishkov

The notes set out on pages 14 to 88 form an integral part of these consolidated financial statements.

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

# RBC GROUP

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012

|   | Year ended                     |                                | Year ended                      |                                 |
|---|--------------------------------|--------------------------------|---------------------------------|---------------------------------|
|   | 31 December<br>2012<br>Mln RUB | 31 December<br>2011<br>Mln RUB | 31 December<br>2012<br>Mln USD* | 31 December<br>2011<br>Mln USD* |
| <b>OPERATING ACTIVITIES</b>   |                                |                                |                                 |                                 |
| <b>Profit for the year</b>  | 219                            | 648                            | 7                               | 21                              |
| <i>Adjustments for:</i>   |                                |                                |                                 |                                 |
| Depreciation and amortization   | 404                            | 256                            | 13                              | 8                               |
| Impairment of assets  | 59                             | -                              | 2                               | -                               |
| Gain from trade and other payables<br>write-off   | (25)                           | (76)                           | (1)                             | (3)                             |
| Unrealized foreign exchange (gain) / loss   | (387)                          | 351                            | (13)                            | 12                              |
| Loss on disposal of property, plant and<br>equipment and intangible assets                | 30                             | 5                              | 1                               | -                               |
| (Gain) / loss on disposal of subsidiaries   | (348)                          | 14                             | (11)                            | -                               |
| Share of profit of associates and joint<br>ventures                                       | (1)                            | (75)                           | -                               | (2)                             |
| Impairment of accounts receivable   | 22                             | 13                             | 1                               | -                               |
| Change in provisions, other than income<br>tax  | 255                            | 2                              | 8                               | -                               |
| Effect from change of fair value of<br>derivative financial instruments, loss /<br>(gain) | 22                             | (1,062)                        | 1                               | (35)                            |
| Reversal of tax provision   | -                              | (58)                           | -                               | (2)                             |
| Loss from restructuring   | -                              | 14                             | -                               | -                               |
| Fines and penalties on overdue debts  | -                              | 13                             | -                               | -                               |
| Interest expense  | 431                            | 324                            | 14                              | 11                              |
| Interest income   | (23)                           | (38)                           | (1)                             | (1)                             |
| Other non-cash adjustments  | -                              | (71)                           | -                               | (2)                             |
| Income tax expense  | 52                             | 51                             | 2                               | 2                               |
| <b>Operating profit before changes in<br/>working capital</b>                             | <b>710</b>                     | <b>311</b>                     | <b>23</b>                       | <b>9</b>                        |
| (Increase) / decrease in inventories  | (26)                           | 1                              | (1)                             | -                               |
| Increase in trade and other receivables   | (252)                          | (358)                          | (8)                             | (12)                            |
| Increase in trade and other payables  | 2                              | 308                            | -                               | 10                              |
| <b>Cash flows from operations before<br/>income taxes and interest paid</b>               | <b>434</b>                     | <b>262</b>                     | <b>14</b>                       | <b>7</b>                        |
| Income taxes paid   | (41)                           | (33)                           | (1)                             | (1)                             |
| Interest paid   | (267)                          | (246)                          | (9)                             | (8)                             |
| <b>Cash flows from/ (used in) operating<br/>activities</b>                                | <b>126</b>                     | <b>(17)</b>                    | <b>4</b>                        | <b>(2)</b>                      |

The notes set out on pages 14 to 88 form an integral part of these consolidated financial statements.

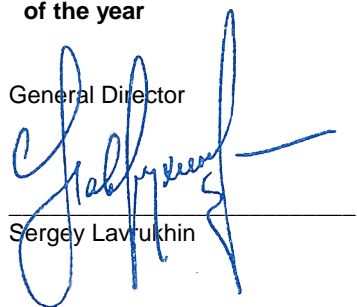
\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

# RBC GROUP

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

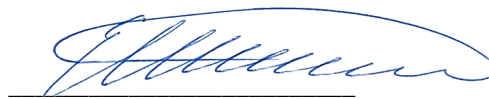
|  | Year ended                     |                                | Year ended                      |                                 |
|--|--------------------------------|--------------------------------|---------------------------------|---------------------------------|
|  | 31 December<br>2012<br>Mln RUB | 31 December<br>2011<br>Mln RUB | 31 December<br>2012<br>Mln USD* | 31 December<br>2011<br>Mln USD* |
| <b>INVESTING ACTIVITIES</b>                                    |                                |                                |                                 |                                 |
| Proceeds from disposal of property, plant and equipment        | -                              | 4                              | -                               | -                               |
| Proceeds from disposal of other non-current assets             | -                              | 75                             | -                               | 2                               |
| Loans granted  | (3)                            | (7)                            | -                               | -                               |
| Repayment of loans granted                                     | -                              | 7                              | -                               | -                               |
| Interest received  | 23                             | 37                             | 1                               | 1                               |
| Purchase of property, plant and equipment                      | (136)                          | (287)                          | (4)                             | (9)                             |
| Disposal of property, plant and equipment                      | 28                             | -                              | 1                               | -                               |
| Purchase of intangible assets                                  | (265)                          | (223)                          | (9)                             | (7)                             |
| Acquisition of subsidiaries, net of cash acquired              | (763)                          | (11)                           | (25)                            | -                               |
| Cash outflow on disposal of subsidiaries                       | (264)                          | -                              | (9)                             | -                               |
| <b>Cash flows used in investing activities</b>                 | <b>(1,380)</b>                 | <b>(405)</b>                   | <b>(45)</b>                     | <b>(13)</b>                     |
| <b>FINANCING ACTIVITIES</b>                                    |                                |                                |                                 |                                 |
| Proceeds from issue of shares                                  | 935                            | -                              | 31                              | -                               |
| Dividends paid   | -                              | (5)                            | -                               | -                               |
| Proceeds from borrowings                                       | 186                            | 5                              | 6                               | -                               |
| Repayment of borrowings  | -                              | (39)                           | -                               | (1)                             |
| <b>Cash flows from / (used in) financing activities</b>        | <b>1,121</b>                   | <b>(39)</b>                    | <b>37</b>                       | <b>(1)</b>                      |
| <b>Net decrease in cash and cash equivalents</b>               | <b>(133)</b>                   | <b>(461)</b>                   | <b>(4)</b>                      | <b>(16)</b>                     |
| Cash and cash equivalents at the beginning of the year         | 713                            | 1,174                          | 23                              | 39                              |
| Cash and cash equivalents reclassified as assets held for sale | (72)                           | -                              | (2)                             | -                               |
| <b>Cash and cash equivalents at the end of the year</b>        | <b>508</b>                     | <b>713</b>                     | <b>17</b>                       | <b>23</b>                       |

General Director



Sergey Lavrukhin

Deputy General Director on Finance



Evgeny Shishkov

The notes set out on pages 14 to 88 form an integral part of these consolidated financial statements.

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

## RBC GROUP

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

| Mln RUB   | Share capital | Share premium | Treasury shares | Translation reserve | Accumulated loss | Total   | Non-controlling interests | Total equity |
|---|---------------|---------------|-----------------|---------------------|------------------|---------|---------------------------|--------------|
| <b>Balance at 1 January 2012</b>                            | -             | 2,346         | (631)           | (6)                 | (6,165)          | (4,456) | 34                        | (4,422)      |
| Profit for the year   | -             | -             | -               | -                   | 232              | 232     | (13)                      | 219          |
| <b>Other comprehensive income</b>                           |               |               |                 |                     |                  |         |                           |              |
| Exchange differences on translating foreign operations      | -             | -             | -               | (1)                 | -                | (1)     | -                         | (1)          |
| <b>Total other comprehensive income</b>                     | -             | -             | -               | (1)                 | -                | (1)     | -                         | (1)          |
| <b>Total comprehensive income for the year</b>              | -             | -             | -               | (1)                 | 232              | 231     | (13)                      | 218          |
| <b>Transactions with owners recorded directly in equity</b> |               |               |                 |                     |                  |         |                           |              |
| Acquisition of non-controlling interests                    | -             | -             | -               | -                   | (8)              | (8)     | 8                         | -            |
| Proceeds from issue of shares                               | -             | 935           | -               | -                   | -                | 935     | -                         | 935          |
| <b>Total transactions with owners of the company</b>        | -             | 935           | -               | -                   | (8)              | 927     | 8                         | 935          |
| <b>Balance at 31 December 2012</b>                          | -             | 3,281         | (631)           | (7)                 | (5,941)          | (3,298) | 29                        | (3,269)      |

The notes set out on pages 14 to 88 form an integral part of these consolidated financial statements.

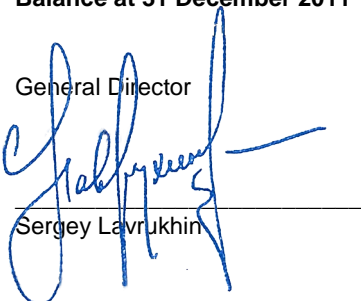
\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

## RBC GROUP

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

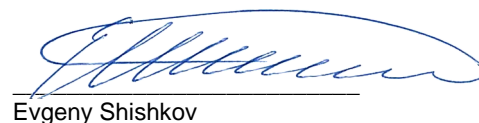
| MIn RUB   | Share capital | Share premium | Treasury shares | Translation reserve | Accumulated loss | Total          | Non-controlling interests | Total equity   |
|---|---------------|---------------|-----------------|---------------------|------------------|----------------|---------------------------|----------------|
| Balance at 1 January 2011                                   | -             | 8,995         | (631)           | (9)                 | (13,417)         | (5,062)        | 47                        | (5,015)        |
| Profit for the year   | -             | -             | -               | -                   | 662              | 662            | (13)                      | 649            |
| <b>Other comprehensive income</b>                           |               |               |                 |                     |                  |                |                           |                |
| Exchange differences on translating foreign operations      | -             | -             | -               | 3                   | -                | 3              | -                         | 3              |
| <b>Total other comprehensive income</b>                     | -             | -             | -               | 3                   | -                | 3              | -                         | 3              |
| <b>Total comprehensive income for the period</b>            | -             | -             | -               | 3                   | 662              | 665            | (13)                      | 652            |
| <b>Transactions with owners recorded directly in equity</b> |               |               |                 |                     |                  |                |                           |                |
| Acquisition of non-controlling interests                    | -             | -             | -               | -                   | (54)             | (54)           | -                         | (54)           |
| Change of the parent company of the Group                   | -             | (6,649)       | -               | -                   | 6,649            | -              | -                         | -              |
| Dividends to equity holders of the Company                  | -             | -             | -               | -                   | (5)              | (5)            | -                         | (5)            |
| <b>Total transactions with owners of the company</b>        | -             | (6,649)       | -               | -                   | (6,590)          | (59)           | -                         | (59)           |
| <b>Balance at 31 December 2011</b>                          | -             | <b>2,346</b>  | <b>(631)</b>    | <b>(6)</b>          | <b>(6,165)</b>   | <b>(4,456)</b> | <b>34</b>                 | <b>(4,422)</b> |

General Director



Sergey Lavrukhin

Deputy General Director on Finance



Evgeny Shishkov

The notes set out on pages 14 to 88 form an integral part of these consolidated financial statements.

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## RBC GROUP

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

| MIn USD*  | Share capital | Share premium | Treasury shares | Translation reserve | Accumulated loss | Total | Non-controlling interests | Total equity |
|---|---------------|---------------|-----------------|---------------------|------------------|-------|---------------------------|--------------|
| <b>Balance at 1 January 2012</b>                            | -             | 77            | (21)            | -                   | (203)            | (147) | 1                         | (146)        |
| Profit for the year   | -             | -             | -               | -                   | 7                | 7     | -                         | 7            |
| <b>Other comprehensive income</b>                           |               |               |                 |                     |                  |       |                           |              |
| Exchange differences on translating foreign operations      | -             | -             | -               | -                   | -                | -     | -                         | -            |
| <b>Total other comprehensive income</b>                     | -             | -             | -               | -                   | -                | -     | -                         | -            |
| <b>Total comprehensive income for the year</b>              | -             | -             | -               | -                   | 7                | 7     | -                         | 7            |
| <b>Transactions with owners recorded directly in equity</b> |               |               |                 |                     |                  |       |                           |              |
| Acquisition of non-controlling interests                    | -             | -             | -               | -                   | -                | -     | -                         | -            |
| Proceeds from issue of shares                               | -             | 31            | -               | -                   | -                | 31    | -                         | 31           |
| <b>Total transactions with owners of the company</b>        | -             | 31            | -               | -                   | -                | 31    | -                         | 31           |
| <b>Balance at 31 December 2012</b>                          | -             | 108           | (21)            | -                   | (196)            | (109) | 1                         | (108)        |

The notes set out on pages 14 to 88 form an integral part of these consolidated financial statements.

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## RBC GROUP

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

| MIn USD*  | Share capital | Share premium | Treasury shares | Translation reserve | Accumulated loss | Total | Non-controlling interests | Total equity |
|---|---------------|---------------|-----------------|---------------------|------------------|-------|---------------------------|--------------|
| <b>Balance at 1 January 2011</b>                            | -             | 296           | (21)            | -                   | (442)            | (167) | 2                         | (165)        |
| Profit for the year   | -             | -             | -               | -                   | 22               | 22    | (1)                       | 21           |
| <b>Other comprehensive income</b>                           |               |               |                 |                     |                  |       |                           |              |
| Exchange differences on translating foreign operations      | -             | -             | -               | -                   | -                | -     | -                         | -            |
| <b>Total other comprehensive income</b>                     | -             | -             | -               | -                   | -                | -     | -                         | -            |
| <b>Total comprehensive income for the period</b>            | -             | -             | -               | -                   | 22               | 22    | (1)                       | 21           |
| <b>Transactions with owners recorded directly in equity</b> |               |               |                 |                     |                  |       |                           |              |
| Acquisition of non-controlling interests                    | -             | -             | -               | -                   | (2)              | (2)   | -                         | (2)          |
| Change of the parent company of the Group                   | -             | (219)         | -               | -                   | 219              | -     | -                         | -            |
| Dividends to equity holders of the Company                  | -             | -             | -               | -                   | -                | -     | -                         | -            |
| <b>Total transactions with owners of the company</b>        | -             | (219)         | -               | -                   | 217              | (2)   | -                         | (2)          |
| <b>Balance at 31 December 2011</b>                          | -             | 77            | (21)            | -                   | (203)            | (147) | 1                         | (146)        |

The notes set out on pages 14 to 88 form an integral part of these consolidated financial statements.

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

### 1. GENERAL INFORMATION

#### (a) Organization and operations

OJSC RBC ("the Company") and its subsidiaries (together referred to as "the Group") comprise the companies registered in accordance with the Civil Code of the Russian Federation, and the companies registered and operating abroad.

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

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, printing publications and internet hosting services. These services and products are sold in the Russian Federation and abroad.

As at 31 December 2012 and 2011 Mr. Mikhail D. Prokhorov, a citizen of the Russian Federation, was the ultimate beneficiary of the Company.

#### (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 the parent company of the Group. On 7 June 2010 ONEXIM Group acquired a 51% stake in the Company through an additional share issue for 80 Mln USD. The remaining 49% of the Company was supposed to be exchanged for 100% of shares in OJSC RBC Information Systems.

In January 2011, an exchange of the shares of OJSC RBC Information Systems for shares of the Company started. In 2011, OJSC RBC became the new parent company of the Group after the restructuring of the Group. In June 2011, the shares of OJSC RBC Information Systems were delisted from the Moscow Stock Exchange. As at 31 December 2012, 99.9% of the shares of OJSC RBC Information Systems were exchanged for shares of the Company. As at 31 December 2012 and 31 December 2011, OJSC RBC Information Systems and its subsidiaries were controlled by the Group under the shareholders' agreement.

In April 2012, the General Director of the Group, German Kaplun, resigned and Sergey Lavrukhin was appointed by the Board of Directors as the new General Director of the Group.

#### (c) Business environment

The Russian Federation, where the majority of the Group's transactions are conducted, has been experiencing political and economic changes that have 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. These consolidated financial statements reflect management's assessment of the impact of the Russian and business environment on the operations and the financial position of the Group. The future changes in business environment may differ from management's assessment.

*\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).*



# RBC GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

### (d) Significant subsidiaries

|                             | Country of incorporation | Proportion of ownership interest and voting power held by the Group |                  |
|-----------------------------|--------------------------|---|------------------|
|                             |                          | 31 December 2012  | 31 December 2011 |
| RBC Media, LLC              | Russian Federation       | 100%  | 100%             |
| RBC Money, LLC              | Russian Federation       | 0%  | 74%              |
| RBC TV, CJSC                | Russian Federation       | 100%  | 100%             |
| RosBusinessConsulting, CJSC | Russian Federation       | 100%  | 100%             |
| Ad Line, LLC                | Russian Federation       | 100%  | 100%             |
| Loveplanet, LLC             | Russian Federation       | 76%   | 75%              |
| EDI S Press Holding Ltd.    | Cyprus                   | 80%   | 80%              |
| Eidos Marketing             | British Virgin Islands   | 80%   | 80%              |
| Eidos Logistic, CJSC        | Russian Federation       | 80%   | 80%              |
| MassMediaGroup Ltd.         | Ukraine                  | 100%  | 100%             |
| Global Media Solutions      | Russian Federation       | 100%  | 100%             |
| RBC-TV Novosibirsk, CJSC    | Russian Federation       | 100%  | 100%             |
| BusinessPress, LLC          | Russian Federation       | 100%  | 100%             |
| BusinessPress SPb, LLC      | Russian Federation       | 100%  | 100%             |
| ID Salon Press, CJSC        | Russian Federation       | 80%   | 80%              |
| Konkord, LLC                | Russian Federation       | 100%  | 100%             |
| CentroHost, CJSC            | Russian Federation       | 100%  | 100%             |
| Garant-Park-Telecom, LLC    | Russian Federation       | 86%   | 86%              |
| Hosting-Centr, LLC          | Russian Federation       | 100%  | 100%             |
| MediaMir, LLC               | Russian Federation       | 100%  | 100%             |
| Valento Commerce            | British Virgin Islands   | 100%  | 100%             |
| Ikomalex Holdings Limited   | Cyprus                   | 100%  | 100%             |
| Halverston Holdings Limited | British Virgin Islands   | 100%  | 100%             |
| HostingCommunity Inc.       | Cyprus                   | 100%  | 100%             |
| Pintoleza Holdings Limited  | Cyprus                   | 100%  | 100%             |
| Cnews.ru, LLC               | Russian Federation       | 100%  | 100%             |
| RSIC, CJSC (Note 7)         | Russian Federation       | 100%  | 0%               |
| NIC-Media, LLC              | Russian Federation       | 99%   | 0%               |

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

### (b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for financial instruments at fair value through profit and loss which are accounted for at fair value.

### (c) Functional and presentation currency

The national currency of the Russian Federation is the Russian rouble ("RUB"), which is the Group's functional currency of the majority of the Group's entities and the currency in which these consolidated financial statements are presented. Besides the Russian rouble, the functional currency of the Group's subsidiaries located in Ukraine and Kazakhstan are the Ukrainian hryvnia and Kazakh tenge, respectively. All financial information presented in RUB has been rounded to the nearest million, unless otherwise indicated.

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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**(d) Convenience translation**

In addition to presenting these consolidated financial statements in RUB, supplementary financial information in US Dollars ("USD") has been presented for the convenience of the users of these consolidated financial statements.

All amounts in these consolidated financial statements, including comparative information, are translated from RUB to USD at the closing exchange rate at 31 December 2012 of RUB 30.3727 to USD 1.

**(e) Going concern**

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will continue to be able to operate in the foreseeable future, and there is no intention to liquidate or significantly decrease operations of the Group and, as a result, liabilities will be settled and assets will be realized in the ordinary course of business.

As at 31 December 2012 the Group had negative net assets of 3,269 Mln RUB / 108 Mln USD\* and working capital deficit of 6,486 Mln RUB / 214 Mln USD\* due to non-compliance with certain loan agreement covenants as discussed further in Note 28. The net cash inflow from operating activities for the year ended 31 December 2012 was 126 Mln RUB / 4 Mln USD\*.

At the date of the approval of these consolidated financial statements several measures have been undertaken in order to improve the working capital deficit and the negative net assets:

- The decision to sell the Salon segment was taken, and the search for potential buyers is in progress;
- The Group has achieved an agreement with OJSC MDM Bank, the enforcement agent under the loan agreement with E.M.I.S. Finance B.V. of 6,550 Mln RUB / 216 Mln USD\*, on waiver of its rights in respect to the loan repayment acceleration for the period up to and including 30 September 2013 as non-compliance with certain loan agreement covenants amounted 1 Mln USD\* and the breach is considered to be technical;
- At the date of the approval of these consolidated financial statements the Group's management believes that it will be able to obtain until the end of July 2013 a written approval of the E.M.I.S. Finance B.V. loan agreement covenants change and the waiver of the rights on the loan repayment acceleration from all the creditors and bond holders;
- Additionally, ONEXIM Group confirmed to the Group's management its intention to provide the Group with financing necessary to cover its liabilities as they fall due within the next 12 months.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below in Notes 3(a) to 3(t) have been applied consistently to all periods presented in these consolidated financial statements.

**(a) Basis of consolidation****a. Business combinations**

Business combinations are accounted for using the acquisition method at the acquisition date – i.e. when control is transferred to the Group. Control is achieved where the Group has 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 are currently exercisable.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The amount of any non-controlling interest in the acquired entity; plus
- If the business combination is achieved in stages, the fair value of the previously held equity interest in the acquired entity; less
- The net recognized amount (generally, fair value) of the identifiable assets acquired and liabilities assumed.

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

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

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

**b. Acquisition of non-controlling interests**

Acquisitions of non-controlling interests without the loss of control by the Group are accounted for within equity and as the result no goodwill arises on such transactions. Adjustments to non-controlling interests are measured at a proportionate share of the net assets of the subsidiary.

**c. Subsidiaries**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into consideration. 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. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

**d. Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

**e. Loss of control**

Upon loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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**(b) Associates and joint ventures**

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, established by a contractual agreement and requiring the unanimous consent for strategic financial and operating decisions.

Associates and joint ventures are accounted for using the equity method. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates and joint ventures, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences and until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an associate or joint venture, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued, except for the extent that the Group has an obligation or has made payments on behalf of the investee.

Unrealized profit or loss arisen as a result of operations with investments, accounted for using the equity method, is eliminated in proportion to the Group's share in such operations.

**(c) Foreign currency****a. Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of the Group's entities at the exchange rates prevailing 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. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising in translation are recognized in profit or loss, except for differences arising on the translation of available-for-sale equity instruments which are recognized in other comprehensive income.

**b. Foreign operations**

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

Foreign currency differences resulting from translation of foreign operations are recognized directly in other comprehensive income. Since the Group's transition to IFRS, such differences have been recognized in the foreign currency translation reserve. When a foreign subsidiary is disposed of, in part or in full, the relevant amount in the translation reserve is transferred to profit or loss as part of the profit or loss on disposal.

Foreign exchange gains and losses arising from a monetary item receivable 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 recognized in other comprehensive income, and are presented within equity in foreign currency translation reserve.

*\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).*

**(d) Financial assets****a. Non-derivative financial assets**

Non-derivative financial assets comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents.

The Group initially recognizes loans, receivables and deposits on the date of their issue / occurrence. Initial recognition of all other financial assets (including assets designated as instruments measured at fair value through profit or loss) are recognized on the date of the transaction, in which the Group becomes party to the contractual provisions of the instrument.

Cash comprises cash on hand, cash on bank settlement accounts and call deposits. Cash equivalents are short-term highly liquid investments that are readily convertible into cash, the date of their payment occurring not more than three months from the date of acquisition and the value of which is subject to insignificant changes. 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 the statement of cash flows.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or the Group transfers the right to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred to another party. Any participation in a transferred financial asset that is created or retained by the Group is recognized as a separate asset or liability.

