JSC HALS-Development and subsidiaries

Interim condensed consolidated financial statements

30 June 2013

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Contents

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Report on review of interim condensed consolidated financial statements

To the shareholders of JSC HALS-Development

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of JSC HALS-Development, formerly known as JSC Sistema-Hals, and its subsidiaries ("the Group"), comprising the interim condensed consolidated statement of financial position as at 30 June 2013 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

Emphasis of matter

We draw attention to Note 2 to the interim condensed consolidated financial statements which indicates that as of 30 June 2013 the Group had negative net assets of RUR 21,951 million and the Group incurred a net loss of RUR 1,307 million during the six-month period then ended 30 June 2013. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not qualified in respect of this matter.

Ernst & Young LLC

28 August 2013

JSC HALS-Development and subsidiaries

Interim condensed consolidated statement of comprehensive income

for the six-month period ended 30 June 2013

(Amounts in millions of Russian Rubles, except for shares and loss per share amounts)

	Notes	2013 (unaudited)	2012 (unaudited)
Rental income	4	1,121	544
Other property operating expense		(278)	(105)
Net rental income		**843**	**439**
Valuation gains on completed investment property	12	2,314	251
Valuation (losses)/gains on investment property under construction	13	(373)	1,132
Net valuation gains on investment property		**1,941**	**1,383**
Sales of inventory property	5	350	2,763
Cost of sales – inventory property	5,17	(200)	(2,147)
Gross profit on sale of inventory property		**150**	**616**
Write-down of inventory property to net realizable value	17	**–**	**(2)**
Revenue from room charges and other hotel services	5	228	194
Cost of hotel services		(114)	(109)
Gross profit on hotel services		**114**	**85**
Other sales	5	18	46
Cost of other sales		(3)	(3)
Gross profit on other sales		**15**	**43**
Administration and selling expenses	6	(980)	(688)
Other operating income	7	547	193
Other operating expenses	8	(1,073)	(1,060)
Operating profit		**1,557**	**1,009**
Finance income	9	112	183
Finance expenses	10	(2,258)	(2,169)
Share of loss of joint venture, net of tax	14	(106)	(9)
Foreign exchange (loss)/gain		(143)	190
Loss before tax		**(838)**	**(796)**
Income tax expense	11	(469)	(354)
Loss for the period		**(1,307)**	**(1,150)**
Total comprehensive loss for the period		**(1,307)**	**(1,150)**
Attributable to:			
Owners of the parent		(783)	(1,239)
Non-controlling interest		(524)	89
		(1,307)	**(1,150)**
Weighted average number of common shares outstanding		11,211,534	11,211,534
Basic and diluted loss for the period per share, RUR		(117)	(103)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

JSC HALS-Development and subsidiaries

Interim condensed consolidated statement of financial position

As of 30 June 2013

(Amounts in millions of Russian Rubles)

	Notes	30 June 2013 (unaudited)	31 December 2012
Assets			
Non-current assets			
Property, plant and equipment	15	2,833	2,308
Completed investment property	12	28,435	25,419
Investment property under construction	13	19,646	15,348
Intangible assets	16	546	545
Loans and notes receivable	19	–	11
Investments in joint venture	14	1,832	1,938
Other non-financial assets	21	2,664	2,515
Other financial assets	18	158	266
Deferred tax assets		1,878	1,711
		57,992	**50,061**
Current assets			
Inventory property with period of realization above the year	17	44,530	37,221
Inventory property with period of realization within the year	17	1,555	1,753
Trade and other receivables	18	503	851
VAT reimbursable		1,741	2,964
Other financial assets	18	313	334
Loans and notes receivable	19	51	76
Other non-financial assets	21	1,534	2,497
Cash and short-term deposits	20	4,139	2,453
		54,366	**48,149**
Total assets		**112,358**	**98,210**
Equity and liabilities			
Equity			
Issued share capital	22	567	567
Treasury shares	22	(1)	(1)
Additional paid-in capital		18,296	18,296
Accumulated losses		(41,864)	(41,081)
Total equity attributable to equity holders of the parent		**(23,002)**	**(22,219)**
Non-controlling interests		1,051	1,575
Total equity		**(21,951)**	**(20,644)**
Non-current liabilities			
Net assets attributable to non-controlling participants in LLCs		17	19
Interest bearing loans and borrowings	23	92,224	83,482
Trade and other payables	24	76	76
Tenants' guarantee deposits		323	274
Other non-financial liabilities	25	1,653	196
Deferred tax liability		5,017	4,565
		99,310	**88,612**
Current liabilities			
Interest bearing loans and borrowings	23	25,153	22,995
Trade and other payables	24	1,567	1,220
Provisions		544	455
Current income tax payable		11	153
Other non-financial liabilities	25	7,724	5,419
		34,999	**30,242**
Total liabilities		**134,309**	**118,854**
Total equity and liabilities		**112,358**	**98,210**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