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

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

**b. Held-to-maturity investments**

If the Group has an intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortized cost using the effective interest method, less any accumulated impairment losses.

**c. Available-for-sale financial assets**

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, except for those equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably determined and which are measured at cost. Changes in fair values, other than impairment losses (Note 3(j)(a)), foreign exchange gains and losses on available-for-sale investments (Note 3(c)(a)), are recognized in other comprehensive income and presented within equity as the reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

**d. Financial assets at fair value through profit or loss**

An instrument is classified as fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated as fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

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**e. 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 recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables (Note 24).

**(e) Financial liabilities and equity instruments****a. Classification as debt or equity**

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

**b. Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Group entity are recognized as the proceeds received, net of direct issue costs. Repurchases of the Company's own equity instruments are recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

**c. Financial liabilities at fair value through profit or loss ("FVTPL")**

Financial liabilities at FVTPL comprise of financial liabilities, classified at initial recognition as at FVTPL. A financial liability is classified as a financial liability at FVTPL at the moment of initial recognition when financial liability is a part of instrument, that comprise one or more embedded derivatives and International accounting standard ("IAS") 39 permits the entire combined contract (asset or liability) to be designated as FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Net profit (loss) from financial liabilities at FVTPL include interest payable on such financial liabilities and is presented in financial income / expenses.

**d. Other financial liabilities**

Other financial liabilities (including loans and trade and other accounts payable) are subsequently accounted for at amortized cost using the effective interest rate for long-term financial liabilities.

**e. Derivative instruments**

Derivative financial instruments are options and warrants that were issued in the process of restructuring debts and are accounted for as part of the Group's debt. Derivative financial instruments are measured at fair value on initial recognition at the date of agreement conclusion; the corresponding expenses associated with contract are recognized immediately in profit and loss. Derivative financial instruments are subsequently revalued at fair value at the end of each reporting period, with the changes recognized immediately in profit and loss.

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**(f) Share capital****a. Ordinary shares**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

**b. Treasury shares**

No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity in the amount of the consideration paid, which includes directly attributable costs, net of any tax effects. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. The amount received from subsequent treasury shares sale or reissuance is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

**c. Dividends**

Dividends are recognized in the period in which they were declared.

**(g) Property, plant and equipment****a. Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures directly attributable to acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, 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. Purchased software that is integral to the functionality of the related equipment is capitalized 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 recognized on a net basis in "Other income" or "Other expense" within profit or loss.

**b. Subsequent costs**

The cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

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**c. Depreciation**

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment.

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, in which case the leased assets are depreciated over their useful lives.

Land is not depreciated.

The estimated useful lives for each type of property, plant and equipment:

- TV equipment from 5 to 7 years;
- Computer equipment from 2 to 7 years;
- Office equipment from 2 to 5 years;
- Other assets from 5 to 7 years;
- Vehicles from 3 to 10 years.

A useful life is assigned to each item of property, plant and equipment within the groups depending on the expected period of use of the item. Depreciation methods, useful lives and residual values are reviewed at each reporting date and revised if appropriate.

**d. Construction in progress**

Construction in progress comprises costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Construction in progress is reviewed regularly to determine whether its carrying value is recoverable and whether appropriate provision for impairment is necessary.

**(h) Intangible assets****a. Goodwill**

Goodwill (bargain purchase gain or negative goodwill) arises on the acquisition of subsidiaries, associates and joint ventures.

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

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

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*Subsequent measurement*

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

**b. Web-sites**

Costs related to the development of web-sites are capitalized if the site is ready for use (i.e. it is ready to generate revenue from sales).

Expenditure to maintain and improve the design, content and appearance of a web-site is expensed as incurred.

**c. Software**

Acquired software is stated at historical cost less accumulated amortization and any accumulated impairment losses. Costs related to the development of software are capitalized if the Group expects to sell the software at a price above its cost or use it in its operations.

**d. Capitalized development costs**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized 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.

Capitalized expenditure includes the cost of materials, direct labor and overhead costs that are directly attributable to preparing the asset for its intended use. Borrowing costs related to the development of qualifying assets are recognized as a part of the cost of the qualifying assets.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

**e. Trademarks**

Trademarks acquired by the Group in connection with the acquisition of new subsidiaries are stated at fair value and subsequently at residual value less accumulated amortization and impairment losses. Trademarks acquired separately are stated at cost less accumulated amortization and impairment losses.

**f. Brands**

Brands acquired by the Group in connection with the acquisition of new subsidiaries are stated at fair value and subsequently at residual value less accumulated amortization and impairment losses.

**g. Cable network connections**

Cable network connections are measured at the fair value of the consideration paid (including the fair value of non-monetary components, if stipulated by the agreement and may be measured reliably), less accumulated amortization and impairment losses.

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**h. Customer base**

Customer base acquired by the Group in connection with the acquisition of new subsidiaries is stated at fair value and subsequently measured at residual value less accumulated amortization and impairment losses.

**i. Other intangible assets**

Other intangible assets include licenses, short films and software units. Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

**j. Subsequent expenditure**

Subsequent expenditure is capitalized 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 recognized in profit or loss as incurred.

**k. Amortization**

Amortization is recognized in profit or loss 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. The estimated useful lives are as follows:

- |                             |                      |
|-----------------------------|----------------------|
| • Trademarks                | from 2 to 20 years;  |
| • Software                  | from 1 to 3 years;   |
| • Web-site                  | from 1 to 3 years;   |
| • Brands                    | from 12 to 15 years; |
| • Customer base             | from 1 to 10 years;  |
| • Cable network connection  | from 3 to 15 years;  |
| • Other (licenses, content) | from 1 to 5 years.   |

A useful life is assigned to each intangible asset inside those groups depending on expected period of use. Amortization methods, useful lives and residual values are reviewed at each reporting date and revised if appropriate.

**(i) Inventories**

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**(j) Impairment****a. Financial assets**

Financial assets except for those at fair value through profit or loss, are 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 assets (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, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that

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correlate with defaults or 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.

*Loans and receivables and held-to-maturity investments*

The Group considers evidence of impairment for loans and receivables and held-to-maturity investments at both a specific asset and a group of assets. All individually significant loans and receivables and held-to-maturity investments are assessed for specific impairment.

Receivables are assessed for impairment individually. Objective evidence of receivables impairment is cumulative fulfillment of both criterion: receivables passed due over 180 calendar days or receivables, irrespective of aging, regarding to which legal proceedings are started and receivables which are assessed as impaired based on management professional judgment. The impairment of receivables might be calculated in total or in part.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at effective interest rate. Impairment losses are recognized in profit or loss and reflected as allowance against loans and receivables or held-to-maturity investment securities. When a subsequent event causes the amount of an impairment loss to decrease, the decrease in the impairment loss is reversed through profit or loss.

*Available-for-sale financial assets*

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to the application of the effective interest method 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 recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal being recognized in profit or loss. However, the carrying amount of the financial assets at the date of reversal cannot exceed the carrying amount that would have been recorded if the impairment had not been recognized.

**b. Non-financial assets**

The carrying amounts of the Group's non-financial assets, other than 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 useful lives or that are not yet available for use, their recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash generating unit ("CGU") 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 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 or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (or group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill cannot be reversed. In respect of other assets, impairment losses recognized 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 amortization, if no impairment loss had been recognized.

**(k) Non-current assets held for sale**

Non-current assets and disposal groups consisting of assets and liabilities are classified as held for sale if their carrying amount is expected to be recovered principally through a sale transaction or through distribution to shareholders, rather than through continuing use. Before initial classification of assets or assets and liabilities included in a disposal group are classified as assets held for sale, the carrying amount of such assets or a group of assets and liabilities should be determined in accordance with the Group accounting policy. Subsequently such assets or disposal groups are measured at the lower of their previous carrying amount and fair value less cost to sell. Any impairment losses related to disposal groups is allocated against goodwill and then proportionally against all assets and liabilities, except inventory, financial assets, deferred tax assets, and payments to employees, measured according to Group accounting policies. Impairment losses, resulting from the classification of assets and disposal groups as held for sale and profit and losses resulting from subsequent revaluation, if any, are recognized in profit or loss for the period. Such gains should not exceed total amount of impairment losses.

Intangible assets and fixed assets are not amortized since the date of reclassification to a held for sale group or distribution to shareholders. Additionally, investments accounted for using the equity method, are no longer reflected using this method since the date of reclassification to the held for sale group or distribution to shareholders.

**(l) Employee benefits****a. Short-term benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided by the employee.

A liability is recognized 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.

**(m) Provisions****a. Tax provision**

The Group provides for tax risks including late-payment interest and penalties when it is probable that an outflow of economic benefits will be required according to the effective laws and regulations. Such provisions are maintained, and updated if necessary, for the period over which the respective tax positions remain subject to review by the tax authorities.

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**b. Other provisions**

A provision is recognized 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.

**(n) Revenue**

Revenue is recognized at the fair value of consideration, received or expected to be received, as a result of sales transactions less VAT, returns, discounts and rebates.

Revenue from advertising services placed on the Internet is recognized at the moment of placement. Revenue from advertising services placed on TV is recognized at the moment of demonstration.

Revenue from hosting services is recognized in proportion to the services provided. Revenue from the registration and prolongation of domain names is recognized at the moment of domain registration (prolongation).

Revenue from advertising in printed matters is recognized at the moment the printed matter is published. Revenue from sales of printed matter is recognized at the moment of shipment to the customer and is corrected by the amount of actual returns of the printed matter. Revenue from subscriptions is recognized in proportion to services provided.

Revenue from non-cash transactions, including the exchange of advertising services which are not similar, is recognized as the fair value of advertising services provided by the Group which is measured by comparison with the similar market transactions paid in cash. In case, when the Group is not a principal but an agent, revenue is recognized as the amount of commission fee received.

**(o) Other expenses*****Lease payments***

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

**(p) Financial income and expenses**

Financial income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss and foreign currency gains. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established.

Financial expenses comprise interest expense on borrowings, the 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 recognized on financial assets. Borrowing costs are recognized in profit or loss using the effective interest method.

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

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**(q) Income tax expense**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities recognized in consolidated financial statements and the amounts used for taxation purposes. Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- Temporary differences arising on the initial recognition of goodwill.

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 assets and liabilities, 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 realized simultaneously.

In accordance with the tax legislation of the Russian Federation, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group's companies. In addition, the tax base is determined separately for each of the Group's main activities and, therefore, tax losses and taxable profits related to different activities cannot be offset.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which they can be utilized. 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 realized.

**(r) Earnings / (losses) per share**

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share 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. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

**(s) Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The Board of Directors and Management Committee of the Company (chief operating decision maker) regularly makes an assessment of operating results and makes decisions about resources to be allocated to the segment and assess the segment's performance.

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Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly assets of the Group, head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

**(t) 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. Intangible assets**

The fair values of certain intangible assets acquired in business combinations were estimated as follows:

- **Trademarks and brands**

The fair value of trademarks and brands acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the trademark or the brand being owned (the "relief-from-royalty" method).

- **Software and websites**

The fair values of software and websites acquired in a business combination were determined through the cost approach, based on the actual expenditure the Group would have incurred to recreate such software and websites.

- **Other intangible assets**

The fair values of licenses were determined using the cost approach, except for the fair value of the license of CJSC TRK MKS acquired in a business combination in 2008 that was valued using the market approach.

**b. Property, plant and equipment**

The fair value of property, plant and equipment recognized as a result of a business combination is based on market values. Market value is the amount for which property could be exchanged on the acquisition date between willing and knowledgeable parties in an arms-length transaction.

**c. Investments in equity and debt securities**

The fair value of financial assets held at fair value through profit or loss, available-for-sale investments and held-to-maturity investments is determined on the basis of generally accepted pricing models based on discounted cash flow analysis. The fair value of held-to-maturity investments is determined for disclosure purposes only.

**d. Non-derivative financial liabilities**

The fair value of non-derivative financial liabilities, which is determined for disclosure purposes only, is calculated either on their quoted market price, if available, or based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

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**e. Derivatives**

The fair value of options and warrants is estimated by applying the Black-Scholes option pricing model.

**4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS****(a) New standards and amendments to IFRS effective in the current reporting period**

The Group has adopted the following new or revised standards and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") which became effective for the Group's annual consolidated financial statements for the year ended 31 December 2012:

**Amendments to IFRS 7** – The amendments increase the disclosure requirements for transactions involving the transfer of financial assets (for example during securitization), in order to provide greater transparency around risk exposures of the entity when financial assets are transferred. In accordance with these amendments additional disclosures are required in case of disproportionately significant number of transactions of assets transfer which took place in the end of the reporting period.

**IAS 12 "Deferred Tax: Recovery of Underlying Assets"** – amendments relate to investment property measured in accordance with IAS 40 Investment Property.

**Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income"** – The Group has applied the amendments to IAS 1 "Presentation of Items of Other Comprehensive Income" in advance of the effective date (annual periods beginning on or after 1 July 2012). The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income or total comprehensive income.

**Amendments to IAS 1 Comparative Information** – The Group has applied amendments to IAS 1 "Presentation of Financial Statements" (as a part of Annual Improvements to IFRSs 2009-2011 Cycle, issued in May 2012), related with issue of Annual Improvements to IFRSs 2009-2011 in advance of the effective date (annual period beginning on or after 1 January 2013 year). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

The adoption of the new or revised standards did not have any effect on the financial position or performance of the Group.

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**(b) New and revised IFRSs in issue but not yet effective**

A number of new standards, amendments and interpretations have not become effective as at 31 December 2012 and the Group has not early adopted them for the preparation of the current consolidated financial statements. The following standards and interpretations can potentially affect the consolidated financial statements of the Group. The Group plans to adopt these standards and interpretations as they become effective.

- IAS 19 (as revised in 2011) "Employee Benefits". The current standard has been substantially revised, the amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. The amended version of IAS 19 is effective for financial years beginning on or after 1 January 2013, and early adoption is permitted. Changes are applied retrospectively. The Group does not expect this amendment to have a material effect on its consolidated financial statements.
- IAS 27 (as revised in 2011) "Separate Financial Statements" is effective for annual periods beginning on or after 1 January 2013. The amended version of the standard retains the requirements of the current version IAS 27 (as revised in 2008) regarding recognition and disclosure in separate financial statements while some clarifications are added. Furthermore, the requirements of IAS 28 (as revised in 2008) and IAS 31 regarding separate financial statements are now included within IAS 27 (as revised in 2011). Early adoption of IAS 27 (as revised in 2011) is permitted only together with the early adoption of IFRS 10, IFRS 11, IFRS 12 and IAS 28 (revised 2011). The Group does not expect this amendment to have a material effect on its consolidated financial statements.
- IAS 28 (as revised in 2011) "Investments in Associates and Joint Ventures" includes the requirements of IAS 28 (as revised in 2008) and IAS 31, which remain to be valid but not included in IFRS 11 and IFRS 12. The amended version of IAS 28 is effective for financial years beginning on or after 1 January 2013. Early adoption of IAS 28 (as revised in 2011) is permitted only together with the early adoption of IFRS 10, IFRS 11, IFRS 12 and IAS 27 (as revised in 2011). The Group does not expect this amendment to have a material effect on its consolidated financial statements.
- Amendments to IAS 32 "Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities" clarify that an entity has a legally enforceable right of set-off, if this right does not depend on future events and is valid not only if an entity is a going concern but also in the case of default or bankruptcy of the entity and all of its counterparties. The amendments to IAS 32 are effective for annual periods beginning on or after 1 January 2014, with retrospective application required.
- Amendments to IFRS 7 "Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities" require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013, and disclosures should be provided retrospectively for all comparative periods. The Group's management anticipates that the adoption of the amendments to IFRS 7 and IAS 32 will require additional disclosures in the consolidated financial statements regarding the offset of financial assets and financial liabilities.
- IFRS 9 "Financial Instruments", issued in November 2009, introduced new requirements for the classification and measurement of financial assets and is effective for annual periods beginning on or after 1 January 2015. IFRS 9 was amended in October 2010 to include requirements for the classification, measurement and derecognition of financial liabilities.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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The following are key requirements IFRS 9:

- IFRS 9 states that all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at the end of the subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of the subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch within profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss. The Group anticipates that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities in the consolidated financial statements. The Group does not expect the adoption of this standard earlier than the effective date. The current standard has not been adopted for the use in the territory of the Russian Federation.
- IFRS 10 Consolidated Financial Statements is effective for annual periods beginning on or after 1 January 2013. The new standard replaces parts of IAS 27 (as revised in 2008) “Consolidated and Separate Financial Statements” and SIC-12 “Consolidation - Special Purpose Entities”. IFRS 10 states that there is only one basis for consolidation, which is control. It refers also to entities which are currently under the scope of SIC-12. A new definition of control contains three elements, being that an investor controls the investee has: power over the investee; exposure or rights to variable returns from its involvement with the investee and the ability to use its powers over the investee to affect the amount of the investor's return. Consolidation procedures remain the same as under IAS 27 (as revised in 2008). In cases when adoption of IFRS 10 does not change the conclusions as to whether an investee should be consolidated or not, no adjustments in accounting are required for the first adoption of IFRS 10. If adoption of IFRS 10 change the conclusions whether an investee should be consolidated or not, then the standard may be adopted retrospectively from the date of gain or loss of control, or in the case of impracticability, restricted retrospectively, so as to be applied from the beginning of the earliest period, in which it is practical to be applied. Early adoption of IFRS 10 is permitted only together with the early adoption of IAS 27 (as revised in 2011), IFRS 11, IFRS 12 and IAS 28 (as revised in 2011). The Group has not analyzed the consequences of the adoption of the new standard on its consolidated financial statements.
- “Investment Entities” (*Amendments to IFRS 10, IFRS 12 and IAS 27*) is effective for annual periods beginning on or after 1 January 2014. The amendments provide obligatory relief from the consolidation of entities classified as investment entities. An entity which meets criteria of an investment entity must account for investments in subsidiaries, associates and joint ventures at fair value through profit or loss. Relief from consolidation will not be applied to subsidiaries which are considered to be an extension of investment entity's business. Amendments are applied retrospectively except in the case of impracticability. These amendments have not been adopted in the territory of the Russian Federation. The Group does not expect this amendment to have a material effect on its consolidated financial statements.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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- IFRS 11 “Joint Arrangements” is effective for annual periods beginning on or after 1 January 2013 and should be applied retrospectively. The new standard replaces IAS 31 “Interests in Joint Ventures”. The main change to IFRS 11 is that a joint arrangement will be classified either as a joint operation, in this case the arrangement will be accounted for in the financial statements as jointly controlled assets/operations in accordance with IAS 31, or as a joint venture which will be accounted for using the equity method of accounting. The type of arrangement is defined depending on the rights and obligations of the parties to the arrangement, based on the legal form, agreement specifics and other facts and conditions. If adoption of IFRS 11 leads to a change of accounting model, this change should be applied retrospectively from the beginning of the earlier of the periods presented in the financial statements. According to the new standard, it should be applied by all parties of the arrangement even if not all of them share joint control. Early adoption of IFRS 11 is permitted only together with the early adoption of IAS 27 (as revised in 2011), IFRS 10, IFRS 12 and IAS 28 (as revised in 2011). The Group does not expect this standard to have a material effect on its consolidated financial statements.
- IFRS 12 “Disclosure of Interests in Other Entities” is 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/or unconsolidated structured entities. Having an interest is broadly defined as whether the entity is contractually exposed to risks related with variable income that is dependent on permitted results of the operations of the other entity. New extensive disclosure requirements are aimed to allow users of financial statements to evaluate the risks connected with the entity’s interest in other entities and also evaluate the influence that such an interest has on the financial position and financial results of the entity and its cash flows. Entities are permitted to disclose information required by IFRS 12 without an obligation to early adopt IFRS 12 or other new or revised standards. However, if an entity elects to early adopt IFRS 12 in full it must also apply IAS 27 (as revised in 2011), IFRS 11, IFRS 10 and IAS 28 (as revised in 2011). The Group does not expect this standard to have a material effect on its consolidated financial statements.
- IFRS 13 “Fair Value Measurement” is effective for annual periods beginning on or after 1 January 2013. The new standard provides guidance about fair value measurement which replaces separate information about fair value measurement contained within different IFRSs. The standard states a revised definition of fair value, stipulates approaches to measurement of fair value and provides disclosure requirements. The new standard does not set any new requirements for the fair value measurement of assets and liabilities and does not eliminate any current exemptions from fair value measurement rules contained within other IFRSs. This standard is to be applied prospectively, and there is an option of early adoption. The disclosure of comparative information is not required regarding periods preceding the date of first adoption. The Group anticipates that IFRS 13 will require additional disclosures in the consolidated financial statements.

Various amendments issued as part of Annual Improvements to IFRSs were considered with reference to each abovementioned standard separately. All changes regarding disclosure, recognition or measurement are effective not earlier than 1 January 2013. The Group has not yet determined the potential effect of this amendment on its financial position or results of operations.

**5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that impact the application of accounting policies and amounts of recognized assets, liabilities, income and expenses. Additionally, actual amounts may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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**(a) Critical judgments in applying accounting policies**

The following critical judgment was made in the process of applying the Group's accounting policies and which has a significant effect on the amounts recognized in the consolidated financial statements:

**Recognition of revenue from non-cash transactions** – Revenue from non-cash transactions including exchange of: non-similar advertising services is recognized at fair value of advertising services provided by the Group which is determined by comparison with the similar market transactions paid in cash. For the fair value measurement of the rendered advertising services the Group uses certain assumptions based on which measurement is performed.

**(b) Key sources of estimation uncertainty**

The following are the key assumptions and sources of estimation uncertainty at the end of the reporting period which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**Useful lives of property, plant and equipment and intangible assets** – Expected useful lives of property, plant and equipment and intangible assets are revised at the end of each reporting year. The estimation of the useful life of each item of property, plant and equipment and intangible assets is a management judgment which is done based on experience of judgments over other similar items. In the process of determining the useful life of any item, management considers its expected usage, estimated technical obsolescence, physical obsolescence, as well as the actual conditions of the item usage. A change to any of the abovementioned conditions or estimations may adjust amortization and depreciation rates in future periods (Note 16 "Property, plant and equipment" and Note 17 "Intangible Assets").

**Impairment of property, plant and equipment and intangible assets** – At the end of financial reporting period the Group evaluates the existence of any indicators of possible impairment to the carrying value of property, plant and equipment and other non-current assets, this process requires judgment. In the case that such signs are identified, the Group's management performs an impairment test for such assets. The forecasting cash flows for use in impairment test requires certain judgments and estimations regarding factors such as estimated income from new projects, inflation rates, discount rates etc. Furthermore, assumptions are made to define the cash-generating units to which items are allocated (Note 18 "Impairment of assets").

**Impairment of goodwill** – Determining whether goodwill is impaired requires estimation both in defining the cash-generating units to which goodwill has been allocated and also in determining the value in use of such cash generating units. The value in use calculation requires management to estimate the future cash flows expected to arise from each cash-generating unit and an appropriate discount rate to calculate the present value of such cash flows.

**Fair value of assets acquired and liabilities assumed** – The Group measures the identifiable assets acquired and liabilities assumed in business combinations at fair value, which requires significant judgments regarding identification of the assets acquired and liabilities assumed at the acquisition date, and also certain assumptions in the process of measuring their fair values. Usually, the Group's management hires an independent qualified appraiser for the determination of such fair values.

**Allowance for doubtful accounts receivable** – The Group makes allowances for doubtful receivables for the potential losses arising from the inability of customers to make required payments. Estimated provisions against trade receivables are formed based on the judgement of the Group's management regarding the recoverability of each individual receivable. In the case that a debtors financial position worsens, actual write-offs can exceed the estimated provision (Note 24 "Trade and other receivables").

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**Fair value of derivative financial instruments** – The fair value of derivative financial liabilities which are not traded in the active market are determined using Black-Scholes valuation model, the key assumptions of which are volatility, discount rate, etc. (Note 28 “Loans and borrowings”)

**Recoverability of the deferred tax assets** – Deferred tax assets, arising from deductible temporary differences, are recognized only to the extent that it can be reasonably expected that taxable profits will be available to utilize such assets. In determining future taxable profits and carrying values of deferred tax assets, and the probability that those assets can be utilized in the future, management makes judgments and estimations based on the expected performance of the Group which are considered to be reasonable under the current circumstances. In case deferred tax assets expected to be realized in the future is reduced due to certain events, this reduction is recognized in the statement of comprehensive income (Note 22 “Deferred taxes”).

**Contingencies** – The Group exercises significant judgment in measuring and recognizing provisions against exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgment is necessary in assessing the likelihood that a pending claim will be successful, or that a liability will arise, and to quantify the possible amount of the final settlement.

In addition, the Group is subject to various taxes arising in the Russian Federation. Determining the provision for income tax and other taxes is to a large extent a matter of subjective judgment. The Group recognizes liabilities for anticipated tax issues based on estimates of probable tax liabilities. Due to the inherent uncertainties in this evaluation process, actual taxation expense may be different from the original estimate.

**6. SEGMENT INFORMATION****Business segments**

The Group presents the following reportable segments based on the level of disaggregation at which the Board of Directors and Management Committee of the Company (chief operating decision maker) assess the operating results of the Group. In the segment information presented no operating segments have been combined.

**Business Internet segment:** provision of Internet advertising services and information services to business users.

**Consumer Internet segment:** provision of Internet entertainment and advertising services, and e-commerce (including services of electronic cash online payments, discontinued since July 2012).

**Domain names registration and Hosting segment:** provision of hosting and domain names registration services. In April 2012, the Group acquired CJSC Region Network Information Center (“RU-CENTER”) (Note 7), whose financial results were included in this segment, resulting in significant revenue and expenses growth as compared to prior period.

**TV segment:** operation of a RBC-TV channel and provision of TV channel advertising services.

**Business printing segment:** provision of advertising in magazines and newspapers, and sale of magazines and newspapers.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**Salon segment:** printing and distribution of various interior design magazines (discontinued operation based on the decision taken in October 2012).

Revenue and expenses per segments relate only to external counterparties. Sales between segments are not analyzed by the Board of Directors or the Group management and consequently are not shown in this Note.

Accounting policy principles relating to the reportable segments are consistent with the Group accounting policies described in Note 3. Segment income represents the income received in these segments, excluding depreciation and amortization, finance income and costs, income tax, and the share of profit of associates and joint ventures. Segment income is used by the chief operating decision maker for the purposes of resource allocation decisions and the evaluation of segment results.

Geographical information in respect to revenue is not analyzed by the Group's management, and sales to one individual customer does not represent more than 10% of the Group revenue in the 2012 or 2011, presentation of revenue by the main types of services and goods is disclosed in Note 8.

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# RBC GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

| Year ended 31 December 2012                                   |              |                |                  |   |                         |                          |                        |                  |                         |                 |
|---|--------------|----------------|------------------|---|-------------------------|--------------------------|------------------------|------------------|-------------------------|-----------------|
| Min RUB   | Revenue      | Expenses       | Payroll expenses | Cost of sales (net of payroll expenses) | Administrative expenses | Other operating expenses | Other operating income | Selling expenses | Discontinued operations | Profit / (loss) |
| Business Internet   | 2,206        | (1,688)        | (797)            | (184)                                   | (84)                    | (10)                     | -                      | (613)            | -                       | 518             |
| Consumer Internet   | 489          | (555)          | (149)            | (41)                                    | (39)                    | (4)                      | -                      | (322)            | -                       | (66)            |
| Domain names registration and Hosting                         | 1,169        | (1,106)        | (494)            | (406)                                   | (104)                   | (21)                     | -                      | (81)             | -                       | 63              |
| TV  | 846          | (901)          | (561)            | (181)                                   | (49)                    | (17)                     | -                      | (93)             | -                       | (55)            |
| Business Printing   | 417          | (428)          | (227)            | (91)                                    | (23)                    | (2)                      | -                      | (85)             | -                       | (11)            |
| Salon   | 548          | (459)          | (169)            | (103)                                   | (35)                    | (26)                     | -                      | (126)            | -                       | 89              |
| <b>SUBTOTAL:</b>  | <b>5,675</b> | <b>(5,137)</b> | <b>(2,397)</b>   | <b>(1,006)</b>                          | <b>(334)</b>            | <b>(80)</b>              | <b>-</b>               | <b>(1,320)</b>   | <b>-</b>                | <b>538</b>      |
| <b>EBITDA (management accounts)</b>                           |              |                |                  |   |                         |                          |                        |                  |                         | <b>538</b>      |
| <i>Adjustments</i>  |              |                |                  |   |                         |                          |                        |                  |                         |                 |
| Unused vacation   | -            | (20)           | (20)             | -                                       | -                       | -                        | -                      | -                | -                       | (20)            |
| Impairment of Ogorod  | -            | (27)           | -                | -                                       | -                       | (27)                     | -                      | -                | -                       | (27)            |
| Reversal of asset write-off                                   | -            | 19             | -                | 19                                      | -                       | -                        | -                      | -                | -                       | 19              |
| Impairment loss on trade and other receivables                | -            | (40)           | -                | -                                       | -                       | (40)                     | -                      | -                | -                       | (40)            |
| Disposal of subsidiaries                                      | -            | 337            | -                | -                                       | -                       | -                        | 337                    | -                | -                       | 337             |
| Gain from trade and other payables write-off                  | -            | 25             | -                | -                                       | -                       | -                        | 25                     | -                | -                       | 25              |
| Reclassification of other income/expenses                     | (64)         | 70             | 51               | (39)                                    | (15)                    | 14                       | 21                     | 38               | -                       | 6               |
| <b>Total adjustments</b>                                      | <b>(64)</b>  | <b>364</b>     | <b>31</b>        | <b>(20)</b>                             | <b>(15)</b>             | <b>(53)</b>              | <b>383</b>             | <b>38</b>        | <b>-</b>                | <b>300</b>      |
| <b>SUBTOTAL before discontinued operations</b>                | <b>5,611</b> | <b>(4,773)</b> | <b>(2,366)</b>   | <b>(1,026)</b>                          | <b>(349)</b>            | <b>(133)</b>             | <b>383</b>             | <b>(1,282)</b>   | <b>-</b>                | <b>838</b>      |
| Profit / (loss) for the period from discontinued operations:  | (547)        | 480            | 132              | 108                                     | 45                      | 42                       | (3)                    | 127              | 29                      | (67)            |
| <b>SUBTOTAL</b>   | <b>5,064</b> | <b>(4,293)</b> | <b>(2,234)</b>   | <b>(918)</b>                            | <b>(304)</b>            | <b>(91)</b>              | <b>380</b>             | <b>(1,155)</b>   | <b>29</b>               | <b>771</b>      |
| <b>EBITDA (IFRS accounts)</b>                                 |              |                |                  |   |                         |                          |                        |                  |                         | <b>771</b>      |
| Depreciation and amortization                                 | -            | (404)          | -                | (362)                                   | (42)                    | -                        | -                      | -                | -                       | (404)           |
| <b>SUBTOTAL</b>   | <b>5,064</b> | <b>(4,697)</b> | <b>(2,234)</b>   | <b>(1,280)</b>                          | <b>(346)</b>            | <b>(91)</b>              | <b>380</b>             | <b>(1,155)</b>   | <b>29</b>               | <b>367</b>      |
| Finance income  |              |                |                  |   |                         |                          |                        |                  |                         | 22              |
| Finance expenses  |              |                |                  |   |                         |                          |                        |                  |                         | (502)           |
| Gain of foreign exchange differences, net                     |              |                |                  |   |                         |                          |                        |                  |                         | 383             |
| Share of profit of associates and joint ventures              |              |                |                  |   |                         |                          |                        |                  |                         | 1               |
| Income tax expense  |              |                |                  |   |                         |                          |                        |                  |                         | (52)            |
| Non-controlling interests                                     |              |                |                  |   |                         |                          |                        |                  |                         | 13              |
| <b>Net profit attributable to shareholders of the Company</b> |              |                |                  |   |                         |                          |                        |                  |                         | <b>232</b>      |

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# RBC GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Year ended 31 December 2011

| Mln RUB   | Revenue      | Expenses       | Payroll expenses | Cost of sales (net of payroll expenses) | Administrative expenses | Other operating expenses | Other operating income | Selling expenses | Discontinued operations | Profit / (loss) |
|---|--------------|----------------|------------------|---|-------------------------|--------------------------|------------------------|------------------|-------------------------|-----------------|
| Business Internet   | 2,034        | (1,464)        | (661)            | (158)                                   | (70)                    | (9)                      | -                      | (566)            | -                       | 570             |
| Consumer Internet   | 477          | (497)          | (133)            | (47)                                    | (32)                    | (3)                      | -                      | (282)            | -                       | (20)            |
| Domain names registration and Hosting                         | 592          | (578)          | (216)            | (284)                                   | (44)                    | (5)                      | -                      | (29)             | -                       | 14              |
| TV  | 606          | (738)          | (466)            | (157)                                   | (56)                    | (5)                      | -                      | (54)             | -                       | (132)           |
| Business Printing   | 426          | (438)          | (214)            | (84)                                    | (25)                    | (2)                      | -                      | (113)            | -                       | (12)            |
| Salon   | 547          | (473)          | (174)            | (116)                                   | (36)                    | (19)                     | -                      | (128)            | -                       | 74              |
| <b>SUBTOTAL:</b>  | <b>4,682</b> | <b>(4,188)</b> | <b>(1,864)</b>   | <b>(846)</b>                            | <b>(263)</b>            | <b>(43)</b>              | <b>-</b>               | <b>(1,172)</b>   | <b>-</b>                | <b>494</b>      |
| <b>EBITDA (management accounts)</b>                           |              |                |                  |   |                         |                          |                        |                  |                         | <b>494</b>      |
| <i>Adjustments</i>  |              |                |                  |   |                         |                          |                        |                  |                         |                 |
| Unused vacation   | -            | (10)           | (10)             | -                                       | -                       | -                        | -                      | -                | -                       | (10)            |
| Disposals of subsidiaries                                     | -            | (13)           | -                | -                                       | -                       | (13)                     | -                      | -                | -                       | (13)            |
| Reversal of asset write-off                                   | -            | 10             | -                | 10                                      | -                       | -                        | -                      | -                | -                       | 10              |
| PPE and IA disposals  | 4            | 9              | -                | -                                       | -                       | 9                        | -                      | -                | -                       | 13              |
| Reversal of tax fines provision                               | -            | 58             | -                | -                                       | -                       | 58                       | -                      | -                | -                       | 58              |
| Net-off of other non-current assets sales                     | 56           | (74)           | -                | -                                       | -                       | (74)                     | -                      | -                | -                       | (18)            |
| Accrual for audit services                                    | -            | 4              | -                | -                                       | 4                       | -                        | -                      | -                | -                       | 4               |
| Gain from trade and other payables write-off                  | -            | 76             | -                | -                                       | -                       | -                        | 76                     | -                | -                       | 76              |
| Reclassification of other income/expenses                     | (104)        | 104            | 9                | 10                                      | (24)                    | 10                       | 97                     | 22               | -                       | -               |
| <b>Total adjustments</b>                                      | <b>(44)</b>  | <b>164</b>     | <b>(1)</b>       | <b>20</b>                               | <b>(20)</b>             | <b>(30)</b>              | <b>173</b>             | <b>22</b>        | <b>-</b>                | <b>120</b>      |
| <b>SUBTOTAL before discontinued operations</b>                | <b>4,638</b> | <b>(4,024)</b> | <b>(1,865)</b>   | <b>(826)</b>                            | <b>(283)</b>            | <b>(73)</b>              | <b>173</b>             | <b>(1,150)</b>   | <b>-</b>                | <b>614</b>      |
| Profit / (loss) for the period from discontinued operations   | (587)        | 507            | 164              | 141                                     | 53                      | 23                       | -                      | 133              | (10)                    | (80)            |
| <b>SUBTOTAL</b>   | <b>4,051</b> | <b>(3,517)</b> | <b>(1,701)</b>   | <b>(685)</b>                            | <b>(230)</b>            | <b>(51)</b>              | <b>173</b>             | <b>(1,017)</b>   | <b>(10)</b>             | <b>534</b>      |
| <b>EBITDA (IFRS accounts)</b>                                 |              |                |                  |   |                         |                          |                        |                  |                         | <b>534</b>      |
| Depreciation and amortization                                 | -            | (256)          | -                | (194)                                   | (62)                    | -                        | -                      | -                | -                       | (256)           |
| <b>SUBTOTAL</b>   | <b>4,051</b> | <b>(3,773)</b> | <b>(1,701)</b>   | <b>(879)</b>                            | <b>(292)</b>            | <b>(51)</b>              | <b>173</b>             | <b>(1,017)</b>   | <b>(40)</b>             | <b>278</b>      |
| Finance income  |              |                |                  |   |                         |                          |                        |                  |                         | 1,130           |
| Finance expenses  |              |                |                  |   |                         |                          |                        |                  |                         | (452)           |
| Loss of foreign exchange differences, net                     |              |                |                  |   |                         |                          |                        |                  |                         | (351)           |
| Share of profit of associates and joint ventures              |              |                |                  |   |                         |                          |                        |                  |                         | 75              |
| Income tax expense  |              |                |                  |   |                         |                          |                        |                  |                         | (28)            |
| Non-controlling interests                                     |              |                |                  |   |                         |                          |                        |                  |                         | 13              |
| <b>Net profit attributable to shareholders of the Company</b> |              |                |                  |   |                         |                          |                        |                  |                         | <b>662</b>      |

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).



# RBC GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Year ended 31 December 2012

| MIn USD*  | Revenue    | Expenses     | Payroll expenses | Cost of sales (net of payroll expenses) | Administrative expenses | Other operating expenses | Other operating income | Selling expenses | Discontinued operations | Profit / (loss) |
|---|------------|--------------|------------------|---|-------------------------|--------------------------|------------------------|------------------|-------------------------|-----------------|
| Business Internet   | 73         | (56)         | (27)             | (6)                                     | (3)                     | -                        | -                      | (19)             | -                       | 14              |
| Consumer Internet   | 16         | (17)         | (5)              | (1)                                     | (1)                     | -                        | -                      | (11)             | -                       | 2               |
| Domain names registration and Hosting                         | 38         | (36)         | (16)             | (13)                                    | (3)                     | (1)                      | -                      | (3)              | -                       | 2               |
| TV  | 28         | (30)         | (18)             | (6)                                     | (2)                     | (1)                      | -                      | (3)              | -                       | (2)             |
| Business Printing   | 14         | (14)         | (7)              | (3)                                     | (1)                     | -                        | -                      | (3)              | -                       | -               |
| Salon   | 18         | (15)         | (6)              | (3)                                     | (1)                     | (1)                      | -                      | (4)              | -                       | 3               |
| <b>SUBTOTAL:</b>  | <b>187</b> | <b>(168)</b> | <b>(79)</b>      | <b>(32)</b>                             | <b>(11)</b>             | <b>(3)</b>               | <b>-</b>               | <b>(43)</b>      | <b>-</b>                | <b>19</b>       |
| <b>EBITDA (management accounts)</b>                           |            |              |                  |   |                         |                          |                        |                  |                         | <b>19</b>       |
| <i>Adjustments</i>  |            |              |                  |   |                         |                          |                        |                  |                         |                 |
| Unused vacation   | -          | (1)          | (1)              | -                                       | -                       | -                        | -                      | -                | -                       | (1)             |
| Impairment of Ogorod  | -          | (1)          | -                | -                                       | -                       | (1)                      | -                      | -                | -                       | (1)             |
| Reversal of asset write-off                                   | -          | -            | -                | -                                       | -                       | -                        | -                      | -                | -                       | -               |
| Impairment loss on trade and other receivables                | -          | (1)          | -                | -                                       | -                       | (1)                      | -                      | -                | -                       | (1)             |
| Disposal of subsidiaries                                      | -          | 11           | -                | -                                       | -                       | -                        | 11                     | -                | -                       | 11              |
| Gain from trade and other payables write-off                  | -          | 1            | -                | -                                       | -                       | -                        | 1                      | -                | -                       | 1               |
| Reclassification of other income/expenses                     | (2)        | 3            | 2                | (2)                                     | -                       | 1                        | 1                      | 1                | -                       | 1               |
| <b>Total adjustments</b>                                      | <b>(2)</b> | <b>12</b>    | <b>1</b>         | <b>(2)</b>                              | <b>-</b>                | <b>(1)</b>               | <b>13</b>              | <b>1</b>         | <b>-</b>                | <b>10</b>       |
| <b>SUBTOTAL before discontinued operations</b>                | <b>185</b> | <b>(156)</b> | <b>(78)</b>      | <b>(34)</b>                             | <b>(11)</b>             | <b>(4)</b>               | <b>13</b>              | <b>(42)</b>      | <b>-</b>                | <b>29</b>       |
| Profit / (loss) for the period from discontinued operations:  | (18)       | 15           | 4                | 3                                       | 2                       | 1                        | -                      | 4                | 1                       | (3)             |
| <b>SUBTOTAL</b>   | <b>167</b> | <b>(141)</b> | <b>(74)</b>      | <b>(31)</b>                             | <b>(9)</b>              | <b>(3)</b>               | <b>13</b>              | <b>(38)</b>      | <b>1</b>                | <b>26</b>       |
| <b>EBITDA (IFRS accounts)</b>                                 |            |              |                  |   |                         |                          |                        |                  |                         | <b>26</b>       |
| Depreciation and amortization                                 | -          | (13)         | -                | (12)                                    | (1)                     | -                        | -                      | -                | -                       | (13)            |
| <b>SUBTOTAL</b>   | <b>167</b> | <b>(154)</b> | <b>(74)</b>      | <b>(43)</b>                             | <b>(10)</b>             | <b>(3)</b>               | <b>13</b>              | <b>(38)</b>      | <b>1</b>                | <b>13</b>       |
| Finance income  |            |              |                  |   |                         |                          |                        |                  |                         | 1               |
| Finance expenses  |            |              |                  |   |                         |                          |                        |                  |                         | (17)            |
| Gain of foreign exchange differences, net                     |            |              |                  |   |                         |                          |                        |                  |                         | 13              |
| Share of profit of associates and joint ventures              |            |              |                  |   |                         |                          |                        |                  |                         | -               |
| Income tax expense  |            |              |                  |   |                         |                          |                        |                  |                         | (2)             |
| Non-controlling interests                                     |            |              |                  |   |                         |                          |                        |                  |                         | -               |
| <b>Net profit attributable to shareholders of the Company</b> |            |              |                  |   |                         |                          |                        |                  |                         | <b>6</b>        |

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

# RBC GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Year ended 31 December 2011

| MIn USD*  | Revenue    | Expenses     | Payroll expenses | Cost of sales (net of payroll expenses) | Administrative expenses | Other operating expenses | Other operating income | Selling expenses | Discontinued operations | Profit / (loss) |
|---|------------|--------------|------------------|---|-------------------------|--------------------------|------------------------|------------------|-------------------------|-----------------|
| Business Internet   | 66         | (49)         | (22)             | (5)                                     | (3)                     | -                        | -                      | (19)             |                         | 17              |
| Consumer Internet   | 16         | (16)         | (4)              | (2)                                     | (1)                     | -                        | -                      | (9)              |                         | -               |
| Domain names registration and Hosting                         | 19         | (18)         | (7)              | (9)                                     | (1)                     | -                        | -                      | (1)              |                         | 1               |
| TV  | 20         | (24)         | (15)             | (5)                                     | (2)                     | -                        | -                      | (2)              |                         | (4)             |
| Business Printing   | 14         | (15)         | (7)              | (3)                                     | (1)                     | -                        | -                      | (4)              |                         | (1)             |
| Salon   | 18         | (16)         | (6)              | (4)                                     | (1)                     | (1)                      | -                      | (4)              |                         | 2               |
| <b>SUBTOTAL</b>   | <b>153</b> | <b>(138)</b> | <b>(61)</b>      | <b>(28)</b>                             | <b>(9)</b>              | <b>(1)</b>               | <b>-</b>               | <b>(39)</b>      |                         | <b>15</b>       |
| <b>EBITDA (management accounts)</b>                           |            |              |                  |   |                         |                          |                        |                  |                         | <b>15</b>       |
| <i>Adjustments</i>  |            |              |                  |   |                         |                          |                        |                  |                         |                 |
| Unused vacation   | -          | -            | -                | -                                       | -                       | -                        | -                      | -                |                         | -               |
| Disposals of subsidiaries                                     | -          | -            | -                | -                                       | -                       | -                        | -                      | -                |                         | -               |
| PPE and IA disposals  | -          | -            | -                | -                                       | -                       | -                        | -                      | -                |                         | -               |
| Reversal of tax fines provision                               | -          | 2            | -                | -                                       | -                       | 2                        | -                      | -                |                         | 2               |
| Net-off of other non-current assets sales                     | 2          | (2)          | -                | -                                       | -                       | (2)                      | -                      | -                |                         | -               |
| Accrual for audit services                                    | -          | -            | -                | -                                       | -                       | -                        | -                      | -                |                         | -               |
| Gain from trade and other payables write-off                  | -          | 3            | -                | -                                       | -                       | -                        | 3                      | -                | -                       | 3               |
| Reclassification of other income/expenses                     | (3)        | 2            | -                | -                                       | (1)                     | (2)                      | 3                      | 2                |                         | (1)             |
| <b>Total adjustments</b>                                      | <b>(1)</b> | <b>5</b>     | <b>-</b>         | <b>-</b>                                | <b>(1)</b>              | <b>(2)</b>               | <b>6</b>               | <b>2</b>         |                         | <b>4</b>        |
| <b>SUBTOTAL before discontinued operations</b>                | <b>152</b> | <b>(133)</b> | <b>(61)</b>      | <b>(28)</b>                             | <b>(10)</b>             | <b>(3)</b>               | <b>6</b>               | <b>(37)</b>      | <b>-</b>                | <b>19</b>       |
| Profit / (loss) for the period from discontinued operations:  | (19)       | 18           | 5                | 6                                       | 2                       | 1                        | -                      | 5                | (1)                     | (1)             |
| <b>SUBTOTAL</b>   | <b>133</b> | <b>(115)</b> | <b>(56)</b>      | <b>(22)</b>                             | <b>(8)</b>              | <b>(2)</b>               | <b>6</b>               | <b>(32)</b>      | <b>(1)</b>              | <b>18</b>       |
| <b>EBITDA (IFRS accounts)</b>                                 |            |              |                  |   |                         |                          |                        |                  |                         | <b>18</b>       |
| Depreciation and amortization                                 | -          | (8)          | -                | (6)                                     | (2)                     | -                        | -                      | -                |                         | (8)             |
| <b>SUBTOTAL</b>   | <b>133</b> | <b>(123)</b> | <b>(56)</b>      | <b>(28)</b>                             | <b>(10)</b>             | <b>(2)</b>               | <b>6</b>               | <b>(32)</b>      | <b>(1)</b>              | <b>10</b>       |
| Finance income  |            |              |                  |   |                         |                          |                        |                  |                         | 37              |
| Finance expenses  |            |              |                  |   |                         |                          |                        |                  |                         | (15)            |
| Loss of foreign exchange differences, net                     |            |              |                  |   |                         |                          |                        |                  |                         | (12)            |
| Share of profit of associates and joint ventures              |            |              |                  |   |                         |                          |                        |                  |                         | 2               |
| Income tax expense  |            |              |                  |   |                         |                          |                        |                  |                         | (1)             |
| Non-controlling interests                                     |            |              |                  |   |                         |                          |                        |                  |                         | -               |
| <b>Net profit attributable to shareholders of the Company</b> |            |              |                  |   |                         |                          |                        |                  |                         | <b>21</b>       |

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**7. ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS**

**(a) Acquisition**

**a. RU-CENTER**

In April 2012, a subsidiary of the Group, Hosting Community Inc., acquired 100% of the share capital of CJSC Regional networking informational center ("RU-CENTER") for cash consideration of 920 Mln RUB / 30 Mln USD\*.

|           | Principal activity                             | Date of acquisition | Proportion of voting equity interests acquired % | Consideration transferred |           |
|-----------|--|---------------------|--|---------------------------|-----------|
|           |  |                     |  | Mln RUB                   | Mln USD*  |
| RU-CENTER | Domain name registrar and web hosting provider | 19 April 2012       | 100%   | 920                       | 30        |
|           |  |                     |  | <b>920</b>                | <b>30</b> |

RU-CENTER was included in the Domain names registration and Hosting Segment within the segment information.