JSC HALS-Development and subsidiaries

Interim condensed consolidated statement of changes in equity

for the six-month period ended 30 June 2013

(Amounts in millions of Russian Rubles)

	Issued capital	Treasury shares	Additional paid-in capital	Accumu-lated losses	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
At 1 January 2013	**567**	**(1)**	**18,296**	**(41,081)**	**(22,219)**	**1,575**	**(20,644)**
Loss for the period	–	–	–	(783)	**(783)**	(524)	**(1,307)**
Total comprehensive loss for the period	**–**	**–**	**–**	**(783)**	**(783)**	**(524)**	**(1,307)**
At 30 June 2013 (unaudited)	**567**	**(1)**	**18,296**	**(41,864)**	**(23,002)**	**1,051**	**(21,951)**

	Issued capital	Treasury shares	Additional paid-in capital	Accumu-lated losses	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
At 1 January 2012	**567**	**(1)**	**18,296**	**(39,643)**	**(20,781)**	**1,248**	**(19,533)**
Loss for the period	–	–	–	(1,239)	**(1,239)**	89	**(1,150)**
Total comprehensive loss for the period	**–**	**–**	**–**	**(1,239)**	**(1,239)**	**89**	**(1,150)**
Disposal of non-controlling interest	–	–	36	–	**36**	(9)	**27**
At 30 June 2012 (unaudited)	**567**	**(1)**	**18,332**	**(40,882)**	**(21,984)**	**1,328**	**(20,656)**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

JSC HALS-Development and subsidiaries

Interim condensed consolidated cash flow statement

for the six-month period ended 30 June 2013

(Amounts in millions of Russian Rubles)

	Notes	2013 (unaudited)	2012 (unaudited)
Operating activities			
Loss before tax		(838)	(796)
Adjustments to reconcile loss before tax to net cash flows:			
Changes in fair value of investment property	12,13	(1,941)	(1,383)
Share of loss in joint venture	14	106	9
Loss from remeasurement of investments in associates to fair value	7,8	–	336
Goodwill write off	3,8	–	12
Depreciation and amortization	15,16	55	61
Write-down of inventory property to net realizable value	17	–	2
Impairment of property, plant and equipment	8,15	712	62
Finance income	9	(112)	(183)
Finance expenses	10	2,258	2,169
Changes in legal provision	7	(40)	–
Gain on plant reallocation	7	–	(63)
Recovery of receivables written off in prior period	7	(102)	(18)
Payables and other obligations write off	7	(9)	–
(Gain)/loss from sale of investment property	7, 8	(346)	131
Receivables write off	8	76	157
Foreign currency loss/(gain)		143	(190)
		(38)	**306**
Working capital adjustments:			
Change in trade and other receivables, VAT reimbursable and other non-financial assets		1,184	2,020
Change in inventory property		(4,701)	(1,635)
Change in trade and other payables, tenants' guarantee deposits and other non-financial liabilities		4,057	(1,659)
Cash flow generated from (used in) operating activities		**502**	**(968)**
Income tax paid		(188)	(9)
Net cash flow generated from (used in) operating activities		**314**	**(977)**
Investing activities			
Acquisition of businesses, net of cash acquired	3	–	(1,935)
Disposal of non-controlling interest		–	31
Repayment of receivables from disposal of ZAO RTI Estate	18	122	–
Acquisitions and advances paid for construction of investment property and property, plant and equipment		(5,872)	(3,571)
Proceeds from disposal of investment property		542	443
Loans issued		–	(251)
Interest received		55	52
Repayment of loans issued		40	2
Net cash flow used in investing activities		**(5,113)**	**(5,229)**
Financing activities			
Proceeds from borrowings		8,898	9,026
Redemption of borrowings		(2,314)	(1,615)
Interest paid		(50)	(149)
Net cash flow from financing activities		**6,534**	**7,262**
Effects of foreign currency translation on cash and cash equivalents		(49)	(15)
Net increase in cash and cash equivalents		**1,686**	**1,041**
Cash and short-term deposits at 1 January	20	2,453	2,038
Cash and short-term deposits at 30 June	20	**4,139**	**3,079**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

1. Corporate information

JSC HALS-Development, formerly known as JSC Sistema-Hals, ("HALS-Development" or the "Company") and subsidiaries (together – the "Group") are engaged in real estate development, primarily focused on the "Class A" and "Class B" buildings of the Moscow office market, shopping centers, high-end housing, single family houses, apartment buildings and land development. The Group's revenues are derived principally from the following activities:

- Sale of completed development projects, both commercial and residential, as well as the sale of rights for land;
- Rental income from completed development projects; and
- Revenue from room charges and other hotel services.

The Group's operations are conducted in the Russian Federation (hereinafter referred to as "the RF") and the Commonwealth of Independent States ("the CIS"), primarily in Moscow, the Moscow Region, the Nizhniy Novgorod region, Sochi, Kiev and Saint-Petersburg. The majority of the Group entities are incorporated in the RF. The registered office is located at 35/4, B.Tatarskaya st., Moscow, Russia.

As at 30 June 2013 and 31 December 2012 OJSC VTB Bank ("VTB") owned 51.24% of the share capital of the Company. The ultimate controlling party of the Group is the state of Russian Federation, acting through the Federal Property Agency.

These interim condensed consolidated financial statements at 30 June 2013 and for the six-month period then ended were authorised for issue by the President of the Company on 28 August 2013.

2. Basis of preparation and changes to the Group's accounting policies

Basis of preparation

The interim condensed consolidated financial statements for the six-month period ended 30 June 2013 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2012.

These interim condensed consolidated financial statements are presented in the Russian Rouble ("RUR") and all values are rounded to the nearest million, except when otherwise indicated.

Going concern

As at 30 June 2013, the Group's negative net assets amounted to RUR 21,951 million (31 December 2012: RUR 20,644 million) and the Group incurred a net loss of RUR 1,307 million for the six-month period ended 30 June 2013 (for the six-month period ended 30 June 2012: RUR 1,150 million). However as at 30 June 2013 the Group's current assets exceeded its current liabilities by RUR 19,367 million (31 December 2012: RUR 17,907 million).

The Group's ability to complete projects under development and fund its contractual commitments/co-investment contracts requires a significant amount of capital and liquidity.

2. Basis of preparation and changes to the Group's accounting policies (continued)

Going concern (continued)

Management of the Group has assessed its current strategic and operational intentions, future profitability of its operations based on the current market conditions, its cash requirements, and its ability to access financing and associated cost of such financing. Based on this assessment, management has taken the following actions:

- management assessed the Group's portfolio of projects and has prioritized those that it believes to be more strategic, and suspended other activities in order to reduce the Group's cash requirements;
- in 2012 the Group restructured its debt portfolio and all loans due to VTB, the Group's controlling shareholder, maturing in 2012 were prolonged until 2017-2020. VTB's loans now account for approximately 97% of the Group's total loans payable (see Note 23);
- during 2013 the Group actively raised funds from joint construction participants as prepayment for residential real estate sales and thereof financed significant part of residential real estate developments.

Management believes, based on the actions undertaken, that it will have adequate liquidity to continue to fund its liabilities and operations and continue as a going concern in the foreseeable future.

The conditions described above represent a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. In such case, the Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

These interim condensed consolidated financial statements have been prepared based on the assumption that the Group is able to continue its business as a going concern. The interim condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

New standards, interpretations and amendments thereof, adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013, noted below:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment did not affect presentation and had no impact on the Group's financial position or performance.

2. Basis of preparation and changes to the Group's accounting policies (continued)

New standards, interpretations and amendments thereof, adopted by the Group (continued)

IAS 1 Clarification of the Requirement for Comparative Information (Amendment)

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

IAS 32 Tax Effects of Distributions to Holders of Equity Instruments (Amendment)

The amendment to IAS 32 *Financial Instruments: Presentation* clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not affect presentation and had no impact on the Group's financial position or performance.

IAS 34 Interim Financial Reporting and Segment Information for Total Assets and Liabilities (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 *Operating Segments*. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. Total assets and liabilities are not reviewed by the Group's chief operating decision maker on other than consolidated.

IAS 19 Employee Benefits (Revised 2011) (IAS 19R)

IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. As the Group does not have any defined benefit plans in place, these amendments do not have an impact on the Group.

2. Basis of preparation and changes to the Group's accounting policies (continued)

New standards, interpretations and amendments thereof, adopted by the Group (continued)

IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. Adoption of IFRS 10 had no impact on the consolidation of investments held by the Group.

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. The application of this new standard did not have an impact on the Group.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period requires that they are provided. Accordingly, the Group has not made such disclosures.

(Amounts in millions of Russian Rubles, unless otherwise stated)

2. Basis of preparation and changes to the Group's accounting policies (continued)

New standards, interpretations and amendments thereof, adopted by the Group (continued)

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

In addition to the above-mentioned amendments and new standards, IFRS 1 *First-time Adoption of International Financial Reporting Standards* was amended with effect for reporting periods starting on or after 1 January 2013. The Group is not a first-time adopter of IFRS, therefore, this amendment is not relevant to the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. Acquisitions

Acquisition of SistemApsys S.A.R.L.

On 30 January 2012 the Group acquired 50% of the shares of SistemApsys S.A.R.L. for consideration of USD 41.7 million (RUR 1,306 million), which owns the shopping and entertainment complex "Leto" in S.Peterburg, bringing its ownership to 100%.