***Assets acquired and liabilities assumed at the date of acquisition***

|  | Mln RUB        | Mln USD*        |
|--|----------------|-----------------|
| <b>Current assets</b>                                |                |                 |
| Cash and cash equivalents                            | 166            | 5               |
| Trade and other receivables                          | 164            | 5               |
| Other current assets                                 | 9              | -               |
| <b>Non-current assets</b>                            |                |                 |
| Property, plant and equipment                        | 105            | 3               |
| Intangible assets                                    | 729            | 24              |
| Other non-current assets                             | 3              | -               |
| <b>Current liabilities</b>                           |                |                 |
| Trade and other payables                             | (330)          | (10)            |
| Provisions (Note 30)                                 | (239)          | (8)             |
| <b>Non-current liabilities</b>                       |                |                 |
| Deferred tax liabilities                             | (148)          | (4)             |
|  | <b>459</b>     | <b>15</b>       |
|  | <b>Mln RUB</b> | <b>Mln USD*</b> |
| Consideration transferred                            | 920            | 30              |
| Less: fair value of identifiable net assets acquired | (459)          | (15)            |
| <b>Goodwill arising on acquisition</b>               | <b>461</b>     | <b>15</b>       |

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

As at 31 December 2012, the purchase price allocation was complete. As a result of the information received (in particular, in respect to the High Arbitration Court of Russian Federation decision (Note 35), that existed at the date of acquisition, the preliminary purchase price allocation, accounted for in the interim condensed consolidated financial statements for the six months ended 30 June 2012, was adjusted on accounts payable of 35 Mln RUB / 1 Mln USD\*, and a litigation reserve of 239 Mln RUB / 8 Mln USD\* (Note 35).

Goodwill on the acquisition of RU-CENTER is attributable to expected synergies, revenue growth, future market development and the acquired workforce. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

**Net cash outflow on acquisition of subsidiaries**

|  | Year ended<br>31 December<br>2012<br>Mln RUB | Year ended<br>31 December<br>2012<br>Mln USD* |
|--|--|---|
| Consideration paid in cash               | 920  | 30  |
| Less: cash and cash equivalents acquired | (166)  | (5)   |
|  | <b>754</b>                                   | <b>25</b>                                     |

**Impact of acquisition on the results of the Group**

The Group's financial results for the year ended 31 December 2012 include a loss of 91 Mln RUB (unaudited) / 3 Mln USD\* attributable to RU-CENTER. Revenue for the year ended 31 December 2012 includes 626 Mln RUB (unaudited) / 21 Mln USD\* attributable to RU-CENTER.

Had this business combination been effective as at 1 January 2012, the revenue of the Group would have been 5,312 Mln RUB (unaudited) / 174.9 Mln USD\*, and the loss for the year ended 31 December 2012 would have been 271 Mln RUB (unaudited) / 8.9 Mln USD\*. 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.

**b. Zayavka.ru**

On 26 March 2012, a new entity LLC Zayavka.ru ("Zayavka.ru"), which owns the registered domain name Zayavka.ru, was established, in which the Group invested 9 Mln RUB / 0.3 Mln USD\* in cash in exchange for a 59% stake. Zayavka.ru is engaged in arranging on-line connections between customers and sellers.

**c. OGOROD Ltd**

In September 2011, the Group acquired 51% of the share capital of OGOROD Ltd, a geotargeting and micro-blogging service. The purchase price, including investments in the project, amounted to 27 Mln RUB / 0.9 Mln USD\*. At the acquisition date, net assets of OGOROD Ltd amounted to 0.06 Mln RUB / 0.002 Mln USD\*. Goodwill was recognized in the amount of 8 Mln RUB / 0.26 Mln USD\*.

During 2012, as a result of poor operating performance, the project's assets and associated goodwill were impaired. An impairments loss in the amount of 27 Mln RUB / 0.9 Mln USD\* was recognized in Other expenses in the consolidated statement of profit or loss and other comprehensive income.

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# RBC GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

### (b) Disposal

#### a. RBC Money LLC

On 4 July 2012, the Group concluded an agreement to sell its subsidiary RBC Money LLC, which was operating in the e-payment sector, for 272 Mln RUB / 9 Mln USD\*. The negative net assets as at the date of disposal amounted 81 Mln RUB / 3 Mln USD\*. A gain on disposal in the amount 343 Mln RUB / 11 Mln USD\* was recognized in Other income in the consolidated statement of profit or loss and comprehensive income.

## 8. REVENUE

Revenue from continuing operations for 2012 is presented below:

|  | 2012<br>Mln RUB | 2011<br>Mln RUB | 2012<br>Mln USD* | 2011<br>Mln USD* |
|--|-----------------|-----------------|------------------|------------------|
| Revenue from sales of Internet advertising services  | 3,013           | 2,565           | 99               | 84               |
| Revenue from sales of TV advertising services  | 819             | 597             | 27               | 20               |
| Revenue from sales of hosting services and domain names registration services                          | 824             | 520             | 27               | 17               |
| Revenue from sales of advertising space in printed publications and from sales of printed publications | 408             | 409             | 14               | 14               |
|  | <b>5,064</b>    | <b>4,091</b>    | <b>167</b>       | <b>135</b>       |

## 9. COST OF SALES

The cost of sales from continuing operations for 2012 is presented below:

|  | 2012<br>Mln RUB | 2011<br>Mln RUB | 2012<br>Mln USD* | 2011<br>Mln USD* |
|--|-----------------|-----------------|------------------|------------------|
| Payroll expenses, including social charges | (2,025)         | (1,621)         | (67)             | (53)             |
| Depreciation and amortization              | (362)           | (194)           | (12)             | (6)              |
| Domain name expenses                       | (223)           | (89)            | (7)              | (3)              |
| Telecommunications expenses                | (168)           | (150)           | (5)              | (5)              |
| Conferences expenses                       | (152)           | (106)           | (5)              | (3)              |
| Rent expenses                              | (130)           | (127)           | (4)              | (4)              |
| Content expenses                           | (108)           | (82)            | (4)              | (3)              |
| Printing expenses                          | (79)            | (51)            | (3)              | (2)              |
| Other expenses                             | (58)            | (80)            | (2)              | (3)              |
|  | <b>(3,305)</b>  | <b>(2,500)</b>  | <b>(109)</b>     | <b>(82)</b>      |

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

# RBC GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

### 10. OTHER INCOME

|  | 2012<br>Mln RUB | 2011<br>Mln RUB | 2012<br>Mln USD* | 2011<br>Mln USD* |
|--|-----------------|-----------------|------------------|------------------|
| Gain on disposal of subsidiaries                     | 341             | 1               | 11               | -                |
| Gain on trade and other payables<br>write-off        | 25              | 76              | 1                | 3                |
| Gratis aid   | 10              | -               | -                | -                |
| Gain on sale of other non-current<br>assets          | 4               | 35              | -                | 1                |
| Gain on disposal of property, plant<br>and equipment | -               | 3               | -                | -                |
| Reversal of provision for tax claims                 | -               | 58              | -                | 2                |
|  | <b>380</b>      | <b>173</b>      | <b>12</b>        | <b>6</b>         |

### 11. SELLING EXPENSES

Selling expenses are mainly represented by advertising expenses.

### 12. ADMINISTRATIVE EXPENSES

|   | 2012<br>Mln RUB | 2011<br>Mln RUB | 2012<br>Mln USD* | 2011<br>Mln USD* |
|---|-----------------|-----------------|------------------|------------------|
| Payroll expenses, including social<br>charges | (209)           | (90)            | (7)              | (3)              |
| Rent expenses                                 | (123)           | (92)            | (4)              | (3)              |
| Consulting and legal expenses                 | (57)            | (15)            | (2)              | (1)              |
| Depreciation and amortization                 | (42)            | (62)            | (2)              | (2)              |
| Utilities                                     | (38)            | (31)            | (1)              | (1)              |
| Inventory                                     | (29)            | (47)            | (1)              | (2)              |
| Communication expenses                        | (13)            | (15)            | -                | -                |
| Business trips and transportation<br>costs    | (11)            | (9)             | -                | -                |
| Other administrative expenses                 | (33)            | (30)            | (1)              | (1)              |
|   | <b>(555)</b>    | <b>(391)</b>    | <b>(18)</b>      | <b>(13)</b>      |

### 13. OTHER EXPENSES

|  | 2012<br>Mln RUB | 2011<br>Mln RUB | 2012<br>Mln USD* | 2011<br>Mln USD* |
|--|-----------------|-----------------|------------------|------------------|
| Taxes other than income tax                          | (11)            | (11)            | -                | -                |
| Loss on disposal of property, plant<br>and equipment | (11)            | -               | -                | -                |
| Bank commission                                      | (5)             | (6)             | -                | -                |
| Gratis aid   | (3)             | -               | -                | -                |
| Penalties  | (1)             | (1)             | -                | -                |
| Impairment of intangible assets                      | (27)            | -               | (2)              | -                |
| Loss on disposal of subsidiaries                     | -               | (14)            | -                | (1)              |
| Loss on disposal of intangible<br>assets             | -               | (7)             | -                | -                |
| Other operating expenses                             | (11)            | (11)            | -                | -                |
| Impairment loss on trade and other<br>receivables    | (22)            | (1)             | (1)              | (1)              |
|  | <b>(91)</b>     | <b>(51)</b>     | <b>(3)</b>       | <b>(2)</b>       |

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**
**14. FINANCE INCOME AND EXPENSES**

|  | <b>2012<br/>Mln RUB</b> | <b>2011<br/>Mln RUB</b> | <b>2012<br/>Mln USD*</b> | <b>2011<br/>Mln USD*</b> |
|--|-------------------------|-------------------------|--------------------------|--------------------------|
| <b>Finance income</b>  |                         |                         |                          |                          |
| Interest income  | 23                      | 38                      | 1                        | 1                        |
| Gain from revaluation of derivatives   | -                       | 1,062                   | -                        | 35                       |
| Net gain on investments designated<br>at fair value through profit and loss<br>(bonds) | -                       | 30                      | -                        | 1                        |
|  | <b>23</b>               | <b>1,130</b>            | <b>1</b>                 | <b>37</b>                |
|  |                         |                         |                          |                          |
|  | <b>2012<br/>Mln RUB</b> | <b>2011<br/>Mln RUB</b> | <b>2012<br/>Mln USD*</b> | <b>2011<br/>Mln USD*</b> |
| <b>Finance expenses</b>  |                         |                         |                          |                          |
| Interest expenses  | (431)                   | (324)                   | (14)                     | (11)                     |
| Loss on revaluation of derivatives   | (22)                    | -                       | (1)                      | -                        |
| Impairment of investments in<br>associates and joint ventures                          | (32)                    | (98)                    | (1)                      | (3)                      |
| Loss on restructuring  | -                       | (27)                    | -                        | (1)                      |
| Other financial expenses   | (22)                    | (3)                     | (1)                      | -                        |
|  | <b>(507)</b>            | <b>(452)</b>            | <b>(17)</b>              | <b>(15)</b>              |

**15. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE**
**(a) Plan to discontinue Salon segment operations**

In October 2012, the Board of Directors announced its intention to sell the Salon segment. The Group is actively seeking a buyer and is planning to sell the segment in the second quarter of 2013. The Group did not recognize any impairment losses on this segment upon reclassification to assets held for sale.

The financial results of the discontinued Salon segment operations, which were included in profit for the year, are presented below. The comparative information on financial results and cash flows from discontinued operations were restated accordingly.

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**(b) Statement of profit or loss and other comprehensive income from discontinued operations**

|   | 2012<br>Mln RUB                                  |               |  |
|---|--|---------------|--|
|   | Group<br>including<br>discontinued<br>operations | Salon segment | Group<br>excluding<br>discontinued<br>operations |
| Revenue   | 5,611  | 547           | 5,064  |
| Cost of sales   | (3,483)  | (178)         | (3,305)  |
| <b>Gross profit</b>   | <b>2,128</b>                                     | <b>369</b>    | <b>1,759</b>                                     |
| Other income  | 383  | 3             | 380  |
| Selling expenses  | (1,283)  | (128)         | (1,155)  |
| Administrative expenses   | (697)  | (142)         | (555)  |
| Other expenses  | (133)  | (42)          | (91)   |
| <b>Profit from operating activities</b>   | <b>398</b>                                       | <b>60</b>     | <b>338</b>                                       |
| Financial income  | 23   | -             | 23   |
| Financial expenses  | (546)  | (39)          | (507)  |
| Gain from foreign exchange difference, net                                      | 418  | 31            | 387  |
| Share of profit of associates and joint ventures<br>(net of income tax)         | 1  | -             | 1  |
| <b>Profit before income tax</b>   | <b>294</b>                                       | <b>52</b>     | <b>242</b>                                       |
| Income tax expenses   | (75)   | (23)          | (52)   |
| <b>Discontinued operations</b>  |  |               |  |
| Profit / (loss) for the period from discontinued<br>operations                  | -  | -             | 29   |
| <b>Profit for the period</b>  | <b>219</b>                                       | <b>29</b>     | <b>219</b>                                       |
| <b>Other comprehensive expense</b>  |  |               |  |
| Foreign currency translation differences for foreign<br>operations              | (1)  | -             | (1)  |
| <b>Other comprehensive loss for the period,<br/>net of income tax</b>           | <b>(1)</b>                                       | <b>-</b>      | <b>(1)</b>                                       |
| <b>Total comprehensive income for the period</b>                                | <b>218</b>                                       | <b>29</b>     | <b>218</b>                                       |
| <b>Profit / (loss) attributable to:</b>   |  |               |  |
| Owners of the Company   | 232  | 29            | 232  |
| Non-controlling interests   | (13)   | -             | (13)   |
| <b>Profit for the period</b>  | <b>219</b>                                       | <b>29</b>     | <b>219</b>                                       |
| <b>Total comprehensive income / (loss)<br/>for the period, attributable to:</b> |  |               |  |
| Owners of the Company   | 231  | 29            | 231  |
| Non-controlling interests   | (13)   | -             | (13)   |
| <b>Total comprehensive income for the period</b>                                | <b>218</b>                                       | <b>29</b>     | <b>218</b>                                       |

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).



# RBC GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

|   | 2011<br>Mln RUB                                  |               |  |
|---|--|---------------|--|
|   | Group<br>including<br>discontinued<br>operations | Salon segment | Group<br>excluding<br>discontinued<br>operations |
| Revenue   | 4,639  | 548           | 4,091  |
| Cost of sales   | (2,750)  | (250)         | (2,500)  |
| <b>Gross profit</b>   | <b>1,889</b>                                     | <b>298</b>    | <b>1,591</b>                                     |
| Other income  | 175  | 2             | 173  |
| Selling expenses  | (1,150)  | (112)         | (1,038)  |
| Administrative expenses   | (533)  | (142)         | (391)  |
| Other expenses  | (73)   | (22)          | (51)   |
| <b>Profit from operating activities</b>   | <b>308</b>                                       | <b>24</b>     | <b>284</b>                                       |
| Financial income  | 1,132  | 2             | 1,130  |
| Financial expenses  | (467)  | (15)          | (452)  |
| Gain / (loss) from foreign exchange difference, net                             | (349)  | 2             | (351)  |
| Share of profit of associates and joint ventures<br>(net of income tax)         | 76   | -             | 76   |
| <b>Profit before income tax</b>   | <b>700</b>                                       | <b>13</b>     | <b>687</b>                                       |
| Income tax expenses   | (51)   | (23)          | (28)   |
| <b>Discontinued operations</b>  |  |               |  |
| Profit / (loss) for the period from discontinued<br>operations                  | -  | -             | (10)   |
| <b>Profit / (loss) for the period</b>   | <b>649</b>                                       | <b>(10)</b>   | <b>649</b>                                       |
| <b>Other comprehensive expense</b>  |  |               |  |
| Foreign currency translation differences for foreign<br>operations              | 3  | -             | 3  |
| <b>Other comprehensive loss for the period,<br/>net of income tax</b>           | <b>3</b>   | <b>-</b>      | <b>3</b>   |
| <b>Total comprehensive income for the period</b>                                | <b>652</b>                                       | <b>(10)</b>   | <b>652</b>                                       |
| <b>Profit / (loss) attributable to:</b>   |  |               |  |
| Owners of the Company   | 662  | (10)          | 662  |
| Non-controlling interests   | (13)   | -             | (13)   |
| <b>Profit for the period</b>  | <b>649</b>                                       | <b>(10)</b>   | <b>649</b>                                       |
| <b>Total comprehensive income / (loss)<br/>for the period, attributable to:</b> |  |               |  |
| Owners of the Company   | 665  | (10)          | 665  |
| Non-controlling interests   | (13)   | -             | (13)   |
| <b>Total comprehensive income for the period</b>                                | <b>652</b>                                       | <b>(10)</b>   | <b>652</b>                                       |

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

# RBC GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

|   | 2012<br>Mln USD*                                 |               |  |
|---|--|---------------|--|
|   | Group<br>including<br>discontinued<br>operations | Salon segment | Group<br>excluding<br>discontinued<br>operations |
| Revenue   | 185  | 18            | 167  |
| Cost of sales   | (115)  | (6)           | (109)  |
| <b>Gross profit</b>   | <b>70</b>  | <b>12</b>     | <b>58</b>  |
| Other income  | 12   | -             | 12   |
| Selling expenses  | (42)   | (4)           | (38)   |
| Administrative expenses   | (23)   | (5)           | (18)   |
| Other expenses  | (5)  | (1)           | (3)  |
| <b>Profit from operating activities</b>   | <b>12</b>  | <b>2</b>      | <b>11</b>  |
| Financial income  | 1  | -             | 1  |
| Financial expenses  | (18)   | (1)           | (17)   |
| Gain from foreign exchange difference, net                                      | 14   | 1             | 13   |
| Share of profit of associates and joint ventures<br>(net of income tax)         | -  | -             | -  |
| <b>Profit before income tax</b>   | <b>10</b>  | <b>2</b>      | <b>8</b>   |
| Income tax expenses   | (2)  | (1)           | (2)  |
| <b>Discontinued operations</b>  |  |               |  |
| Profit / (loss) for the period from discontinued<br>operations:                 | -  | -             | 1  |
| <b>Profit for the period</b>  | <b>7</b>   | <b>1</b>      | <b>7</b>   |
| <b>Other comprehensive expense</b>  |  |               |  |
| Foreign currency translation differences for foreign<br>operations              | -  | -             | -  |
| <b>Other comprehensive loss for the period,<br/>net of income tax</b>           | <b>-</b>   | <b>-</b>      | <b>-</b>   |
| <b>Total comprehensive income for the period</b>                                | <b>7</b>   | <b>1</b>      | <b>7</b>   |
| <b>Profit / (loss) attributable to:</b>   |  |               |  |
| Owners of the Company   | 7  | 1             | 7  |
| Non-controlling interests   | -  | -             | -  |
| <b>Profit for the period</b>  | <b>7</b>   | <b>1</b>      | <b>7</b>   |
| <b>Total comprehensive income / (loss)<br/>for the period, attributable to:</b> |  |               |  |
| Owners of the Company   | 7  | 1             | 7  |
| Non-controlling interests   | -  | -             | -  |
| <b>Total comprehensive income for the period</b>                                | <b>7</b>   | <b>1</b>      | <b>7</b>   |

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# RBC GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

|   | 2011<br>Mln USD*                                 |               |  |
|---|--|---------------|--|
|   | Group<br>including<br>discontinued<br>operations | Salon segment | Group<br>excluding<br>discontinued<br>operations |
| Revenue   | 153  | 18            | 135  |
| Cost of sales   | (91)   | (9)           | (82)   |
| <b>Gross profit</b>   | <b>62</b>  | <b>9</b>      | <b>53</b>  |
| Other income  | 6  | -             | 6  |
| Selling expenses  | (38)   | (4)           | (34)   |
| Administrative expenses   | (18)   | (5)           | (13)   |
| Other expenses  | (2)  | (1)           | (1)  |
| <b>Profit from operating activities</b>   | <b>10</b>  | <b>(1)</b>    | <b>10</b>  |
| Financial income  | 37   | -             | 37   |
| Financial expenses  | (15)   | -             | (15)   |
| Gain / loss from foreign exchange difference, net                               | (12)   | -             | (12)   |
| Share of profit of associates and joint ventures<br>(net of income tax)         | 2  | -             | 2  |
| <b>Profit before income tax</b>   | <b>22</b>  | <b>(1)</b>    | <b>22</b>  |
| Income tax expenses   | (2)  | (1)           | (1)  |
| <b>Discontinued operations</b>  | -  | -             | -  |
| Profit / (loss) for the period from discontinued<br>operations:                 | -  | -             | -  |
| <b>Profit for the period</b>  | <b>21</b>  | <b>(2)</b>    | <b>21</b>  |
| <b>Other comprehensive expense</b>  |  |               |  |
| Foreign currency translation differences for foreign<br>operations              | -  | -             | -  |
| <b>Other comprehensive loss for the period,<br/>net of income tax</b>           | <b>-</b>   | <b>-</b>      | <b>-</b>   |
| <b>Total comprehensive income for the period</b>                                | <b>21</b>  | <b>-</b>      | <b>21</b>  |
| <b>Profit / (loss) attributable to:</b>   |  |               |  |
| Owners of the Company   | 21   | -             | 21   |
| Non-controlling interests   | -  | -             | -  |
| <b>Profit for the period</b>  | <b>21</b>  | <b>-</b>      | <b>21</b>  |
| <b>Total comprehensive income / (loss)<br/>for the period, attributable to:</b> |  |               |  |
| Owners of the Company   | 21   | -             | 21   |
| Non-controlling interests   | -  | -             | -  |
| <b>Total comprehensive income for the period</b>                                | <b>21</b>  | <b>-</b>      | <b>21</b>  |

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**
**(c) Statement of cash flows from discontinued operations**

|   | Year ended                     |                                | Year ended                      |                                 |
|---|--------------------------------|--------------------------------|---------------------------------|---------------------------------|
|   | 31 December<br>2012<br>Mln RUB | 31 December<br>2011<br>Mln RUB | 31 December<br>2012<br>Mln USD* | 31 December<br>2011<br>Mln USD* |
| Net cash flows from / (used in)<br>operating activities           | 26                             | (34)                           | 1                               | (1)                             |
| Net cash flows used in investing<br>activities                    | (4)                            | -                              | -                               | -                               |
| Net cash flows used in financing<br>activities                    | -                              | -                              | -                               | -                               |
| <b>Net increase / (decrease) in cash<br/>and cash equivalents</b> | <b>22</b>                      | <b>(34)</b>                    | <b>1</b>                        | <b>(1)</b>                      |

**(d) Assets and liabilities classified as held for sale**

|  | 31 December<br>2012<br>Mln RUB | 31 December<br>2011<br>Mln RUB | 31 December<br>2012<br>Mln USD* | 31 December<br>2011<br>Mln USD* |
|--|--------------------------------|--------------------------------|---------------------------------|---------------------------------|
| Real estate classified as held for sale                              | 22                             | -                              | 1                               | -                               |
| Assets classified as held for sale                                   | 306                            | -                              | 10                              | -                               |
| <b>Total assets classified as held<br/>for sale</b>                  | <b>328</b>                     | <b>-</b>                       | <b>11</b>                       | <b>-</b>                        |
| <b>Liabilities related to assets<br/>classified as held for sale</b> | <b>(97)</b>                    | <b>-</b>                       | <b>(3)</b>                      | <b>-</b>                        |