SistemApsys S.A.R.L.'s fair value of net assets at the date of purchase was as follows:

	Fair value recognised on acquisition
Property, plant and equipment	3
Completed investment property	6,621
Trade and other receivables	97
VAT reimbursable	858
Cash and short-term deposits	349
Other non-financial assets	69
Deferred tax assets	289
	8,286
Interest bearing loans and borrowings	(134)
Trade and other payables	(48)
Provisions	(217)
Other non-financial liabilities	(250)
	(649)
Total identifiable net assets at fair value	**7,637**
Fair value of previously acquired interest (50%)	538
Total consideration	7,868
Goodwill arising on acquisition (Note 16)	**769**
Total consideration consists of:	**7,868**
- preexisting interest bearing loans issued	6,956
- preexisting other non-financial liabilities	(394)
- cash consideration paid	1,306
Cash flow on acquisition	
Cash paid for the acquisition	(1,306)
Cash acquired with the subsidiary	349
Net cash outflow on acquisition	**(957)**

(Amounts in millions of Russian Rubles, unless otherwise stated)

3. Acquisitions (continued)

Acquisition of SistemApsys S.A.R.L. (continued)

At the date of obtaining control the Group remeasured previously held equity investment to fair value and recognised loss in the amount of RUR 428 million (Note 8).

From the date of acquisition, SistemApsys S.A.R.L. has contributed RUR 311 million and RUR 114 million to the Group's revenue and profit before tax for the six-month period ended 30 June 2012, respectively. If the combination had taken place at the beginning of the period, the Group's revenue and loss before tax would have been increased by RUR 48 million and RUR 16 million, respectively.

Acquisition of JSC StroyPromOb'ekt

On 19 April 2012 the Group acquired 100% of the shares of JSC StroyPromOb'ekt for the amount of RUR 980 million, which owns 50% of the shares of JSC Hals-Technopark, a former associate of the Group. After the acquisition the Group owns 100% of the shares of JSC Hals-Technopark.

The fair value of the identifiable assets and liabilities of JSC StroyPromOb'ekt and JSC Hals-Technopark as at the date of acquisition were:

	Fair value recognised on acquisition
Inventory property	3,887
VAT reimbursable	39
Cash and short-term deposits	2
Other non-financial assets	45
	3,973
Interest bearing loans and borrowings	(273)
Trade and other payables	(16)
Deferred tax liability	(168)
Other non-financial liabilities	(1,659)
	(2,116)
Total identifiable net assets at fair value	**1,857**
Fair value of previously acquired interest in JSC Hals-Technopark (50%)	973
Total consideration	896
Goodwill arising on acquisition	**12**
Total consideration consists of:	**896**
- preexisting interest bearing loans issued	289
- preexisting accounts payable	(373)
- cash consideration paid	980
Cash paid for the acquisition	(980)
Cash acquired with the subsidiary	2
Net cash outflow on acquisition	**(978)**

At the date of obtaining control the Group remeasured previously held equity investment to fair value and recognised income in the amount of RUR 92 million (Note 7).

(Amounts in millions of Russian Rubles, unless otherwise stated)

3. Acquisitions (continued)

Acquisition of JSC StroyPromOb'ekt (continued)

Goodwill was written off in full amount (Note 8) as the Group's management believes it will not be recoverable.

From the date of acquisition, JCS StroyPromOb'ekt has contributed RUR 2 million and RUR nil million to the Group's revenue and loss before tax for the six-month period ended 30 June 2012, respectively. If the combination had taken place at the beginning of the period, the Group's revenue and loss before tax would have been increased by RUR 3 million and RUR nil million, respectively.

4. Rental income

The Group has entered into leases on its property portfolio. The commercial property leases typically have lease terms between five and seven years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain options to break before the end of the lease term.

Rental income generated by Leto, SkyLight, Danilovsky Fort, Krasnobogatyrskaya (NIIDAR), Bul'var na Peterburgskoy (Kazan) and other properties in the six-month period ended 30 June 2013 amounted to RUR 605 million, RUR 251 million, RUR 137 million, RUR 75 million, RUR 29 million and RUR 24 million, respectively.

Rental income generated by Leto, Danilovsky Fort, Krasnobogatyrskaya (NIIDAR), Bul'var na Peterburgskoy (Kazan) and other properties in the six-month period ended 30 June 2012 amounted to RUR 311 million, RUR 104 million, RUR 60 million, RUR 29 million and RUR 40 million, respectively.

5. Revenue from sales of inventory property, revenue from room charges and other hotel services and other sales

In 2012 the Group completed the project Solntse, and in the six-month period ended 30 June 2013 signed acts of acceptance and transfer of real estate properties and recognised revenue from sales of inventory property and cost of sales in the amount of RUR 350 million and RUR 200 million, respectively.

In the six-month period ended 30 June 2012 the Group signed an act of investment contract completion for Michurinsky project and recognised revenue and cost in the amount of RUR 2,763 million and RUR 2,147 million, respectively.

	the six-month period ended 30 June (unaudited)	
	2013	**2012**
Total area transferred to customers, thousand square meters:	1.274	25.044
Including:		
transferred to the local authorities	–	3.376
transferred to other customers	1.274	21.668
Parking lots transferred to customers	1.717	3.376
Including:		
transferred to the local authorities	–	0.924
transferred to other customers	1.717	2.452

(Amounts in millions of Russian Rubles, unless otherwise stated)

5. Revenue from sales of inventory property, revenue from room charges and other hotel services and other sales (continued)

Revenue from room charges and other hotel services for the six-month periods ended 30 June 2013 and 30 June 2012 in the amount of RUR 228 million and RUR 194 million, respectively, is attributable to Hotel Pekin.

Other sales for the six-month periods ended 30 June 2013 and 30 June 2012 represent general constructor service fees in the amount RUR 6 million and RUR 16 million, respectively, agency remuneration in the amount of RUR 8 million and RUR 7 million, respectively, and other revenues.

6. Administration and selling expenses

	the six-month period ended 30 June (unaudited)	
	2013	**2012**
Staff cost	448	451
Advertising costs	211	68
Consulting and other professional services	126	48
Realtor and other similar services	90	15
Depreciation and amortization	23	21
Cost of computer software maintenance	17	15
Repairs, maintenance and utilities	10	7
Hotel room reservation system fees	7	4
Banking services	6	9
Security expenses	5	6
Communication services	5	4
Rent of premises and land	3	6
Other	29	34
	980	**688**

In the six-month period ended 30 June 2013 the Group incurred significant consulting and other professional services attributable to legal fees in connection with court proceedings.

In the six-month periods ended 30 June 2013 and 30 June 2012 the Group incurred advertising costs related to promotion campaign of main projects and "Hals" branding.

7. Other operating income

	the six-month period ended 30 June (unaudited)	
	2013	**2012**
Gain on sales of investment property (Note 12)	346	–
Recovery of receivables written-off in prior periods	102	–
Reversal of legal provision	40	–
Gain on accounts payable written-off	9	–
Gain on remeasurement of investments in associate to fair value (Note 3)	–	92
Gain on plant reallocation	–	63
Other	50	38
	547	**193**

(Amounts in millions of Russian Rubles, unless otherwise stated)

7. Other operating income (continued)

In the six-month period ended 30 June 2013 the Group recognised profit from sales of investment property in amount of RUR 346 million, including gain from sales of Bul'var na Peterburgskoy (Kazan) and Krasnoyarsk land plot in amount of RUR 291 million and RUR 55 million, respectively.

In the six-month period ended 30 June 2013 the Group reversed unrecoverable receivables written off in prior periods in the amount of RUR 102 million, reversed legal provisions in the amount of RUR 40 million and recognised a gain on account payable written-off in the amount of RUR 9 million.

In the six-month period ended 30 June 2012 the gain on remeasurement of the investment in associate to fair value in the amount of RUR 92 million was recognized upon the acquisition of JSC Hals-Technopark (Note 3).

In the six-month period ended 30 June 2012 the Group reallocated the plant as part of Preobragensky project. As a result a net gain of RUR 63 million was recognized as other operating income.

8. Other operating expenses

	the six-month period ended 30 June (unaudited)	
	2013	**2012**
Impairment of property, plant and equipment (Note 15)	712	62
Taxes other than income tax	235	117
Receivables and other assets write off	76	157
Loss from remeasurement of investment in associate to fair value (Note 3)	–	428
Loss from sale of investment property	–	131
Penalty for cancellation of the contract on cooperation	–	110
Goodwill write off (Note 3)	–	12
Other	50	43
	1,073	**1,060**

In the six-month periods ended 30 June 2013 and 30 June 2012 the Group recognized impairment of property, plant and equipment in the amount of RUR 712 million and RUR 62 million, respectively.

In the six-month period ended 30 June 2013 and 30 June 2012 the Group wrote off VAT reimbursable, receivables from customers and other assets in the amount of RUR 36 million, RUR 38 million, RUR 2 million and RUR 79 million, RUR 73 million and RUR 5 million, respectively.

In the six-month period ended 30 June 2012 the Group recognized a loss of RUR 428 million upon the acquisition of SistemApsys S.A.R.L. (Note 3).

In the six-month period ended 30 June 2012 the Group recognised a loss from sale of investment property in the amount of RUR 131 million, including loss from sale of B.Tatarskaya land plot and part of the Nastasinsky building in the amount of RUR 58 million and RUR 73 million, respectively.

In January 2012 the Group cancelled a contract with LLC Apsys Rus Management on managing of the Leto project caused by breach of this contract by the Group. As the result the Group paid penalty in the amount of RUR 110 million which were recognized as other operating expenses.