The major classes of assets and liabilities of discontinued operations as of the reporting date are as follows:

|  | 31 December<br>2012<br>Mln RUB | 31 December<br>2012<br>Mln USD* |
|--|--------------------------------|---------------------------------|
| <b>Non-current assets</b>              |                                |                                 |
| Property, plant and equipment          | 3                              | -                               |
| Intangible assets                      | 62                             | 2                               |
| Deferred tax assets                    | 17                             | -                               |
| Other investments                      | 7                              | -                               |
| <b>Current assets</b>                  |                                |                                 |
| Inventories                            | 24                             | 1                               |
| Income tax receivable                  | 3                              | -                               |
| Trade and other receivables            | 118                            | 4                               |
| Cash and cash equivalents              | 72                             | 3                               |
| <b>Total assets held for sale</b>      | <b>306</b>                     | <b>10</b>                       |
| <b>Non-current liabilities</b>         |                                |                                 |
| Deferred tax liabilities               | (38)                           | (1)                             |
| <b>Current liabilities</b>             |                                |                                 |
| Provisions                             | (6)                            | -                               |
| Trade and other payables               | (50)                           | (2)                             |
| Income tax payable                     | (3)                            | -                               |
| <b>Total liabilities held for sale</b> | <b>(97)</b>                    | <b>(3)</b>                      |

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# RBC GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

### 16. PROPERTY, PLANT AND EQUIPMENT

| Mln RUB                                  | TV equipment | Computer equipment | Office equipment | Other assets | Vehicles    | Construction-in-progress | Advances paid | Total        |
|--|--------------|--------------------|------------------|--------------|-------------|--------------------------|---------------|--------------|
| <b>Cost</b>                              |              |                    |                  |              |             |                          |               |              |
| <b>At 1 January 2012</b>                 | <b>366</b>   | <b>308</b>         | <b>126</b>       | <b>147</b>   | <b>73</b>   | <b>17</b>                | -             | <b>1,037</b> |
| Reclassification between groups          | 1            | (2)                | (2)              | 1            | -           | 2                        | -             | -            |
| Assets acquired in business combinations | -            | 66                 | 2                | 4            | 1           | 31                       | -             | 104          |
| Additions                                | 63           | 76                 | 8                | 5            | 8           | 1                        | -             | 161          |
| Disposed on disposals of subsidiaries    | -            | (2)                | (1)              | -            | -           | (3)                      | -             | (6)          |
| Reclassification to assets held for sale | -            | (6)                | (3)              | (2)          | -           | -                        | -             | (11)         |
| Disposals                                | (76)         | (11)               | (6)              | (115)        | (1)         | (5)                      | -             | (214)        |
| <b>At 31 December 2012</b>               | <b>354</b>   | <b>429</b>         | <b>124</b>       | <b>40</b>    | <b>81</b>   | <b>43</b>                | -             | <b>1,071</b> |
| <b>Depreciation</b>                      |              |                    |                  |              |             |                          |               |              |
| <b>At 1 January 2012</b>                 | <b>(234)</b> | <b>(195)</b>       | <b>(102)</b>     | <b>(138)</b> | <b>(33)</b> | -                        | -             | <b>(702)</b> |
| Reclassification between groups          | (1)          | (1)                | 2                | -            | -           | -                        | -             | -            |
| Depreciation charge                      | (28)         | (73)               | (7)              | (3)          | (12)        | -                        | -             | (123)        |
| Disposed on disposals of subsidiaries    | -            | 1                  | -                | -            | -           | -                        | -             | 1            |
| Reclassification to assets held for sale | -            | 3                  | 2                | 2            | -           | -                        | -             | 7            |
| Disposals                                | 69           | 7                  | 5                | 112          | 1           | -                        | -             | 194          |
| <b>At 31 December 2012</b>               | <b>(194)</b> | <b>(258)</b>       | <b>(100)</b>     | <b>(27)</b>  | <b>(44)</b> | -                        | -             | <b>(623)</b> |
| <b>Net book value</b>                    |              |                    |                  |              |             |                          |               |              |
| <b>At 1 January 2012</b>                 | <b>132</b>   | <b>113</b>         | <b>24</b>        | <b>9</b>     | <b>40</b>   | <b>17</b>                | -             | <b>335</b>   |
| <b>At 31 December 2012</b>               | <b>160</b>   | <b>171</b>         | <b>24</b>        | <b>13</b>    | <b>37</b>   | <b>43</b>                | -             | <b>448</b>   |

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# RBC GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

| Mln RUB                          | TV equipment | Computer equipment | Office equipment | Other assets | Vehicles    | Construction-in-progress | Advances paid | Total        |
|----------------------------------|--------------|--------------------|------------------|--------------|-------------|--------------------------|---------------|--------------|
| <b>Cost</b>                      |              |                    |                  |              |             |                          |               |              |
| <b>At 1 January 2011</b>         | <b>198</b>   | <b>204</b>         | <b>179</b>       | <b>219</b>   | <b>-</b>    | <b>6</b>                 | <b>1</b>      | <b>807</b>   |
| Reclassifications between groups | 169          | 113                | (38)             | (71)         | 81          | (253)                    | (1)           | -            |
| Additions                        | -            | -                  | -                | -            | -           | 265                      | -             | 265          |
| Disposals                        | (1)          | (9)                | (15)             | (1)          | (8)         | (1)                      | -             | (35)         |
| <b>At 31 December 2011</b>       | <b>366</b>   | <b>308</b>         | <b>126</b>       | <b>147</b>   | <b>73</b>   | <b>17</b>                | <b>-</b>      | <b>1,037</b> |
| <b>Depreciation</b>              |              |                    |                  |              |             |                          |               |              |
| <b>At 1 January 2011</b>         | <b>(184)</b> | <b>(149)</b>       | <b>(151)</b>     | <b>(158)</b> | <b>-</b>    | <b>(2)</b>               | <b>-</b>      | <b>(644)</b> |
| Reclassification between groups  | (40)         | (5)                | 48               | 22           | (27)        | 2                        | -             | -            |
| Depreciation charge              | (11)         | (50)               | (15)             | (3)          | (12)        | -                        | -             | (91)         |
| Disposals                        | 1            | 9                  | 16               | 1            | 6           | -                        | -             | 33           |
| <b>At 31 December 2011</b>       | <b>(234)</b> | <b>(195)</b>       | <b>(102)</b>     | <b>(138)</b> | <b>(33)</b> | <b>-</b>                 | <b>-</b>      | <b>(702)</b> |
| <b>Net book value</b>            |              |                    |                  |              |             |                          |               |              |
| <b>At 1 January 2011</b>         | <b>14</b>    | <b>55</b>          | <b>28</b>        | <b>61</b>    | <b>-</b>    | <b>4</b>                 | <b>1</b>      | <b>163</b>   |
| <b>At 31 December 2011</b>       | <b>132</b>   | <b>113</b>         | <b>24</b>        | <b>9</b>     | <b>40</b>   | <b>17</b>                | <b>-</b>      | <b>335</b>   |

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# RBC GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

| Mln USD*                                 | TV equipment | Computer equipment | Office equipment | Other assets | Vehicles   | Construction-in-progress | Advances paid | Total       |
|--|--------------|--------------------|------------------|--------------|------------|--------------------------|---------------|-------------|
| <b>Cost</b>                              |              |                    |                  |              |            |                          |               |             |
| <b>At 1 January 2012</b>                 | <b>12</b>    | <b>10</b>          | <b>4</b>         | <b>5</b>     | <b>2</b>   | <b>1</b>                 | <b>-</b>      | <b>34</b>   |
| Reclassification between groups          | -            | -                  | -                | -            | -          | -                        | -             | -           |
| Assets acquired in business combinations | -            | 2                  | -                | -            | -          | 1                        | -             | 3           |
| Additions                                | 2            | 3                  | -                | -            | -          | -                        | -             | 5           |
| Disposed on disposals of subsidiaries    | -            | -                  | -                | -            | -          | -                        | -             | -           |
| Reclassification to assets held for sale | -            | -                  | -                | -            | -          | -                        | -             | -           |
| Disposals                                | (3)          | -                  | -                | (4)          | -          | -                        | -             | (7)         |
| <b>At 31 December 2012</b>               | <b>11</b>    | <b>15</b>          | <b>4</b>         | <b>1</b>     | <b>2</b>   | <b>2</b>                 | <b>-</b>      | <b>35</b>   |
| <b>Depreciation</b>                      |              |                    |                  |              |            |                          |               |             |
| <b>At 1 January 2012</b>                 | <b>(8)</b>   | <b>(6)</b>         | <b>(3)</b>       | <b>(5)</b>   | <b>(1)</b> | <b>-</b>                 | <b>-</b>      | <b>(23)</b> |
| Reclassification between groups          | -            | -                  | -                | -            | -          | -                        | -             | -           |
| Depreciation charge                      | (1)          | (2)                | -                | -            | -          | -                        | -             | (3)         |
| Disposed on disposals of subsidiaries    | -            | -                  | -                | -            | -          | -                        | -             | -           |
| Reclassification to assets held for sale | -            | -                  | -                | -            | -          | -                        | -             | -           |
| Disposals                                | 2            | -                  | -                | 4            | -          | -                        | -             | 6           |
| <b>At 31 December 2012</b>               | <b>(7)</b>   | <b>(8)</b>         | <b>(3)</b>       | <b>(1)</b>   | <b>(1)</b> | <b>-</b>                 | <b>-</b>      | <b>(20)</b> |
| <b>Net book value</b>                    |              |                    |                  |              |            |                          |               |             |
| <b>At 1 January 2012</b>                 | <b>4</b>     | <b>4</b>           | <b>1</b>         | <b>-</b>     | <b>1</b>   | <b>1</b>                 | <b>-</b>      | <b>11</b>   |
| <b>At 31 December 2012</b>               | <b>4</b>     | <b>7</b>           | <b>1</b>         | <b>-</b>     | <b>1</b>   | <b>2</b>                 | <b>-</b>      | <b>15</b>   |

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# RBC GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

| Mln USD*                         | TV equipment | Computer equipment | Office equipment | Other assets | Vehicles   | Construction-in-progress | Advances paid | Total       |
|----------------------------------|--------------|--------------------|------------------|--------------|------------|--------------------------|---------------|-------------|
| <b>Cost</b>                      |              |                    |                  |              |            |                          |               |             |
| <b>At 1 January 2011</b>         | 7            | 7                  | 6                | 7            | -          | -                        | -             | 27          |
| Reclassifications between groups | 6            | 4                  | (2)              | (2)          | 3          | (9)                      | -             | -           |
| Additions                        | -            | -                  | -                | -            | -          | 9                        | -             | 9           |
| Disposals                        | -            | -                  | (1)              | -            | -          | -                        | -             | (1)         |
| <b>At 31 December 2011</b>       | <b>13</b>    | <b>11</b>          | <b>3</b>         | <b>5</b>     | <b>3</b>   | <b>-</b>                 | <b>-</b>      | <b>35</b>   |
| <b>Depreciation</b>              |              |                    |                  |              |            |                          |               |             |
| <b>At 1 January 2011</b>         | (6)          | (5)                | (5)              | (5)          | -          | -                        | -             | (21)        |
| Reclassification between groups  | (2)          | -                  | 2                | 1            | (1)        | -                        | -             | -           |
| Depreciation charge              | -            | (3)                | (1)              | -            | -          | -                        | -             | (4)         |
| Disposals                        | -            | -                  | 1                | -            | -          | -                        | -             | 1           |
| <b>At 31 December 2011</b>       | <b>(8)</b>   | <b>(8)</b>         | <b>(3)</b>       | <b>(4)</b>   | <b>(1)</b> | <b>-</b>                 | <b>-</b>      | <b>(24)</b> |
| <b>Net book value</b>            |              |                    |                  |              |            |                          |               |             |
| <b>At 1 January 2011</b>         | <b>1</b>     | <b>2</b>           | <b>1</b>         | <b>2</b>     | <b>-</b>   | <b>-</b>                 | <b>-</b>      | <b>6</b>    |
| <b>At 31 December 2011</b>       | <b>5</b>     | <b>3</b>           | <b>-</b>         | <b>1</b>     | <b>2</b>   | <b>-</b>                 | <b>-</b>      | <b>11</b>   |

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).



# RBC GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

### 17. INTANGIBLE ASSETS

| Mln RUB   | Trade marks  | Software     | Web-sites    | Brands       | Customer base | Cable network connection | Goodwill       | Advances paid | Other        | Total          |
|---|--------------|--------------|--------------|--------------|---------------|--------------------------|----------------|---------------|--------------|----------------|
| <b>Cost</b>                                     |              |              |              |              |               |                          |                |               |              |                |
| <b>At 1 January 2012</b>                        | <b>491</b>   | <b>255</b>   | <b>652</b>   | <b>513</b>   | <b>198</b>    | <b>974</b>               | <b>1,707</b>   | <b>12</b>     | <b>193</b>   | <b>4,995</b>   |
| Impairment losses                               | -            | (19)         | -            | -            | -             | -                        | (8)            | -             | -            | (27)           |
| Assets acquired through business combinations   | -            | 174          | -            | 143          | 412           | -                        | 461            | -             | 1            | 1,191          |
| Additions                                       | 1            | 70           | 204          | -            | -             | 80                       | -              | 9             | 21           | 385            |
| Disposals of fully amortized assets             | (3)          | (136)        | (15)         | (117)        | -             | (33)                     | -              | -             | (2)          | (306)          |
| Disposed on disposals of subsidiaries           | (2)          | -            | (14)         | -            | (7)           | -                        | (100)          | -             | -            | (123)          |
| Reclassification to assets held for sale        | (349)        | (5)          | (2)          | -            | (140)         | -                        | (354)          | -             | -            | (850)          |
| <b>At 31 December 2012</b>                      | <b>138</b>   | <b>339</b>   | <b>825</b>   | <b>539</b>   | <b>463</b>    | <b>1,021</b>             | <b>1,706</b>   | <b>21</b>     | <b>213</b>   | <b>5,265</b>   |
| <b>Accumulated amortization and impairment</b>  |              |              |              |              |               |                          |                |               |              |                |
| <b>At 1 January 2012</b>                        | <b>(375)</b> | <b>(217)</b> | <b>(521)</b> | <b>(506)</b> | <b>(180)</b>  | <b>(256)</b>             | <b>(1,486)</b> | <b>-</b>      | <b>(174)</b> | <b>(3,715)</b> |
| Impairment losses                               | -            | 1            | -            | -            | -             | -                        | -              | -             | -            | 1              |
| Amortization charge                             | (16)         | (59)         | (90)         | (17)         | (39)          | (54)                     | -              | -             | (6)          | (281)          |
| Disposed amortization of fully amortized assets | 2            | 136          | 15           | 117          | -             | 33                       | -              | -             | 2            | 305            |
| Disposed on disposals of subsidiaries           | 1            | -            | 13           | -            | 4             | -                        | 100            | -             | -            | 118            |
| Reclassification to assets held for sale        | 256          | 2            | 2            | -            | 129           | -                        | 354            | -             | -            | 743            |
| <b>At 31 December 2012</b>                      | <b>(132)</b> | <b>(137)</b> | <b>(581)</b> | <b>(406)</b> | <b>(86)</b>   | <b>(277)</b>             | <b>(1,032)</b> | <b>-</b>      | <b>(178)</b> | <b>(2,829)</b> |
| <b>Net book value</b>                           |              |              |              |              |               |                          |                |               |              |                |
| <b>At 1 January 2012</b>                        | <b>116</b>   | <b>38</b>    | <b>131</b>   | <b>7</b>     | <b>18</b>     | <b>718</b>               | <b>221</b>     | <b>12</b>     | <b>19</b>    | <b>1,280</b>   |
| <b>At 31 December 2012</b>                      | <b>6</b>     | <b>202</b>   | <b>244</b>   | <b>133</b>   | <b>377</b>    | <b>744</b>               | <b>674</b>     | <b>21</b>     | <b>35</b>    | <b>2,436</b>   |

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

# RBC GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

| Mln RUB  | Trade<br>marks | Software | Web-sites | Brands | Customer<br>base | Cable network<br>connection | Goodwill | Advances paid | Other | Total   |
|--|----------------|----------|-----------|--------|------------------|-----------------------------|----------|---------------|-------|---------|
| <b>Cost</b>  |                |          |           |        |                  |                             |          |               |       |         |
| Mln RUB  |                |          |           |        |                  |                             |          |               |       |         |
| At 1 January 2011                                  | 491            | 434      | 553       | 534    | 198              | 713                         | 1,699    | -             | 224   | 4,846   |
| Additions  | -              | 21       | 128       | 1      | -                | 261                         | 8        | 12            | 2     | 433     |
| Disposals  | -              | (200)    | (29)      | (22)   | -                | -                           | -        | -             | (33)  | (284)   |
| At 31 December 2011                                | 491            | 255      | 652       | 513    | 198              | 974                         | 1,707    | 12            | 193   | 4,995   |
| <b>Accumulated amortization<br/>and impairment</b> |                |          |           |        |                  |                             |          |               |       |         |
| At 1 January 2011                                  | (328)          | (386)    | (505)     | (505)  | (152)            | (207)                       | (1,486)  | -             | (205) | (3,774) |
| Amortization charge                                | (48)           | (29)     | (45)      | (17)   | (28)             | (49)                        | -        | -             | (1)   | (217)   |
| Disposals  | -              | 198      | 29        | 16     | -                | -                           | -        | -             | 33    | 276     |
| At 31 December 2011                                | (376)          | (217)    | (521)     | (506)  | (180)            | (256)                       | (1,486)  | -             | (173) | (3,715) |
| <b>Net book value</b>                              |                |          |           |        |                  |                             |          |               |       |         |
| At 1 January 2011                                  | 163            | 48       | 48        | 29     | 46               | 506                         | 213      | -             | 19    | 1,072   |
| At 31 December 2011                                | 115            | 38       | 131       | 7      | 18               | 718                         | 221      | 12            | 20    | 1,280   |

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

| Mln USD*  | Trade marks | Software   | Web-sites   | Brands      | Customer base | Cable network connection | Goodwill    | Advances paid | Other      | Total        |
|---|-------------|------------|-------------|-------------|---------------|--------------------------|-------------|---------------|------------|--------------|
| <b>Cost</b>                                     |             |            |             |             |               |                          |             |               |            |              |
| <b>At 1 January 2012</b>                        | <b>16</b>   | <b>8</b>   | <b>21</b>   | <b>18</b>   | <b>7</b>      | <b>32</b>                | <b>56</b>   | -             | <b>7</b>   | <b>165</b>   |
| Impairment losses                               | -           | (1)        | -           | -           | -             | -                        | -           | -             | -          | (1)          |
| Assets acquired through business combinations   | -           | 6          | -           | 5           | 14            | -                        | 15          | -             | -          | 40           |
| Additions                                       | -           | 2          | 7           | -           | -             | 3                        | -           | -             | 1          | 13           |
| Disposals of fully amortized assets             | -           | (4)        | -           | (4)         | -             | (1)                      | -           | -             | -          | (9)          |
| Disposed on disposals of subsidiaries           | -           | -          | -           | -           | -             | -                        | (3)         | -             | -          | (3)          |
| Reclassification to assets held for sale        | (11)        | -          | -           | -           | (5)           | -                        | (12)        | -             | -          | (28)         |
| <b>At 31 December 2012</b>                      | <b>5</b>    | <b>11</b>  | <b>28</b>   | <b>19</b>   | <b>16</b>     | <b>34</b>                | <b>56</b>   | -             | <b>8</b>   | <b>177</b>   |
| <b>Accumulated amortization and impairment</b>  |             |            |             |             |               |                          |             |               |            |              |
| <b>At 1 January 2012</b>                        | <b>(13)</b> | <b>(7)</b> | <b>(17)</b> | <b>(16)</b> | <b>(6)</b>    | <b>(9)</b>               | <b>(49)</b> | -             | <b>(6)</b> | <b>(123)</b> |
| Impairment losses                               | -           | -          | -           | -           | -             | -                        | -           | -             | -          | -            |
| Amortization charge                             | (1)         | (2)        | (3)         | (1)         | (1)           | (2)                      | -           | -             | -          | (10)         |
| Disposed amortization of fully amortized assets | -           | 4          | -           | 4           | -             | 1                        | -           | -             | -          | 9            |
| Disposed on disposals of subsidiaries           | -           | -          | -           | -           | -             | -                        | 3           | -             | -          | 3            |
| Reclassification to assets held for sale        | 8           | -          | -           | -           | 5             | -                        | 12          | -             | -          | 25           |
| <b>At 31 December 2012</b>                      | <b>(5)</b>  | <b>(5)</b> | <b>(20)</b> | <b>(14)</b> | <b>(2)</b>    | <b>(9)</b>               | <b>(34)</b> | -             | <b>(6)</b> | <b>(95)</b>  |
| <b>Net book value</b>                           |             |            |             |             |               |                          |             |               |            |              |
| <b>At 1 January 2012</b>                        | <b>3</b>    | <b>1</b>   | <b>4</b>    | <b>2</b>    | <b>1</b>      | <b>24</b>                | <b>7</b>    | -             | -          | <b>42</b>    |
| <b>At 31 December 2012</b>                      | <b>-</b>    | <b>6</b>   | <b>8</b>    | <b>4</b>    | <b>14</b>     | <b>25</b>                | <b>22</b>   | -             | <b>1</b>   | <b>80</b>    |

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

# RBC GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

| Mln USD*                                       | Trade marks | Software | Web-sites | Brands | Customer base | Cable network connection | Goodwill | Advances paid | Other | Total |
|--|-------------|----------|-----------|--------|---------------|--------------------------|----------|---------------|-------|-------|
| <b>Cost</b>                                    |             |          |           |        |               |                          |          |               |       |       |
| Mln RUB  | 16          | 14       | 18        | 18     | 7             | 24                       | 56       | -             | 7     | 160   |
| At 1 January 2011                              | -           | 1        | 4         | -      | -             | 9                        | -        | -             | -     | 14    |
| Additions                                      | -           | (7)      | (1)       | -      | -             | -                        | -        | -             | (1)   | (9)   |
| Disposals                                      |             |          |           |        |               |                          |          |               |       |       |
|  | 16          | 8        | 21        | 18     | 7             | 33                       | 56       | -             | 6     | 165   |
| <b>At 31 December 2011</b>                     |             |          |           |        |               |                          |          |               |       |       |
| <b>Accumulated amortization and impairment</b> |             |          |           |        |               |                          |          |               |       |       |
| At 1 January 2011                              | (11)        | (13)     | (17)      | (17)   | (5)           | (7)                      | (49)     | -             | (7)   | (126) |
| Amortization charge                            | (2)         | (1)      | (1)       | -      | (1)           | (2)                      | -        | -             | -     | (7)   |
| Disposals                                      | -           | 7        | 1         | 1      | -             | -                        | -        | -             | 1     | 10    |
|  | (13)        | (7)      | (17)      | (16)   | (6)           | (9)                      | (49)     | -             | (6)   | (123) |
| <b>At 31 December 2011</b>                     |             |          |           |        |               |                          |          |               |       |       |
| <b>Net book value</b>                          |             |          |           |        |               |                          |          |               |       |       |
| At 1 January 2011                              | 5           | 1        | 1         | 1      | 2             | 17                       | 7        | -             | -     | 34    |
| At 31 December 2011                            | 3           | 1        | 4         | 2      | 1             | 24                       | 7        | -             | -     | 42    |

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

# RBC GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

### (a) Goodwill

| MIn RUB                | CJSC RSIC | Ogorod Ltd | Hosting | Total |
|------------------------|-----------|------------|---------|-------|
| As at 1 January 2011   | -         | -          | 213     | 213   |
| Acquisition            | -         | 8          | -       | 8     |
| As at 1 January 2012   | -         | 8          | 213     | 221   |
| Impairments losses     | -         | (8)        | -       | (8)   |
| Acquisition            | 461       | -          | -       | 461   |
| As at 31 December 2012 | 461       | -          | 213     | 674   |

| MIn USD*               | CJSC RSIC | Ogorod Ltd | Hosting | Total |
|------------------------|-----------|------------|---------|-------|
| As at 1 January 2011   | -         | -          | 7       | 7     |
| Acquisition            | -         | -          | -       | -     |
| As at 1 January 2012   | -         | -          | 7       | 7     |
| Impairments losses     | -         | -          | -       | -     |
| Acquisition            | 15        | -          | -       | 15    |
| As at 31 December 2012 | 15        | -          | 7       | 22    |

### (b) Impairment testing and write-off of impairment losses

As of 31 December 2012 and 2011 all intangible assets were tested for impairment as part of cash generated units (CGUs) to which they were allocated whenever there was an indication that an asset might be impaired. As a result of the deterioration in operating results of the "Ogorod" project (company Ogorod Ltd. and Ogorod LLC) within the Consumer Internet business segment during 2012, impairment losses against intangible assets were recognized in the total amount 27 MIn RUB / 0.9 MIn USD\*.