(Amounts in millions of Russian Rubles, unless otherwise stated)

9. Finance income

	the six-month period ended 30 June (unaudited)	
	2013	**2012**
Interest on loans issued	15	93
Unwinding of discount for long-term receivable (Note 18)	26	38
Net loss attributable to non-controlling interest in subsidiaries – Limited Liability Companies	2	–
Interest on bank deposits	69	52
	112	**183**

In the six-month periods ended 30 June 2013 and 30 June 2012 the Group recognized the unwinding of the discount related to long-term receivable as finance income in the total amount of RUR 26 million and RUR 38 million, respectively.

10. Finance expenses

	the six-month period ended 30 June (unaudited)	
	2013	**2012**
Interest on bank loans	4,275	3,557
Less: amounts capitalised	(2,028)	(1,399)
Interest on tenants' guarantee deposits	11	11
	2,258	**2,169**

In the six-month period ended 30 June 2013 the Group capitalized interest on bank loans in investment property under construction, inventory property and property plant and equipment in the amount of RUR 460 million, RUR 1,480 million and RUR 88 million, respectively.

In the six-month period ended 30 June 2012 the Group capitalized interest on bank loans in investment property under construction, inventory property and property plant and equipment in the amount of RUR 424 million, RUR 904 million and RUR 71 million, respectively.

11. Income tax

The Group calculates the period income tax expense using the tax rate that would be applicable to expected total annual earnings, i.e., the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

The major components of income tax expense for the six-month periods ended 30 June 2013 and 30 June 2012 are:

	2013 (unaudited)	**2012 (unaudited)**
Income taxes		
Current income tax expense	(65)	(214)
Deferred income tax expense relating to origination and reversal of temporary differences	(285)	(86)
Income tax provision	(119)	(54)
Income tax expense	**(469)**	**(354)**

(Amounts in millions of Russian Rubles, unless otherwise stated)

12. Completed investment property

	2013	2012
At 1 January	**25,419**	**5,572**
Capital expenditure on owned property	927	971
Acquisition of subsidiary (Note 3)	–	6,621
Disposals	(225)	(507)
Fair value adjustment	2,314	251
At 30 June (unaudited)	**28,435**	**12,908**

The fair value of completed investment property has been determined on a market value basis in accordance with IFRS 13. In arriving at their estimates of market values, the valuers have used their market knowledge and professional judgment and not only relied on historical transactional comparables.

The valuations were performed by Group's internal valuer with a recognized and relevant professional qualification and with recent experience in the location and category of the investment property being valued.

In determining the fair value of buildings, held primarily to earn rental income, totaling RUR 27,071 million, RUR 23,974 million, RUR 10,942 million and RUR 3,130 million as of 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012, respectively, the income method was used.

In determining the fair value of land and buildings, held to benefit from capital appreciation over the long-term, totaling RUR nil million, RUR nil million, RUR 541 million and RUR 1,043 million as of 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012, respectively, the income method was used.

In determining the fair value of land, held to benefit from capital appreciation over the long-term and for currently undetermined use, totaling RUR 1,365 million, RUR 1,445 million, RUR 1,425 million and RUR 1,399 million as of 30 June 2013, 31 December 2012, 30 June 2012 and 1 January 2012, respectively, the comparative method was used.

In the six-month period ended 30 June 2013 the Group sold Bul'var na Peterburgskoy (Kazan) building and Krasnoyarsk land plot with a book value of RUR 124 million and RUR 101 million, respectively. Gain on sale of these properties is reflected in other income (Note 7).

In the six-month period ended 30 June 2012 the Group sold B.Tatarskaya land plot and part of Nastasinsky building with a book value of RUR 345 million and RUR 162 million, respectively. Loss from the sale of these properties is reflected in other expenses (Note 8).

(Amounts in millions of Russian Rubles, unless otherwise stated)

13. Investment property under construction

	2013	2012
At 1 January	**15,348**	**20,427**
Capital expenditure	965	1,400
Interest capitalised (Note 10)	460	424
Acquisition of investment property	4,741	–
Transfer to inventory property (Note 17)	(931)	–
Transfer to property, plant and equipment (Note 15)	(564)	–
Fair value adjustment	(373)	1,132
At 30 June (unaudited)	**19,646**	**23,383**

The fair value of investment property under construction has been determined on a market value basis in accordance with IFRS 13. In arriving at their estimates of market values, the valuers have used their market knowledge and professional judgement and not only relied on historical transactional comparables.

The valuations were performed by Group's internal valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the investment property being valued.

In determining the fair value of investment property under construction the income method was used.

In the six-month period ended 30 June 2013 a residential part and hotel of multifunctional terminal complex "Moscow-City" (the project "IQ-quarter") in the amount of RUR 931 million and RUR 564 million were transferred to inventory property and property, plant and equipment, respectively, as the project reached an advanced stage and the Group became able to split it into three separate parts based on available project documentation.