In 2011 no impairment losses were recognized.

### (c) Assets with indefinite useful lives

The Group holds broadcasting license in Novosibirsk, which is classified as an asset with indefinite useful life with the carrying value net of impairment loss of which is 18 MIn RUB / 0.6 MIn USD\*. The asset is classified as having an infinite useful life due to the fact that the license is termless and management has no expectation of the future economic benefits from this item to cease. As at 31 December 2012, based on testing performed no impairment indicators were identified.

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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**18. IMPAIRMENT OF ASSETS**

For the purpose of the impairment testing of goodwill and non-current assets, the following cash generating units ("CGUs") were identified: Consumer Internet business (including Ogorod Ltd.), Media business (including Business Print, Business Internet and TV), Hosting and domain names registration business.

For the purpose of impairment testing, goodwill was allocated to two CGUs: Consumer Internet business and Hosting and domain names registration business. These CGUs included respective Group entities whose acquisition resulted in goodwill recognition. These units represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

For the purpose of impairment testing, all other non-financial assets of the Group were allocated to the CGUs set out below. The key assumptions used represent management's assessment of future trends in the business and are based on both external and internal sources. For the purposes of impairment testing, the recoverable amount of each CGU was assumed to be equal to its value in use (discounted cash flow).

The recoverable amount of all CGUs was calculated as being their value in use based on future discounted cash flows taken from the five-year business plan for 2013-2017 which has been approved by the Group's management, a nominal after-tax discount rates of 20.1% (for media business) and 21.1% (for Consumer Internet business and Hosting and domain names registration business), and a 3.5% for terminal growth rate. The discount rate used was based on an average industry weighted average cost of capital. The results of the impairment testing and assumptions used were as follows:

**(a) Consumer Internet business**

This CGU comprises consumer Internet services, which attract advertising revenue from third parties.

- Annual revenue from providing Internet advertising services is projected to increase by 11% in 2013, 15% in 2014, 5% in 2015, 8% in 2016 and 8% in 2017;
- Annual expenses are projected to increase by 7% in 2013, 8% in 2014, 3% in 2015, 4% in 2016 and 4% in 2017.

As a result of the above, the impairment test showed that the recoverable amount of the CGU exceeded its carrying value.

The above estimates are not sensitive to the following assumptions:

- An increase of one percentage point in the discount rate used would not result in an impairment.

The recoverable amount of this CGU would equal its carrying amount under the following changes in key assumptions:

- An increase in annual expenses by 22.5%; or
- A decrease in annual sales by 17.8%.

*\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).*

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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**(b) Media business**

This CGU comprises Business Internet, Business Print and TV. Business Internet includes subsidiaries involved in business Internet activities. Business Print includes subsidiaries involved in the publication and distribution of the newspaper "RBC daily" and magazine "RBC" in Russia. Business TV includes subsidiaries involved in operating the RBC-TV channel in Russia and abroad.

This CGU contains a broadcasting license with an indefinite useful life, the carrying value of which is 18 Mln RUB / 0.6 Mln USD\*.

- Annual revenue from providing Internet advertising services was projected to increase by 24% in 2013, 15% in 2014, 17% in 2015, 12% in 2016 and 18% in 2017;
- Annual expenses were projected to increase by 20% in 2013, 17% in 2014, 15% in 2015, 13% in 2016 and 12% in 2017.

As a result of the above, the impairment test showed that the recoverable amount of the CGU exceeded its carrying value.

The above estimates are not sensitive to the following assumptions:

- An increase of one percentage point in the discount rate used would result in no impairment.

The recoverable amount of this CGU would equal its carrying amount under the following changes in key assumptions:

- An increase in annual expenses by 3%; or
- A decrease in annual sales by 2.4%.

**(c) Hosting and domain names registration business**

This CGU includes subsidiaries involved in the provision of web hosting services in Russia.

This CGU contains goodwill in the amount 674 Mln RUB / 22.2 Mln USD\*:

- Annual revenue is projected to increase by 14% in 2013, 12% in 2014, 9% in 2015, 9% in 2016, and 7% in 2017;
- Annual expenses are projected to increase by 8% in 2013, 10% in 2014, 11% in 2015, 9% in 2016, and 9% in 2017.

As a result of the above test the recoverable amount of the CGU exceeded its carrying amount.

The above estimates are not sensitive in the following assumptions:

- An increase of one percentage point in the discount rate used would not result in an impairment.

The recoverable amount of this CGU would equal its carrying amount under the following changes in key assumptions:

- An increase in annual expenses by 6.2%; or
- A decrease in annual sales by 5.1%.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**
**19. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES**

As at 31 December 2012 the Group had the following investments in associates and joint ventures:

| Name                                    | Principal activity                                    | Share of ownership as of<br>31 December |      |
|---|---|---|------|
|   |   | 2012                                    | 2011 |
| IGlobe (Braddy S.A.)                    | Internet resource iglobe.ru                           | 25%                                     | 25%  |
| CJSC Yuzhny Region-<br>Telekommunikacii | TV broadcasting                                       | 50%                                     | 50%  |
| KUPONGID Corp.                          | Internet resource kupongid.ru                         | 43%                                     | -    |
| Limandora Ltd.                          | Developing online resource for<br>children's audience | 51%                                     | 51%  |
| Atwood Lake Ltd.                        | Internet resource 4shared.com. and<br>Mango Telecom   | -                                       | 40%  |
| BidLive                                 | Internet resource bidonthecity.com                    | 45%                                     | 45%  |

|   | 31 December<br>2012<br>Mln RUB | 31 December<br>2011<br>Mln RUB | 31 December<br>2012<br>Mln USD* | 31 December<br>2011<br>Mln USD* |
|---|--------------------------------|--------------------------------|---------------------------------|---------------------------------|
| IGlobe                                  | 78                             | 77                             | 3                               | 3                               |
| CJSC Yuzhny Region-<br>Telekommunikacii | 22                             | 27                             | 1                               | 1                               |
| KUPONGID Corp.                          | 19                             | -                              | 1                               | -                               |
| Limandora Ltd.                          | 4                              | 8                              | -                               | -                               |
| Atwood Lake Ltd.                        | -                              | 137                            | -                               | 5                               |
| BidLive                                 | -                              | 32                             | -                               | 1                               |
| <b>Total</b>                            | <b>123</b>                     | <b>281</b>                     | <b>4</b>                        | <b>9</b>                        |

In the first half of 2012, the Group acquired 43% of the shares of KUPONGID Corp., the holding company of Kupongid LLC, in exchange for advertising services to be provided in the amount of 16.5 Mln RUB / 0.5 Mln USD\*, with an option to increase its share to 63% over the next two years. According to the conditions of the agreement, the Group is entitled to purchase 10% of the share capital semiannually, either for a cash consideration or for internet services provided to Kupongid LLC.

In the second half of 2012, a 40% investment in Atwood Lake Ltd. valued at 144 Mln RUB/ 5 Mln USD\* was reclassified to long-term financial investments available for sale (Note 20) due to the loss of significant influence over the company and inability to receive its financial information. Those financial investments were not impaired at the date of the reclassification and as at the reporting date.

A summary financial information of the Group's investments in associates and joint ventures is presented below.

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).



# RBC GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

|  | Year ended                     |                                | Year ended                      |                                 |
|--|--------------------------------|--------------------------------|---------------------------------|---------------------------------|
|  | 31 December<br>2012<br>Mln RUB | 31 December<br>2011<br>Mln RUB | 31 December<br>2012<br>Mln USD* | 31 December<br>2011<br>Mln USD* |
| Total revenue (unaudited)  | (450)                          | (562)                          | (15)                            | (19)                            |
| Total profit for the year (unaudited)  | 27                             | 216                            | 1                               | 7                               |
| Group's share of profit from<br>associates and joint ventures                        | 1                              | 76                             | -                               | 2                               |
| Group's share of other<br>comprehensive income from<br>associates and joint ventures | -                              | -                              | -                               | -                               |

|   | 31 December<br>2012<br>Mln RUB | 31 December<br>2011<br>Mln RUB | 31 December<br>2012<br>Mln USD* | 31 December<br>2011<br>Mln USD* |
|---|--------------------------------|--------------------------------|---------------------------------|---------------------------------|
| Total assets (unaudited)                                      | 332                            | 336                            | 11                              | 11                              |
| Total liabilities (unaudited)                                 | (76)                           | (62)                           | (3)                             | (2)                             |
| Net assets (unaudited)  | 256                            | 273                            | 8                               | 9                               |
| Group's share of profit from<br>associates and joint ventures | 123                            | 281                            | 4                               | 9                               |

### Impairment

The Group performed an impairment testing for investments in associates and joint ventures as at 31 December 2012. For the purpose of impairment test, investments in each company were compared to recoverable amounts, and the recoverable amount of each entity was assumed to be equal to its value in use (discounted cash flow).

#### (a) IGlobe and KUPONGID Corp.

The recoverable amount of the financial investments in IGlobe and KUPONGID Corp. was determined as being their value-in-use based on projected cash flows taken from the five-year financial plan (2013-2017), approved by the Group's management, a discount rate of 21.1%, and a 3.5% terminal growth rate. The discount rate was based on the weighted average cost of capital for the business sector. The results of the impairment testing and key assumptions used were as follows:

##### (i) IGlobe

- Annual revenue is projected to increase by 38% in 2013, 39% in 2014, 44% in 2015, 44% in 2016, and 34% in 2017;
- Annual expenses are projected to increase by 8% in 2013, 7% in 2014, 7% in 2015, 7% in 2016, and 7% in 2017.

##### (ii) KUPONGID Corp.

- Annual revenue is projected to increase by 194% in 2013, 15% in 2014, 10% in 2015, 8% in 2016, and 8% in 2017;
- Annual expenses are projected to increase by 175% in 2013, 11% in 2014, 10% in 2015, 8% in 2016, and 8% in 2017.

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

## RBC GROUP

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

As a result of the impairment tests the recoverable amount of the investments in IGlobe and KUPONGID Corp. exceeded their book values as at 31 December 2012.

The above estimates are sensitive to the following assumptions:

- An increase in the discount rate used by 1 percentage point will cause the impairment of the investments.

The recoverable amount of the investment would equal their carrying amounts under the following changes in key assumptions:

- An increase in annual expenses by 1%; or
- A decrease in annual sales revenue by 1%.

#### (b) CJSC Yuzhny Region – Telekommunikacii

The recoverable amount of the financial investment in CJSC Yuzhny Region – Telekommunikacii was determined as being the exploitation value of broadcasting license based on market value, calculated with the use of several assumptions, taking into account the population of the broadcasting region. As a result of the impairment test, no impairment was identified as at the reporting date.

#### (c) Bid Live Russia LLC

During 2012 and 2011 the Group recognized impairment losses on the 45% investment stake in BidLive in amounts of 32 Mln RUB / 1 Mln USD\* and 28 Mln RUB / 0.9 Mln USD\*, respectively. As a result, at 31 December 2012 this financial investment was fully impaired.

## 20. OTHER INVESTMENTS

|  | 31 December<br>2012<br>Mln RUB | 31 December<br>2011<br>Mln RUB | 31 December<br>2012<br>Mln USD* | 31 December<br>2011<br>Mln USD* |
|--|--------------------------------|--------------------------------|---------------------------------|---------------------------------|
| <b>Non-current</b>   |                                |                                |                                 |                                 |
| Financial investments available for sale                     | 144                            | -                              | 5                               | -                               |
| Loans granted to related parties                             | 3                              | -                              | -                               | -                               |
| Loans granted to employees                                   | 2                              | 4                              | -                               | -                               |
| Loans granted to third parties                               | 1                              | -                              | -                               | -                               |
| Other investments  | 5                              | 4                              | -                               | -                               |
|  | <b>155</b>                     | <b>8</b>                       | <b>5</b>                        | <b>-</b>                        |
| <b>Current</b>   |                                |                                |                                 |                                 |
| Investments designated at fair value through profit and loss | 4                              | 11                             | -                               | -                               |
| Promissory notes held to maturity                            | 4                              | 4                              | -                               | -                               |
|  | <b>8</b>                       | <b>15</b>                      | <b>-</b>                        | <b>-</b>                        |

Long-term financial investments available for sale represent a 40% investment in Atwood Lake Ltd. (Note 19).

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

## RBC GROUP

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

#### 21. OTHER NON-CURRENT ASSETS

|                  | 31 December<br>2012<br>Mln RUB | 31 December<br>2011<br>Mln RUB | 31 December<br>2012<br>Mln USD* | 31 December<br>2011<br>Mln USD* |
|------------------|--------------------------------|--------------------------------|---------------------------------|---------------------------------|
| Letter of credit | 13                             | -                              | -                               | -                               |
| Property rights  | 86                             | 179                            | 3                               | 6                               |
|                  | <b>99</b>                      | <b>179</b>                     | <b>3</b>                        | <b>6</b>                        |

Other non-current assets as at 31 December 2012 are accounted for at their fair values less provision for impairment (zero loss from impairment was recognized in 2012 and 2011) and are represented by:

- Letter of credit due in 2018;
- Property rights for residential buildings in Moscow and the Moscow region amounting to 86 Mln RUB / 2.8 Mln USD\* (2011: 179 Mln RUB / 5.9 Mln USD\*). These assets were obtained by the Group as a payment for advertising services rendered. The change in the book value of contracts in amount of 93 Mln RUB / 3 Mln USD\* was due to the reclassification of the rights to assets held for sale in the amount of 22 Mln RUB / 0.7 Mln USD\* (Note 15), as well as the sale of several apartments during 2012.

#### 22. DEFERRED TAXES

##### (a) Income tax:

|                            | Year ended                     |                                | Year ended                      |                                 |
|----------------------------|--------------------------------|--------------------------------|---------------------------------|---------------------------------|
|                            | 31 December<br>2012<br>Mln RUB | 31 December<br>2011<br>Mln RUB | 31 December<br>2012<br>Mln USD* | 31 December<br>2011<br>Mln USD* |
| Current income tax expense | 6                              | 2                              | -                               | -                               |
| Deferred tax expense       | 46                             | 26                             | 2                               | 1                               |
|                            | <b>52</b>                      | <b>28</b>                      | <b>2</b>                        | <b>1</b>                        |

The applicable income tax rate for the Company and its Russian subsidiaries is 20% (2011: 20%). Foreign subsidiaries accrue and pay income tax in accordance with the legislative requirements of their tax jurisdictions. For Ukrainian entities, the applicable tax rate is the corporate income tax rate of 21% (2011: 25%). For entities located in Cyprus, the applicable tax rate is the corporate income tax rate of 10% (2011: 10%). The entity that is tax resident on the island of Curacao had a tax loss in both 2012 and 2011 (the standard corporate tax rate is variable between 2.4% and 30%). The income earned by entities incorporated in the British Virgin Islands is not currently subject to income tax.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**(b) Reconciliation of theoretical to actual tax expenses:**

|  | Year ended                     |                                |
|--|--------------------------------|--------------------------------|
|  | 31 December<br>2012<br>Mln RUB | 31 December<br>2011<br>Mln RUB |
| Profit before income tax from continuing operations        | 242                            | 687                            |
| Income tax expense calculated at 20%                       | (48)                           | (137)                          |
| Effect of income taxed at other rates                      | (3)                            | (47)                           |
| Permanent tax (liabilities) / assets                       | (1)                            | 156                            |
| <b>Total income tax expense from continuing operations</b> | <b>(52)</b>                    | <b>(28)</b>                    |

|  | Year ended                      |                                 |
|--|---------------------------------|---------------------------------|
|  | 31 December<br>2012<br>Mln USD* | 31 December<br>2011<br>Mln USD* |
| Profit before income tax from continuing operations        | 8                               | 22                              |
| Income tax expense calculated at 20%                       | (2)                             | (5)                             |
| Effect of income taxed other rates                         | -                               | (2)                             |
| Permanent tax (liabilities) / assets                       | -                               | 6                               |
| <b>Total income tax expense from continuing operations</b> | <b>(2)</b>                      | <b>(1)</b>                      |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

### (c) Recognized deferred tax assets and liabilities

| Mln RUB                                     | 1 January 2012 | Recognized in<br>profit or loss | Recognized on<br>acquisition/<br>disposal of<br>subsidiaries | Assets<br>held for sale | 31 December<br>2012 |
|---|----------------|---------------------------------|--|-------------------------|---------------------|
| <b>Deferred tax assets</b>                  |                |                                 |  |                         |                     |
| Property, plant and equipment               | 1              | 1                               | -  | -                       | 2                   |
| Intangible assets                           | 20             | 14                              | -  | 1                       | 35                  |
| Investments                                 | 36             | 6                               | -  | -                       | 42                  |
| Inventories                                 | 6              | (3)                             | -  | -                       | 3                   |
| Trade and other receivables                 | 69             | (89)                            | -  | 28                      | 8                   |
| Deferred income                             | 1              | (1)                             | -  | -                       | -                   |
| Trade and other payables                    | 10             | -                               | 38   | -                       | 48                  |
| Tax losses carried forward                  | 262            | (61)                            | 1  | -                       | 201                 |
| <b>Deferred tax assets</b>                  | <b>405</b>     | <b>(133)</b>                    | <b>39</b>  | <b>29</b>               | <b>339</b>          |
| Netted-off against deferred tax liabilities | (150)          | X                               | X  | X                       | (152)               |
| <b>Recognized deferred tax assets</b>       | <b>255</b>     | <b>X</b>                        | <b>X</b>   | <b>X</b>                | <b>187</b>          |
| <b>Deferred tax liabilities</b>             |                |                                 |  |                         |                     |
| Property, plant and equipment               | (1)            | 1                               | (2)  | -                       | (2)                 |
| Intangible assets                           | (110)          | -                               | (133)  | -                       | (243)               |
| Investments                                 | (45)           | (1)                             | -  | -                       | (46)                |
| Inventories                                 | (27)           | 58                              | -  | (31)                    | -                   |
| Prepaid expenses                            | (20)           | (17)                            | (2)  | (1)                     | (40)                |
| Trade and other receivables                 | (2)            | (1)                             | -  | -                       | (3)                 |
| Loans and borrowings                        | (6)            | -                               | 6  | -                       | -                   |
| Trade and other payables                    | (33)           | 47                              | 8  | (28)                    | (6)                 |
| <b>Deferred tax liabilities</b>             | <b>(244)</b>   | <b>87</b>                       | <b>(123)</b>   | <b>(60)</b>             | <b>(340)</b>        |
| Netted-off against deferred tax assets      | 150            | X                               | X  | X                       | 152                 |
| <b>Recognized deferred tax liabilities</b>  | <b>(93)</b>    | <b>X</b>                        | <b>X</b>   | <b>X</b>                | <b>(188)</b>        |

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

# RBC GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

| Mln RUB                                     | 1 January<br>2011 | Recognized in<br>profit or loss | Recognized on<br>acquisition/<br>disposal of<br>subsidiaries | Assets<br>held for sale | 31 December<br>2011 |
|---|-------------------|---------------------------------|--|-------------------------|---------------------|
| <b>Deferred tax assets</b>                  |                   |                                 |  |                         |                     |
| Property, plant and equipment               | 6                 | (5)                             | -  | -                       | 1                   |
| Intangible assets                           | 7                 | 13                              | -  | -                       | 20                  |
| Investments                                 | 44                | (8)                             | -  | -                       | 36                  |
| Inventories                                 | 22                | 3                               | (19)   | -                       | 6                   |
| Prepaid expenses                            | 18                | (18)                            | -  | -                       | -                   |
| Trade and other receivables                 | 78                | (17)                            | -  | 8                       | 69                  |
| Deferred income                             | -                 | 4                               | (3)  | -                       | 1                   |
| Trade and other payables                    | 8                 | 2                               | -  | -                       | 10                  |
| Tax losses carried forward                  | 218               | 49                              | (16)   | 11                      | 262                 |
| <b>Deferred tax assets</b>                  | <b>401</b>        | <b>23</b>                       | <b>(35)</b>  | <b>19</b>               | <b>405</b>          |
| Netted-off against deferred tax liabilities | (174)             | X                               | X  | X                       | (150)               |
| <b>Recognized deferred tax assets</b>       | <b>227</b>        | <b>X</b>                        | <b>X</b>   | <b>X</b>                | <b>255</b>          |
| <b>Deferred tax liabilities</b>             |                   |                                 |  |                         |                     |
| Property, plant and equipment               | (11)              | 11                              | -  | (1)                     | (1)                 |
| Intangible assets                           | (124)             | 14                              | -  | -                       | (110)               |
| Investments                                 | (28)              | (17)                            | -  | -                       | (45)                |
| Inventories                                 | -                 | (36)                            | 9  | -                       | (27)                |
| Prepaid expenses                            | (7)               | (13)                            | -  | -                       | (20)                |
| Trade and other receivables                 | (4)               | 2                               | -  | -                       | (2)                 |
| Loans and borrowings                        | (7)               | 7                               | -  | (6)                     | (6)                 |
| Trade and other payables                    | (31)              | (2)                             | -  | -                       | (33)                |
| Others                                      | (1)               | (15)                            | 16   | -                       | -                   |
| <b>Deferred tax liabilities</b>             | <b>(213)</b>      | <b>(49)</b>                     | <b>25</b>  | <b>(7)</b>              | <b>(244)</b>        |
| Netted-off against deferred tax assets      | 174               | X                               | X  | X                       | 150                 |
| <b>Recognized deferred tax liabilities</b>  | <b>(39)</b>       | <b>X</b>                        | <b>X</b>   | <b>X</b>                | <b>(93)</b>         |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

| MIn USD*                                    | 1 January<br>2012 | Recognized in<br>profit or loss | Recognized on<br>acquisition/<br>disposal of<br>subsidiaries | Assets<br>held for sale | 31 December<br>2012 |
|---|-------------------|---------------------------------|--|-------------------------|---------------------|
| <b>Deferred tax assets</b>                  |                   |                                 |  |                         |                     |
| Property, plant and equipment               | -                 | -                               | -  | -                       | -                   |
| Intangible assets                           | 1                 | -                               | -  | -                       | 1                   |
| Investments                                 | 1                 | -                               | -  | -                       | 1                   |
| Inventories                                 | -                 | -                               | -  | -                       | -                   |
| Trade and other receivables                 | 2                 | (3)                             | -  | 1                       | -                   |
| Deferred income                             | -                 | -                               | -  | -                       | -                   |
| Trade and other payables                    | -                 | -                               | 2  | -                       | 2                   |
| Tax losses carried forward                  | 9                 | (2)                             | -  | -                       | 7                   |
| <b>Deferred tax assets</b>                  | <b>13</b>         | <b>(5)</b>                      | <b>2</b>   | <b>1</b>                | <b>11</b>           |
| Netted-off against deferred tax liabilities | (5)               | X                               | X  | X                       | (5)                 |
| <b>Recognized deferred tax assets</b>       | <b>8</b>          | <b>X</b>                        | <b>X</b>   | <b>X</b>                | <b>6</b>            |
| <b>Deferred tax liabilities</b>             |                   |                                 |  |                         |                     |
| Property, plant and equipment               | -                 | -                               | -  | -                       | -                   |
| Intangible assets                           | (4)               | -                               | (4)  | -                       | (8)                 |
| Investments                                 | (1)               | -                               | -  | -                       | (1)                 |
| Inventories                                 | (1)               | 2                               | -  | (1)                     | -                   |
| Prepaid expenses                            | (1)               | -                               | -  | -                       | (1)                 |
| Trade and other receivables                 | -                 | -                               | -  | -                       | -                   |
| Loans and borrowings                        | -                 | -                               | -  | -                       | -                   |
| Trade and other payables                    | (1)               | 1                               | -  | (1)                     | (1)                 |
| <b>Deferred tax liabilities</b>             | <b>(8)</b>        | <b>3</b>                        | <b>(4)</b>   | <b>(2)</b>              | <b>(11)</b>         |
| Netted-off against deferred tax assets      | 5                 | X                               | X  | X                       | 5                   |
| <b>Recognized deferred tax liabilities</b>  | <b>(3)</b>        | <b>X</b>                        | <b>X</b>   | <b>X</b>                | <b>(6)</b>          |