In the six-month period ended 30 June 2013 the Group acquired the project Iskra thought the acquisition of one asset entity Gurdon Management Ltd (Cyprus) from a third party. The project comprises the right to lease the land for future implementation of the investment contract for the construction of commercial real estate. Based on the investment contract the Group is obliged to construct real estate properties, where 20% of premises are transferred to Iskra plant, the land plot owner, for the land lease rights given to the Group to construct those real estate properties. At the date of exchange, which is the acquisition date, the Group recognises the land lease rights included in total costs of the project and the obligations to develop property as non-financial liability at the fair value of the properties to be given up in the amount of RUR 1,400 mln (Note 25)

(Amounts in millions of Russian Rubles, unless otherwise stated)

14. Investments in joint ventures

Investments in joint ventures consisted of the following:

	Project	Voting and effective %	30 June 2013 (unaudited)	31 December 2012
JSC Ekvivalent	Nevskaya Ratusha	50%	1,832	1,938
Total			**1,832**	**1,938**

	2013 (unaudited)	2012 (unaudited)
At 1 January	**1,938**	**3,947**
Share of loss of joint venture, net of tax	(106)	(9)
Remeasurement of stake in Hals-Technopark (Note 7)	–	92
Disposal of Hals-Technopark (Note 3)	–	(973)
Remeasurement of stake in Joint venture with Apsys (Note 8)	–	(428)
Disposal of Joint venture with Apsys (Note 3)	–	(538)
At 30 June (unaudited)	**1,832**	**2,092**

The summarized information on assets, liabilities, and results of operations of the investees, is as follows:

	30 June 2013 (unaudited)	31 December 2012
Assets	18,769	16,921
Liabilities	(15,105)	(13,045)
Net assets	**3,664**	**3,876**

	30 June 2013 (unaudited)	30 June 2012 (unaudited)
Loss for the six-month period ended	**(212)**	**(18)**

The Group has not incurred any contingent liabilities in relation to its interest in the joint ventures, nor does the joint venture itself have any contingent liabilities for which the Group is contingently liable.

The Group has not entered into any capital commitments in relation to its interest in the joint ventures.

(Amounts in millions of Russian Rubles, unless otherwise stated)

15. Property, plant and equipment

	Buildings	Other	Construction in progress	Total
Cost				
1 January 2013	**2,329**	**179**	**1,099**	**3,607**
Additions	–	19	712	**731**
Transfer from investment property under construction (Note 13)	–	–	564	**564**
Disposals	–	(5)	–	**(5)**
30 June 2013 (unaudited)	**2,329**	**193**	**2,375**	**4,897**
Depreciation and impairment				
1 January 2013	**(144)**	**(56)**	**(1,099)**	**(1,299)**
Depreciation charge for the period	(39)	(16)	–	**(55)**
Impairment	–	–	(712)	**(712)**
Disposals	–	2	–	**2**
30 June 2013 (unaudited)	**(183)**	**(70)**	**(1,811)**	**(2,064)**
Net book value				
30 June 2013 (unaudited)	**2,146**	**123**	**564**	**2,833**
1 January 2013	**2,185**	**123**	**–**	**2,308**

	Buildings	Other	Construction in progress	Total
Cost				
1 January 2012	**2,219**	**113**	**1,004**	**3,336**
Additions	–	109	402	**511**
Acquisitions of a subsidiary (Note 3)	–	3	–	**3**
Transfer to inventory property (Note 17)	–	–	(492)	**(492)**
Disposals	–	(4)	–	**(4)**
30 June 2012 (unaudited)	**2,219**	**221**	**914**	**3,354**
Depreciation and impairment				
1 January 2012	**(64)**	**(49)**	**(609)**	**(722)**
Depreciation charge for the period	(37)	(13)	–	**(50)**
Impairment	–	–	(62)	**(62)**
Disposals	–	4	–	**4**
30 June 2012 (unaudited)	**(101)**	**(58)**	**(671)**	**(830)**
Net book value				
30 June 2012 (unaudited)	**2,118**	**163**	**243**	**2,524**
1 January 2012	**2,155**	**64**	**395**	**2,614**

Borrowing costs capitalised during the six-month periods ended 30 June 2013 and 30 June 2012 anounted to RUR 88 million and RUR 71 million, respectively (Note 10).

In the six-month periods ended 30 June 2013 and 30 June 2012 the Group capitalized staff costs in property, plant and equipment (project "Kamelia") in the amount of RUR 14.3 million and RUR 7.8 million, respectively.

In the six-month period ended 30 June 2012 a residential part of the "Kamelia" in the amount of RUR 492 million was transferred from property, plant and equipment to inventory property as the project reached an advanced stage and the Group became able to split it into two separate parts based on available project documentation.