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# RBC GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

| MIn USD*                                    | 1 January<br>2011 | Recognized in<br>profit or loss | Recognized on<br>acquisition/<br>disposal of<br>subsidiaries | Assets<br>held for sale | 31 December<br>2011 |
|---|-------------------|---------------------------------|--|-------------------------|---------------------|
| <b>Deferred tax assets</b>                  |                   |                                 |  |                         |                     |
| Property, plant and equipment               | -                 | -                               | -  | -                       | -                   |
| Intangible assets                           | -                 | -                               | -  | -                       | -                   |
| Investments                                 | 1                 | -                               | -  | -                       | 1                   |
| Inventories                                 | 1                 | -                               | (1)  | -                       | -                   |
| Prepaid expenses                            | -                 | -                               | -  | -                       | -                   |
| Trade and other receivables                 | 3                 | -                               | -  | -                       | 3                   |
| Deferred income                             | -                 | -                               | -  | -                       | -                   |
| Trade and other payables                    | -                 | -                               | -  | -                       | -                   |
| Tax losses carried forward                  | 8                 | 1                               | -  | -                       | 9                   |
| <b>Deferred tax assets</b>                  | <b>13</b>         | <b>1</b>                        | <b>(1)</b>   | <b>-</b>                | <b>13</b>           |
| Netted-off against deferred tax liabilities | (6)               | X                               | X  | X                       | (5)                 |
| <b>Recognized deferred tax assets</b>       | <b>7</b>          | <b>X</b>                        | <b>X</b>   | <b>X</b>                | <b>8</b>            |
| <b>Deferred tax liabilities</b>             |                   |                                 |  |                         |                     |
| Property, plant and equipment               | -                 | -                               | -  | -                       | -                   |
| Intangible assets                           | (5)               | -                               | -  | -                       | (5)                 |
| Investments                                 | (1)               | -                               | -  | -                       | (1)                 |
| Inventories                                 | -                 | (2)                             | 1  | -                       | (1)                 |
| Prepaid expenses                            | -                 | -                               | -  | -                       | -                   |
| Trade and other payables                    | -                 | -                               | -  | -                       | -                   |
| Loans and borrowings                        | -                 | -                               | -  | -                       | -                   |
| Trade and other payables                    | (1)               | -                               | -  | -                       | (1)                 |
| Others                                      | -                 | -                               | -  | -                       | -                   |
| <b>Deferred tax liabilities</b>             | <b>(7)</b>        | <b>(2)</b>                      | <b>1</b>   | <b>-</b>                | <b>(8)</b>          |
| Netted-off against deferred tax assets      | 6                 | X                               | X  | X                       | 5                   |
| <b>Recognized deferred tax liabilities</b>  | <b>(1)</b>        | <b>X</b>                        | <b>X</b>   | <b>X</b>                | <b>(3)</b>          |

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Tax losses carried forward recognized by the Group as at 31 December 2012 are expected to be deducted from taxable income not later than 2022.

**(d) Unrecognized deductible temporary differences, unused tax losses and unused tax credits**

|  | Year ended                     |                                | Year ended                      |                                 |
|--|--------------------------------|--------------------------------|---------------------------------|---------------------------------|
|  | 31 December<br>2012<br>Mln RUB | 31 December<br>2011<br>Mln RUB | 31 December<br>2012<br>Mln USD* | 31 December<br>2011<br>Mln USD* |
| Derivative financial liabilities       | 43                             | 21                             | 1                               | 1                               |
| Tax losses carried forward             | 2,693                          | 2,638                          | 138                             | 86                              |
| Other deductible temporary differences | 1,614                          | 1,738                          | 53                              | 57                              |
|  | <b>4,350</b>                   | <b>4,397</b>                   | <b>142</b>                      | <b>144</b>                      |

**23. INVENTORIES**

|                               | 31 December<br>2012<br>Mln RUB | 31 December<br>2011<br>Mln RUB | 31 December<br>2012<br>Mln USD* | 31 December<br>2011<br>Mln USD* |
|-------------------------------|--------------------------------|--------------------------------|---------------------------------|---------------------------------|
| Raw materials and consumables | 15                             | 15                             | 1                               | 1                               |
| Finished goods                | -                              | 2                              | -                               | -                               |
| Goods for resale              | 11                             | 3                              | -                               | -                               |
| Work in progress              | -                              | 4                              | -                               | -                               |
|                               | <b>26</b>                      | <b>24</b>                      | <b>1</b>                        | <b>1</b>                        |

Inventory write-downs of 79 Mln RUB / 2.6 Mln USD\* (in 2011: 51 Mln RUB / 1.7 Mln USD\*) have been allocated to the cost of printed materials and are included in Cost of sales.

As at 31 December 2012 and 2011 no inventory was pledged.

**24. TRADE AND OTHER RECEIVABLES**

|  | 31 December<br>2012<br>Mln RUB | 31 December<br>2011<br>Mln RUB | 31 December<br>2012<br>Mln USD* | 31 December<br>2011<br>Mln USD* |
|--|--------------------------------|--------------------------------|---------------------------------|---------------------------------|
| <b>Financial assets</b>                  |                                |                                |                                 |                                 |
| Trade accounts receivable                | 769                            | 871                            | 25                              | 29                              |
| Other receivables                        | 328                            | 55                             | 11                              | 2                               |
| Allowance for bad debt                   | (94)                           | (141)                          | (3)                             | (5)                             |
| <b>Total financial assets</b>            | <b>1,003</b>                   | <b>785</b>                     | <b>33</b>                       | <b>26</b>                       |
| <b>Non-financial assets</b>              |                                |                                |                                 |                                 |
| Advances issued                          | 111                            | 56                             | 4                               | 2                               |
| VAT receivable                           | 87                             | 54                             | 3                               | 2                               |
| Other taxes receivable                   | 62                             | 76                             | 2                               | 2                               |
| Prepaid expenses                         | 4                              | 19                             | -                               | 1                               |
| <b>Total non-financial assets</b>        | <b>265</b>                     | <b>205</b>                     | <b>9</b>                        | <b>7</b>                        |
| <b>Total trade and other receivables</b> | <b>1, 268</b>                  | <b>990</b>                     | <b>42</b>                       | <b>33</b>                       |

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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The changes in the allowance for bad debt for the year consisted of:

|   | <b>2012<br/>Mln RUB</b> | <b>2011<br/>Mln RUB</b> | <b>2012<br/>Mln USD*</b> | <b>2011<br/>Mln USD*</b> |
|---|-------------------------|-------------------------|--------------------------|--------------------------|
| <b>Balance as at 1 January</b>                    | <b>141</b>              | <b>261</b>              | <b>5</b>                 | <b>9</b>                 |
| Reversal of previously recognized impairment loss | (74)                    | (176)                   | (2)                      | (6)                      |
| Impairment loss recognized                        | 49                      | 56                      | 1                        | 2                        |
| Reclassification of receivables to held for sale  | (22)                    | -                       | (1)                      | -                        |
| <b>Balance as at 31 December</b>                  | <b>94</b>               | <b>141</b>              | <b>3</b>                 | <b>5</b>                 |

The changes in the allowance for bad debt for the year ended 31 December 2012 due to impairment provision reversal recognized in total amount 25 Mln RUB / 0.8 Mln USD\* and reclassification of provision related to Salon segment in amount of 22 Mln RUB / 0.7 Mln USD\* (see Note 15). Impairment losses are recognized in other expenses in total amount 22 Mln RUB / 0.7 Mln USD\*.

The changes in the allowance for bad debt for the year ended 31 December 2011 was due to impairment provision reversal recognized in total amount 120 Mln RUB / 4 Mln USD\*. Net impairment loss on trade and other receivables recognized in financial expenses in 2011 is 13 Mln RUB / 0.4 Mln USD\*.

The ageing of trade receivables included in impairment provision is as follows:

|                                | <b>Gross amount<br/>31 December<br/>2012<br/>Mln RUB</b> | <b>Gross amount<br/>31 December<br/>2011<br/>Mln RUB</b> | <b>Gross amount<br/>31 December<br/>2012<br/>Mln USD*</b> | <b>Gross amount<br/>31 December<br/>2011<br/>Mln USD*</b> |
|--------------------------------|--|--|---|---|
| Not due                        | 1  | -  | -   | -   |
| Past due by up to 180 days     | 12   | 9  | -   | -   |
| Past due from 180 to 365 days  | 11   | 13   | -   | -   |
| Past due by more than one year | 51   | 96   | 2   | 3   |
|                                | <b>75</b>  | <b>118</b>   | <b>2</b>  | <b>3</b>  |

The ageing of past due but not impaired trade receivables is as follows:

|                                | <b>Gross amount<br/>31 December<br/>2012<br/>Mln RUB</b> | <b>Gross amount<br/>31 December<br/>2011<br/>Mln RUB</b> | <b>Gross amount<br/>31 December<br/>2012<br/>Mln USD*</b> | <b>Gross amount<br/>31 December<br/>2011<br/>Mln USD*</b> |
|--------------------------------|--|--|---|---|
| Current                        | 563  | 585  | 19  | 19  |
| Past due by up to 180 days     | 120  | 80   | 4   | 3   |
| Past due from 180 to 365 days  | 11   | 18   | -   | 1   |
| Past due by more than one year | -  | 70   | -   | 2   |
|                                | <b>694</b>   | <b>753</b>   | <b>23</b>   | <b>25</b>   |

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**
**25. CASH AND CASH EQUIVALENTS**

|  | <b>31 December<br/>2012<br/>Mln RUB</b> | <b>31 December<br/>2011<br/>Mln RUB</b> | <b>31 December<br/>2012<br/>Mln USD*</b> | <b>31 December<br/>2011<br/>Mln USD*</b> |
|--|---|---|--|--|
| Bank balances and petty cash           | 332                                     | 251                                     | 12                                       | 8  |
| Bank deposits                          | 165                                     | 462                                     | 5  | 15                                       |
| Restricted cash                        | 11                                      | -                                       | -  | -  |
| <b>Total cash and cash equivalents</b> | <b>508</b>                              | <b>713</b>                              | <b>17</b>                                | <b>23</b>                                |

As at 31 December 2012 the Group had RUB-denominated deposits on demand in Unicredit Bank in the amount of 157 Mln RUB / 5.2 Mln USD\* with nominal annual interest rates of 5.6% - 7.1%, and RUB-denominated deposits on demand in OJCS Sberbank in the amount of 8 Mln RUB / 0.3 Mln USD\* with nominal annual interest rates of 5.15% - 5.8%. The maturity dates of these deposits are not later than 31 January 2013.

As at 31 December 2011 the Group had RUB-denominated deposits on demand in Unicredit Bank in the amount of 25 Mln RUB / 0.8 Mln USD\* with a nominal annual interest rate of 8% and a maturity date on 31 January 2012, and RUB-denominated term deposits on demand in the Bank "International finance club" in amount of 319 Mln RUB / 10 Mln USD\* with a nominal interest rate of 6.4% and a maturity date of 23 April 2012. In addition, there were RUB-denominated deposit on demand in OJCS National Bank Trust in the amount of 112 Mln RUB / 3.7 Mln USD\* with a nominal interest rate of 8.75% and a maturity date 1 February 2012 and in the amount of 6 Mln RUB / 0.2 Mln USD\* with nominal interest rate of 9.5% and a maturity date of 10 September 2013.

Restricted cash line includes an amount of 2 Mln RUB / 0.07 Mln USD\*, restricted by the Group untill 2 March 2013, as collateral for a bank guarantee, as well as an amount of 9 Mln RUB / 0.30 Mln USD\* restricted in connection with legal proceedings.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 31 (d).

**26. EQUITY**
**(a) Share capital and share premium**

As at 31 December 2012 the share capital of OJSC RBC consists of 365,631,010 ordinary shares:

| <b>Number of shares unless otherwise stated</b>     | <b>31 December<br/>2012</b> | <b>31 December<br/>2011</b> |
|---|-----------------------------|-----------------------------|
| Authorized shares                                   | 318,890,625                 | 318,890,625                 |
| Par value   | RUB 0.0006                  | RUB 0.0006                  |
| Outstanding at beginning of period                  | 318,890,625                 | 318,890,625                 |
| Issued and paid                                     | 46,740,385                  | -                           |
| <b>Outstanding at end of the period, fully paid</b> | <b>365,631,010</b>          | <b>318,890,625</b>          |

In May 2012, the Board of Directors approved an additional share issuance through public offering of 51,109,375 shares at a price of 20 RUB per share. 46,740,385 shares were issued for total proceeds of 935 Mln RUB / 30.8 Mln USD\*. ONEXIM Group purchased 32,444,607 of the shares issued resulting in increase of its shareholding to 53%. The majority of the proceeds received from the share issuance was used to finance the RU-CENTER acquisition (Note 7).

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

As a result of the additional share issuance the following changes in share capital and share premium are presented as follows:

|               | 31 December<br>2012<br>Mln RUB | 31 December<br>2011<br>Mln RUB | 31 December<br>2012<br>Mln USD* | 31 December<br>2011<br>Mln USD* |
|---------------|--------------------------------|--------------------------------|---------------------------------|---------------------------------|
| Share capital | -                              | -                              | -                               | -                               |
| Share premium | 3,281                          | 2,346                          | 108                             | 77                              |

### (b) Dividends

In accordance with the Russian legislation, the Company's distributable earnings are limited to the amount of accumulated retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Standards.

As at 31 December 2012 and 2011, the Group had accumulated losses and therefore no dividends were distributed.

### (c) Treasury shares

As at the reporting date the Group held 4,228,393 own shares obtained from the exchange of the shares of OJSC RBC Information Systems to the shares of OJSC RBC in a proportion of 1 to 1.116. As at 31 December 2011 the Group held 4,228,393 of treasury shares (in a proportion of 1 to 1.116).

## 27. EARNINGS PER SHARE

The calculation of basic earnings per share as at 31 December 2012 was based on the profit for the year and the weighted average number of ordinary shares outstanding during 2012 of 341,927 thousand (2011: 314,662 thousand). Basic earnings per share were calculated as:

| Shares, units   | 2012                    | 2011                    |
|---|-------------------------|-------------------------|
| Shares issued at 1 January  | 318,890,625             | 318,890,625             |
| Treasury shares held at 1 January   | (4,228,393)             | (4,228,393)             |
| Shares issued during the reporting period                                     | 46,740,385              | -                       |
| <b>Weighted average number of shares for the period ended<br/>31 December</b> | <b>341,927,457</b>      | <b>314,662,232</b>      |
|   | <b>2012<br/>Mln RUB</b> | <b>2011<br/>Mln RUB</b> |
| Profit for the year attributable to the Owners of the Company                 | 232                     | 662                     |
| Profit / (loss) for the period from discontinued operations                   | 29                      | (10)                    |
| Profit for the period from continuing operations                              | 203                     | 672                     |
| Weighted average number of shares   | 341,927,457             | 314,662,232             |
| Basic Earnings per share from continuing operations, RUB                      | 0.59                    | 2.13                    |
| Basic Earnings per share from discontinued operations, RUB                    | 0.09                    | (0.03)                  |
| <b>Total Basic Earnings per share, RUB</b>                                    | <b>0.68</b>             | <b>2.10</b>             |

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

|   | 2012<br>Mln USD* | 2011<br>Mln USD* |
|---|------------------|------------------|
| Profit for the year attributable to the Owners of the Company | 8                | 22               |
| Profit / (loss) for the period from discontinued operations   | 1                | -                |
| Profit for the period from continuing operations              | 7                | 22               |
| Weighted average number of share                              | 341,927,457      | 314,662,232      |
| Basic Earnings per share from continuing operations, USD*     | 0.02             | 0.07             |
| Basic Earnings per share from discontinued operations, USD*   | -                | -                |
| <b>Total Basic Earnings per share, USD*</b>                   | <b>0.02</b>      | <b>0.07</b>      |

As at 31 December 2012 and 2011 the Company had no potentially dilutive ordinary shares.

## 28. LOANS AND BORROWINGS

As at 31 December 2012 and 2011 the loans and borrowings of the Group were as follows:

|                                     | Currency | Nominal<br>interest<br>rate | Year of<br>maturity | Carrying amount as at 31 December |                 |                  |                  |
|-------------------------------------|----------|-----------------------------|---------------------|-----------------------------------|-----------------|------------------|------------------|
|                                     |          |                             |                     | 2012<br>Mln RUB                   | 2011<br>Mln RUB | 2012<br>Mln USD* | 2011<br>Mln USD* |
| <b>Non-current liabilities</b>      |          |                             |                     |                                   |                 |                  |                  |
| <b>Loans</b>                        |          |                             |                     |                                   |                 |                  |                  |
| Loans at 7%                         | USD      | 7%                          | 2015                | -                                 | 4,022           | -                | 132              |
| Loans at 6%                         | USD      | 6%                          | 2018                | -                                 | 2,769           | -                | 91               |
| <b>Unsecured bonds</b>              |          |                             |                     |                                   |                 |                  |                  |
| Bonds (issue B-1 )                  | RUB      | 7%                          | 2015                | -                                 | 120             | -                | 4                |
| Bonds (issue B-4 )                  | RUB      | 6%                          | 2018                | -                                 | 77              | -                | 3                |
| <b>Total long-term liabilities</b>  |          |                             |                     | -                                 | <b>6,988</b>    | -                | <b>230</b>       |
| <b>Current liabilities</b>          |          |                             |                     |                                   |                 |                  |                  |
| <b>Loans</b>                        |          |                             |                     |                                   |                 |                  |                  |
| Loans at 7%                         | USD      | 7%                          | 2015                | 3,794                             | -               | 124              | -                |
| Loans at 6%                         | USD      | 6%                          | 2018                | 2,756                             | -               | 91               | -                |
| <b>Unsecured bonds</b>              |          |                             |                     |                                   |                 |                  |                  |
| Bonds (issue B-1 )                  | RUB      | 7%                          | 2015                | 120                               | -               | 4                | -                |
| Bonds (issue B-4 )                  | RUB      | 6%                          | 2018                | 81                                | -               | 3                | -                |
| Bonds (issue BO-4)                  | RUB      | 12%                         | 2009                | -                                 | 13              | -                | 1                |
| Bonds (issue BO-5)                  | RUB      | 11%                         | 2009                | 1                                 | 11              | -                | -                |
| Other loans                         | RUB      |                             |                     | 206                               | 9               | 7                | -                |
| <b>Total short-term liabilities</b> |          |                             |                     | <b>6,958</b>                      | <b>33</b>       | <b>229</b>       | <b>1</b>         |

The USD-denominated loan participation notes and RUB-denominated bonds were issued by the Group as part of a debt restructuring process in 2010, in which the Group reached an agreement with its creditors to exchange all of its outstanding debt for 6,337 Mln RUB / 208.6 Mln USD\* of loan participation notes, 191 Mln RUB / 6.3 Mln USD\* of RUB-denominated bonds and options/warrants granted to the loan participation notes and bond holders as described below.

As part of the debt restructuring, CJSC RBC-TV, the Group is subsidiary, pledged the rights to its trademarks and brand name in the appraised amount of 46 Mln RUB / 1.5 Mln USD\* to E.M.I.S. Finance B.V. along with pledged shares in certain companies of the Group.

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

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The loan participation notes and bonds are subject to certain covenants which impose restrictions in respect of certain transactions and financial ratios, including, but not limited to, restrictions in respect of indebtedness and profitability. As a result of having breached certain of these restrictions as at 31 December 2012 the Group reclassified a loan from E.M.I.S. Finance B.V. and bonds in the amount of 6,752 Mln RUB / 222 Mln USD\* from long-term to short-term liabilities. At the date of approval of these consolidated financial statements, management has received a preliminary agreement from MDM Bank, the enforcement agent under loan agreement with E.M.I.S. Finance B.V., and been negotiating with lenders about the possibility of removing certain restrictions and to waive the early repayment condition in the event of breaching the covenants. The Group expects to obtain a written waiver from its creditors to amend the restrictions of the loan agreement by 31 July 2013. ONEXIM Group has agreed to provide financial support in the event that the Group is required to repay its liabilities within the next 12 months.

In the future, the Group plans to repay its debts not just through the results of its operating activities, but also through the sale of assets owned by the Group.

**Derivative financial liabilities**

In 2010, as part of the debt restructuring process, the Group agreed to grant call warrants to its loan participation notes holders, and its bond holders, vesting in 2015 and 2018. In accordance with the terms of the warrant and option agreements, the Group is obliged to pay the options and warrants holders the difference between the average price of a OJSC RBC share of over the 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 loan participation notes.

The number of options granted and outstanding was as follows:

|              | <b>Exercise date</b> | <b>31 December<br/>2012</b> | <b>31 December<br/>2011</b> |
|--------------|----------------------|-----------------------------|-----------------------------|
| 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 cash settled and are classified as a financial liability in the accompanying statement of financial position. The fair value of the warrants/options was determined using the Black-Scholes valuation model and amounted to 43 Mln RUB / 1.4 Mln USD\* and 21 Mln RUB / 0.7 Mln USD\* as at 31 December 2012 and 2011, respectively.

*\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).*

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**
**29. TRADE AND OTHER PAYABLES**

|                                     | 31 December<br>2012<br>Mln RUB | 31 December<br>2011<br>Mln RUB | 31 December<br>2012<br>Mln USD* | 31 December<br>2011<br>Mln USD* |
|-------------------------------------|--------------------------------|--------------------------------|---------------------------------|---------------------------------|
| <b>Financial liabilities</b>        |                                |                                |                                 |                                 |
| Other payables and accrued expenses | 226                            | 545                            | 8                               | 18                              |
| Payables to employees               | 105                            | 88                             | 3                               | 3                               |
| Trade accounts payable              | 180                            | 208                            | 6                               | 7                               |
|                                     | <b>511</b>                     | <b>841</b>                     | <b>17</b>                       | <b>28</b>                       |
| <b>Non-financial liabilities</b>    |                                |                                |                                 |                                 |
| Advances received                   | 460                            | 275                            | 15                              | 9                               |
| VAT payable                         | 207                            | 143                            | 7                               | 5                               |
| Other taxes payable                 | 88                             | 92                             | 3                               | 3                               |
| Deferred income                     | 28                             | -                              | 1                               | -                               |
|                                     | <b>783</b>                     | <b>510</b>                     | <b>26</b>                       | <b>17</b>                       |

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 31.

**30. PROVISIONS**

As at 31 December 2012 and 2011 the following provisions were made:

|  | 31 December<br>2012<br>Mln RUB | 31 December<br>2011<br>Mln RUB | 31 December<br>2012<br>Mln USD* | 31 December<br>2011<br>Mln USD* |
|--|--------------------------------|--------------------------------|---------------------------------|---------------------------------|
| Legal case provision (Note 7)                      | 239                            | -                              | 8                               | -                               |
| Unused vacation provision                          | 47                             | 31                             | 1                               | 1                               |
| Late-payment interest and penalties related to VAT | 2                              | 2                              | -                               | -                               |
|  | <b>288</b>                     | <b>33</b>                      | <b>9</b>                        | <b>1</b>                        |

**31. FINANCIAL RISK MANAGEMENT**
**(a) Overview**

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

- Credit risk;
- Liquidity risk; and
- Market risk.

This note contains information on the Group's exposure to each of the above risks, along with the Group's objectives, policies and processes for measuring and managing risk, and details of the Group's management policies. Further quantitative disclosures are included throughout these consolidated financial statements.

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies have been established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to the 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.

### **(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. Credit risk arises principally from the Group's receivables from customers.

#### **a. Trade and other receivables**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. There are no customers from which the Group derives more than 10% of its revenue.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes a review of customers' financial statements and background of customers' management. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

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 relates to individually significant exposures. The Group does not have a collective loss component of impairment established for groups of similar assets in respect of losses that have been incurred but not yet identified.

The Group does not require collateral in respect of trade receivables.

#### **b. Guarantees**

The Group's policy is to provide financial guarantees only to its wholly-owned subsidiaries.

*\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).*



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**
**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:

|   | <b>Carrying amount</b>                  |   | <b>Carrying amount</b>                   |  |
|---|---|---|--|--|
|   | <b>31 December<br/>2012<br/>Mln RUB</b> | <b>31 December<br/>2011<br/>Mln RUB</b> | <b>31 December<br/>2012<br/>Mln USD*</b> | <b>31 December<br/>2011<br/>Mln USD*</b> |
| <b>Current financial assets</b>                               |   |   |  |  |
| Investments, designated at fair value through profit and loss | 3                                       | 11                                      | -  | -  |
| Promissory notes held to maturity                             | 4                                       | 4                                       | -  | -  |
| Trade receivables   | 694                                     | 753                                     | 23                                       | 25                                       |
| Other receivables   | 309                                     | 33                                      | 10                                       | 1  |
| Cash and cash equivalents                                     | 508                                     | 713                                     | 17                                       | 23                                       |
| <b>Non-current financial assets</b>                           |   |   |  |  |
| Loans granted to employees and third parties                  | 6                                       | 4                                       | -  | -  |
| <b>Total financial assets</b>                                 | <b>1,525</b>                            | <b>1,517</b>                            | <b>50</b>                                | <b>49</b>                                |

As of the reporting date, the maximum exposure to credit risk associated with trade accounts receivable, by geographic regions of the Group, were as follows:

|        | <b>Carrying amount</b>                  |   | <b>Carrying amount</b>                   |  |
|--------|---|---|--|--|
|        | <b>31 December<br/>2012<br/>Mln RUB</b> | <b>31 December<br/>2011<br/>Mln RUB</b> | <b>31 December<br/>2012<br/>Mln USD*</b> | <b>31 December<br/>2011<br/>Mln USD*</b> |
| Russia | 683                                     | 619                                     | 22                                       | 20                                       |
| Europe | 11                                      | 134                                     | 1  | 5  |
|        | <b>694</b>                              | <b>753</b>                              | <b>23</b>                                | <b>25</b>                                |

**(c) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

A summary of quantitative data regarding the Group's exposure to liquidity risk is disclosed in the liabilities maturity analysis table, which shows the remaining contractual maturities of the liabilities.

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

| 31 December 2012<br>Mln RUB                       | Average Interest rate |           | 0-12 mths    | 1-5 years | Over 5 years | Total        |
|---|-----------------------|-----------|--------------|-----------|--------------|--------------|
|   | Contractual           | Effective |              |           |              |              |
| Trade and other payables                          | -                     | -         | 511          | -         | -            | 511          |
| Loans and borrowings                              | 6-7%                  | 6-7%      | 6,958        | -         | -            | 6,958        |
| <b>Total non-derivative financial liabilities</b> |                       |           | <b>7,469</b> | <b>-</b>  | <b>-</b>     | <b>7,469</b> |

| 31 December 2012<br>Mln USD*                      | Average Interest rate |           | 0-12 mths  | 1-5 years | Over 5 years | Total      |
|---|-----------------------|-----------|------------|-----------|--------------|------------|
|   | Contractual           | Effective |            |           |              |            |
| Trade and other payables                          | -                     | -         | 17         | -         | -            | 17         |
| Loans and borrowings                              | 6-7%                  | 6-7%      | 229        | -         | -            | 229        |
| <b>Total non-derivative financial liabilities</b> |                       |           | <b>246</b> | <b>-</b>  | <b>-</b>     | <b>246</b> |

| 31 December 2011<br>Mln RUB                       | Average Interest rate |           | 0-12 mths  | 1-5 years    | Over 5 years | Total        |
|---|-----------------------|-----------|------------|--------------|--------------|--------------|
|   | Contractual           | Effective |            |              |              |              |
| Trade and other payables                          | -                     | -         | 841        | -            | -            | 841          |
| Loans and borrowings                              | 9-13%                 | 9-13%     | 33         | 4,142        | 2,846        | 7,021        |
| <b>Total non-derivative financial liabilities</b> |                       |           | <b>874</b> | <b>4,142</b> | <b>2,846</b> | <b>7,862</b> |

| 31 December 2011<br>Mln USD*                      | Average Interest rate |           | 0-12 mths | 1-5 years  | Over 5 years | Total      |
|---|-----------------------|-----------|-----------|------------|--------------|------------|
|   | Contractual           | Effective |           |            |              |            |
| Trade and other payables                          | -                     | -         | 28        | -          | -            | 28         |
| Loans and borrowings                              | 9-13%                 | 9-13%     | 1         | 136        | 94           | 231        |
| <b>Total non-derivative financial liabilities</b> |                       |           | <b>29</b> | <b>136</b> | <b>94</b>    | <b>259</b> |

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**
**(d) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and share prices will affect the Group's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Group does not buy or sell derivatives.

**a. 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.

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

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when it is necessary to address short-term imbalances.

**Exposure to currency risk**

The Group's exposure to foreign currency risk was as follows based on notional amounts:

|                                    | USD-<br>denominated<br>31 December<br>2012 | Euro-<br>denominated<br>31 December<br>2012 | UAH-<br>denominated<br>31 December<br>2012 |
|------------------------------------|--|---|--|
| <b>MIn RUB</b>                     |  |   |  |
| <b>Financial assets</b>            |  |   |  |
| Trade and other receivables        | 19   | 287   | 1  |
| Cash and cash equivalents          | 24   | 64  | -  |
| <b>Total financial assets</b>      | <b>43</b>                                  | <b>351</b>                                  | <b>1</b>                                   |
| <b>Financial liabilities</b>       |  |   |  |
| Trade and other payables           | (1)  | (1)   | -  |
| Loans and borrowings               | (6,550)                                    | -   | -  |
| <b>Total financial liabilities</b> | <b>(6,551)</b>                             | <b>(1)</b>                                  | <b>-</b>                                   |
|                                    |  |   |  |
|                                    | USD-<br>denominated<br>31 December<br>2012 | Euro-<br>denominated<br>31 December<br>2012 | UAH-<br>denominated<br>31 December<br>2012 |
| <b>MIn USD*</b>                    |  |   |  |
| <b>Financial assets</b>            |  |   |  |
| Trade and other receivables        | 1  | 9   | -  |
| Cash and cash equivalents          | 1  | 2   | -  |
| <b>Total financial assets</b>      | <b>2</b>                                   | <b>11</b>                                   | <b>-</b>                                   |
| <b>Financial liabilities</b>       |  |   |  |
| Trade and other payables           | -  | -   | -  |
| Loans and borrowings               | (216)                                      | -   | -  |
| <b>Total financial liabilities</b> | <b>(216)</b>                               | <b>-</b>                                    | <b>-</b>                                   |

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

# RBC GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

|                                    | USD-<br>denominated<br>31 December<br>2011 | Euro-<br>denominated<br>31 December<br>2011 | UAH-<br>denominated<br>31 December<br>2011 |
|------------------------------------|--|---|--|
| <b>MIn RUB</b>                     |  |   |  |
| <b>Financial assets</b>            |  |   |  |
| Trade and other receivables        | 84   | 75  | 1  |
| Cash and cash equivalents          | 41   | 13  | 1  |
| <b>Total financial assets</b>      | <b>125</b>                                 | <b>88</b>                                   | <b>2</b>                                   |
| <b>Financial liabilities</b>       |  |   |  |
| Trade and other payables           | (26)                                       | (48)  | (8)  |
| Loans and borrowings               | (6,791)                                    | -   | -  |
| <b>Total financial liabilities</b> | <b>(6,817)</b>                             | <b>(48)</b>                                 | <b>(8)</b>                                 |
|                                    |  |   |  |
|                                    | USD-<br>denominated<br>31 December<br>2011 | Euro-<br>denominated<br>31 December<br>2011 | UAH-<br>denominated<br>31 December<br>2011 |
| <b>MIn USD*</b>                    |  |   |  |
| <b>Financial assets</b>            |  |   |  |
| Trade and other receivables        | 3  | 2   | -  |
| Cash and cash equivalents          | 1  | -   | -  |
| <b>Total financial assets</b>      | <b>4</b>                                   | <b>2</b>                                    | <b>-</b>                                   |
| <b>Financial liabilities</b>       |  |   |  |
| Trade and other payables           | (1)  | (2)   | -  |
| Loans and borrowings               | (211)                                      | -   | -  |
| <b>Total financial liabilities</b> | <b>(212)</b>                               | <b>(2)</b>                                  | <b>-</b>                                   |

The following exchange rates were applicable during the year:

|               | Average rate |         | Reporting date spot rate |                     |
|---------------|--------------|---------|--------------------------|---------------------|
|               | 2012         | 2011    | 31 December<br>2012      | 31 December<br>2011 |
| RUB for 1 USD | 31.0930      | 29.3987 | 30.3727                  | 32.1961             |

### b. 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). There is no formal policy established by the Group's management in order to determine 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 a fixed or variable rate would be more favorable to the Group over the expected period until maturity.

At the reporting date the carrying value of the Group's interest-bearing financial instruments was:

|                               | Carrying amount                |                                | Carrying amount                 |                                 |
|-------------------------------|--------------------------------|--------------------------------|---------------------------------|---------------------------------|
|                               | 31 December<br>2012<br>MIn RUB | 31 December<br>2011<br>MIn RUB | 31 December<br>2012<br>MIn USD* | 31 December<br>2011<br>MIn USD* |
| <b>Fixed rate instruments</b> |                                |                                |                                 |                                 |
| Total increase/ (decrease)    | (6,958)                        | (7,021)                        | (229)                           | (231)                           |

There are no financial liabilities with variable rates.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**
**(e) Sensitivity analysis**

31 December 2012

| Mln RUB   | Currency risk sensitivity |                           |
|---|---------------------------|---------------------------|
|   | +10%<br>Profit/<br>(loss) | -10%<br>Profit/<br>(loss) |
| <b>Current financial assets</b>                               |                           |                           |
| Investments, designated at fair value through profit and loss | -                         | -                         |
| Trade and other receivables                                   | 29                        | (29)                      |
| Cash and cash equivalents                                     | 9                         | (9)                       |
| <b>Impact on financial assets before tax</b>                  | <b>38</b>                 | <b>(38)</b>               |
| Income tax (20%)  | (8)                       | 8                         |
| <b>Impact on financial assets after tax</b>                   | <b>30</b>                 | <b>(30)</b>               |
| <b>Current financial liabilities</b>                          |                           |                           |
| Trade and other payables                                      | (2)                       | 2                         |
| Loans and borrowings  | 21                        | (21)                      |
| <b>Impact on financial liabilities before tax</b>             | <b>19</b>                 | <b>(19)</b>               |
| Income tax (20%)  | (4)                       | 4                         |
| <b>Impact on financial liabilities after tax</b>              | <b>15</b>                 | <b>(15)</b>               |
| <b>Total increase/ (decrease)</b>                             | <b>45</b>                 | <b>(45)</b>               |

31 December 2012

| Mln USD*   | Currency risk sensitivity |                           |
|--|---------------------------|---------------------------|
|  | +10%<br>Profit/<br>(loss) | -10%<br>Profit/<br>(loss) |
| <b>Current financial assets</b>                              |                           |                           |
| Investments designated at fair value through profit and loss | -                         | -                         |
| Trade and other receivables                                  | 1                         | (1)                       |
| Cash and cash equivalents                                    | -                         | -                         |
| <b>Impact on financial assets before tax</b>                 | <b>1</b>                  | <b>(1)</b>                |
| Income tax (20%)   | -                         | -                         |
| <b>Impact on financial assets after tax</b>                  | <b>1</b>                  | <b>(1)</b>                |
| <b>Current financial liabilities</b>                         |                           |                           |
| Trade and other payables                                     | -                         | -                         |
| Loans and borrowings   | -                         | -                         |
| <b>Impact on financial liabilities before tax</b>            | <b>-</b>                  | <b>-</b>                  |
| Income tax (20%)   | -                         | -                         |
| <b>Impact on financial liabilities after tax</b>             | <b>-</b>                  | <b>-</b>                  |
| <b>Total increase/ (decrease)</b>                            | <b>1</b>                  | <b>(1)</b>                |

**(f) Fair value**

The Group's management believes that the fair value of financial assets and liabilities of the Group as at 31 December 2012 and 2011 approximates their carrying values except for the value of bonds (Note 28). The carrying value of the bonds at 31 December 2012 was 202 Mln RUB / 6.6 Mln USD\*, with a fair value of 111 Mln RUB / 3.7 Mln USD\*, and the carrying value of the bonds at 31 December 2011 was 230 Mln RUB / 7.6 Mln USD\*. The methods used to determine fair value are disclosed in Note 3.

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

The fair value of financial liabilities that are measured at fair value subsequent to initial recognition is determined based on the fair value hierarchy:

- Derivative financial liabilities relate to the level 2 of the hierarchy, because they are estimated on the basis of market prices.
- Loans amounting 6,550 Mln RUB / 215.7 Mln USD\* at 31 December 2012 and 6,791 Mln RUB / 223.6 Mln USD\* at 31 December 2011, respectively, relate to level 3 of the hierarchy, because they are estimated based on unobservable data, not market prices. In 2012 and 2011, the Group has not recognized any gains and losses in respect to loans, except for changes in foreign exchange losses and interest accrued.

**(g) Capital management**

The Board of Directors monitors the return on equity, which the Group defines as profit after tax divided by shareholders' equity.

|   | 2012<br>Mln RUB | 2011<br>Mln RUB | 2012<br>Mln USD* | 2011<br>Mln USD* |
|---|-----------------|-----------------|------------------|------------------|
| <b>Profit / (loss) for the period</b>                     | <b>219</b>      | <b>649</b>      | <b>7</b>         | <b>21</b>        |
| <b>Equity attributable to shareholders of the Company</b> | <b>(3,298)</b>  | <b>(4,456)</b>  | <b>(109)</b>     | <b>(147)</b>     |
| Share capital   | -               | -               | -                | -                |
| Share premium   | 3,281           | 2,346           | 108              | 77               |
| Treasury shares   | (631)           | (631)           | (21)             | (21)             |
| Translation reserve                                       | (7)             | (6)             | -                | -                |
| Accumulated loss  | (5,941)         | (6,165)         | (196)            | (203)            |
| <b>Return on equity</b>                                   | <b>N/A</b>      | <b>N/A</b>      | <b>N/A</b>       | <b>N/A</b>       |

The financial crisis of 2008 had a significant impact on the 2012 and 2011 results. The return on equity calculation is not applicable due to negative amounts in the denominator and numerator.

**32. OPERATING LEASES**

The Group leases a number of offices and facilities under operating leases. Contacted amounts payable under non-cancellable operating lease rentals are due as follows:

|                            | 2012<br>Mln RUB | 2011<br>Mln RUB | 2012<br>Mln USD* | 2011<br>Mln USD* |
|----------------------------|-----------------|-----------------|------------------|------------------|
| Less than one year         | 99              | 91              | 3                | 3                |
| Between one and five years | 207             | 225             | 7                | 7                |
| More than five years       | 257             | 333             | 8                | 11               |
|                            | <b>563</b>      | <b>649</b>      | <b>18</b>        | <b>21</b>        |

During the current year 248 Mln RUB / 8.2 Mln USD\* (2011: 242 Mln RUB / 8 Mln USD\*) was recognized as operating leases expense.

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).

**33. CONTINGENCIES****(a) Operating environment**

Emerging markets such as the Russian Federation are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in the Russian Federation continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of the Russian Federation is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

**(b) Taxation**

Commercial legislation of the 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 of the Group's business activities, based on management's judgment, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

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.

The Group's management believes that no additional provisions for contingent tax losses in the reporting period are necessary, other than those already accrued and disclosed in Note 30.

**(c) Litigation**

During the reporting year, certain entities of the Group were involved in various claims and legal proceedings (both as plaintiff and defendant) arising in the normal course of business. Management does not believe that the ultimate resolution of such matters will give rise to a material adverse impact on the Group's operating results or financial position.

On 19 December 2012, partners of the Group in joint entity «BidOnTheCity Russia» (BidLive), in which the Group owns 45%, filed a lawsuit with the court of the city of New York (USA) against OJSC RBC and Halverston Holdings Limited, the Group's subsidiary, as well as a number of senior managers and members of the Board of Directors of the Group, for damages incurred due to loss of reputation. Management believes that this claim has no basis and will not be considered by the court.

*\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).*

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**
**34. RELATED PARTY TRANSACTIONS**

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. 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 considered to be related parties.

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

Compensation of key management personnel consists of remuneration paid to directors, general directors and executive directors for their services. Compensation consists of annual remuneration and a performance bonus depending on operating results of the Group.

Total compensation of the key management amounted to 150 Mln RUB / 5 Mln USD\* for the year ended 31 December 2012 (103 Mln RUB / 3.4 Mln USD\* for the year ended 31 December 2011) represented by both base salary and bonuses, and is included in administrative expenses within the consolidated statement of profit and loss and other comprehensive income.

**(b) Transactions with associates and joint ventures**

The Group's transactions with the associates and joint ventures are disclosed below:

| Mln RUB                       | Outstanding<br>balance<br>31 December<br>2012 | Income/<br>(expenses)<br>2012 | Outstanding<br>balance<br>31 December<br>2011 | Income/<br>(expenses)<br>2011 |
|-------------------------------|---|-------------------------------|---|-------------------------------|
| Other services received       | -   | (41)                          | (2)   | (75)                          |
| Advertising services provided | -   | 29                            | (14)  | 111                           |
| Other services provided       | 3   | 3                             | (77)  | 4                             |
| Loans issued                  | 7   | -                             | -   | -                             |

| Mln USD*                      | Outstanding<br>balance<br>31 December<br>2012 | Income/<br>(expenses)<br>2012 | Outstanding<br>balance<br>31 December<br>2011 | Income/<br>(expenses)<br>2011 |
|-------------------------------|---|-------------------------------|---|-------------------------------|
| Other services received       | -   | (1)                           | -   | (2)                           |
| Advertising services provided | -   | 1                             | -   | 4                             |
| Other services provided       | -   | -                             | (3)   | -                             |
| Loans issued                  | -   | -                             | -   | -                             |

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**
**(c) Transactions with other related parties**

The Group's transactions with other related parties are disclosed below:

| <b>Mln RUB</b>                | <b>Outstanding<br/>balance<br/>31 December<br/>2012</b> | <b>Income/<br/>(expenses)<br/>2012</b> | <b>Outstanding<br/>balance<br/>31 December<br/>2011</b> | <b>Income/<br/>(expenses)<br/>2011</b> |
|-------------------------------|---|--|---|--|
| Other services received       | -   | (4)                                    | (1)   | (87)                                   |
| Loans received                | (186)   | 2                                      | -   | -                                      |
| Advertising services provided | 7   | 7                                      | -   | 93                                     |
| Other services provided       | -   | -                                      | -   | 4                                      |
| Bank deposits                 | -   | -                                      | 319   | -                                      |

| <b>Mln USD*</b>               | <b>Outstanding<br/>balance<br/>31 December<br/>2012</b> | <b>Income/<br/>(expenses)<br/>2012</b> | <b>Outstanding<br/>balance<br/>31 December<br/>2011</b> | <b>Income/<br/>(expenses)<br/>2011</b> |
|-------------------------------|---|--|---|--|
| Other services received       | -   | -                                      | -   | (3)                                    |
| Loans received                | (6)   | -                                      | -   | -                                      |
| Advertising services provided | -   | -                                      | -   | 3                                      |
| Other services provided       | -   | -                                      | -   | -                                      |
| Bank deposits                 | -   | -                                      | 11  | -                                      |

As at 31 December 2011 the Group had a RUB-denominated term deposit in the Bank "International finance club" in the amount of 319 Mln RUB / 10.5 Mln USD\*.

**35. EVENTS SUBSEQUENT TO THE REPORTING DATE**
**(a) Cash held in Cyprus**

As at 31 December 2012, RBC Group held cash in the amount of 67 Mln RUB / 2 Mln USD\* in the accounts of banks located in the Republic of Cyprus, including 63 Mln RUB / 2 Mln USD\* belonging to the Salon segment. This cash had not been frozen or withdrawn from these accounts as at the date of approval of these consolidated financial statements.

**(b) Acquisition of KuponGid**

On 5 February 2013 the Group purchased 10% of shares of KUPONGID Corp., registered under the laws of the British Virgin Islands, for a consideration of 1.9 Mln RUB / 0.06 Mln USD\*, increasing its ownership to 53%, for expansion of the area of the Group advertising services.

KUPONGID Corp. will become part of the Consumer Internet segment. The company provides services and products to the ultimate customers of promotions. The initial accounting for the business combination is incomplete as at the date of these consolidated financial.

**(c) Acquisition of Zayavka.ru**

In February 2013, the Group purchased 41% of the share capital of Zayavka.ru LLC for a consideration of 0.3 Mln RUB / 0.01 Mln USD\*, increasing its ownership to 100%.

The initial accounting for the business combination is incomplete as at the date of these consolidated financial statements.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**
**(d) Decision of HAC of the Russian Federation in respect to CJSC "RU-CENTER"**

On 2 April 2013, the Presidium of the High Arbitration Court (HAC) upheld the decision of the Moscow Ninth Arbitration Appellate Court from 1 July 2011 regarding the case of the Federal Antimonopoly Service (FAS) of Russia against CJSC RU-CENTER. FAS Russia had ruled that CJSC RU-CENTER should pay a penalty in the amount of 239 Mln RUB / 8 Mln USD\* to the budget of the Russian Federation.

**36. EBITDA (UNAUDITED)**

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

|   | 31 December<br>2012<br>Mln RUB | 31 December<br>2011<br>Mln RUB | 31 December<br>2012<br>Mln USD* | 31 December<br>2011<br>Mln USD* |
|---|--------------------------------|--------------------------------|---------------------------------|---------------------------------|
| <b>Results from operating activities</b>                    | 338                            | 284                            | 11                              | 9                               |
| Profit / (loss) for the period from discontinued operations | 29                             | (10)                           | 1                               | -                               |
| <i>Adjustments for:</i>                                     |                                |                                |                                 |                                 |
| Amortization  | 281                            | 166                            | 11                              | 5                               |
| Depreciation  | 123                            | 90                             | 4                               | 3                               |
| <b>EBITDA</b>   | <b>771</b>                     | <b>530</b>                     | <b>27</b>                       | <b>17</b>                       |

\* The USD equivalent amounts are provided for convenience purposes only and do not form part of the audited consolidated financial statements – refer to note 2(d).