As of 30 June 2013 and 30 June 2012 the Group tested property, plant and equipment (project "Kamelia" – construction in progress) for recoverability. As a result the Group recognized impairment loss in the amount of RUR 712 million and RUR 62 million (Note 8) in the six-month periods ended 30 June 2013 and 30 June 2012, respectively.

(Amounts in millions of Russian Rubles, unless otherwise stated)

16. Intangible assets

Intangible assets consisted of the following:

	Goodwill	Development rights	Other	Total
Cost				
1 January 2013	**861**	**675**	**37**	**1,573**
Additions	–	–	1	**1**
Disposals	–	–	(33)	**(33)**
30 June 2013 (unaudited)	**861**	**675**	**5**	**1,541**
Depreciation and impairment				
1 January 2013	**(769)**	**(222)**	**(37)**	**(1,028)**
Disposals	–	–	33	**33**
30 June 2013 (unaudited)	**(769)**	**(222)**	**(4)**	**(995)**
Net book value				
30 June 2013 (unaudited)	**92**	**453**	**1**	**546**
1 January 2013	**92**	**453**	**–**	**545**

	Goodwill	Development rights	Other	Total
Cost				
1 January 2012	**92**	**675**	**37**	**804**
Goodwill on acquisition of subsidiary (Note 3)	769	–	–	769
Additions	–	–	4	4
30 June 2012 (unaudited)	**861**	**675**	**41**	**1,577**
Depreciation and impairment				
1 January 2012	**–**	**(675)**	**(23)**	**(698)**
Amortization	–	–	(11)	(11)
30 June 2012 (unaudited)	**–**	**(675)**	**(34)**	**(709)**
Net book value				
30 June 2012 (unaudited)	**861**	**–**	**7**	**868**
1 January 2012	**92**	**–**	**14**	**106**

In the six-month period ended 30 June 2012 the Group recognized goodwill in the amount of RUR 769 million which arose on acquisition of SistemApsys S.A.R.L. (Note 3).

17. Inventory property

	2013 (unaudited)	2012 (unaudited)
At 1 January	**38,974**	**22,789**
Construction costs incurred	4,900	4,145
Interest capitalized (Note 10)	1,480	904
Acquisition of subsidiary (Note 3)	–	3,887
Transfer from investment property (Note 13)	931	–
Transfer from property, plant and equipment (Note 15)	–	492
Property sold (Note 5)	(200)	(2,147)
Write-down of inventory to net realizable value	–	(2)
At 30 June (unaudited)	**46,085**	**30,068**

(Amounts in millions of Russian Rubles, unless otherwise stated)

17. Inventory property (continued)

As of 30 June 2013 and 30 June 2012 the Group tested inventory property for recoverability. As a result of the test, in the six-month periods ended 30 June 2013 and 30 June 2012 the Group recognized loss on inventory property write off to net realizable value in the amount of RUR nil million and RUR 2 million, respectively.

In the six-month periods ended 30 June 2013 and 30 June 2012 the Group capitalized staff costs in inventory property in the amount of RUR 53 million and RUR 1.4 million, respectively.

18. Trade and other receivables and other financial assets

	30 June 2013 (unaudited)	31 December 2012
Trade receivables		
Trade receivable from third parties	77	65
Trade receivable from related parties	–	–
	77	**65**
Other receivables		
Other receivable from third parties	425	785
Other receivable from related parties	1	1
	426	**786**
	503	**851**

	30 June 2013 (unaudited)	31 December 2012
Other current financial assets		
Other financial assets	313	334
	313	**334**

	30 June 2013 (unaudited)	31 December 2012
Non-current financial assets		
Other financial assets	158	266
	158	**266**

As of 30 June 2013 other non-current and current financial assets comprise receivables from the sale of ZAO RTI Estate in 2011 in the amount of RUR 127 and RUR 243 million, respectively (31 December 2012: RUR 207 million and RUR 265 million, respectively), and other receivable in the amount of RUR 31 million and RUR 70 million, respectively (31 December 2012: RUR 59 million and RUR 69 million, respectively). The effect of unwinding of discount is reflected in the financial income (Note 9). In the six-month periods ended 30 June 2013 receivables from the sale of ZAO RTI Estate in the amount of RUR 122 million were repaid by the counterparty.

Trade and other receivables are neither past due nor impaired. The Group holds no collateral in respect of these receivables.

(Amounts in millions of Russian Rubles, unless otherwise stated)

19. Loans and notes receivable

	Interest rate %	Maturity	30 June 2013 (unaudited)	31 December 2012
Current – third parties:				
Trast-Rezerv	10.00%	2013	33	32
Trast-Rezerv	The rate of the Central Bank (RF) +1%	2013	–	2
Novjusar	10.00%	2014	12	–
Other Third Parties	Various	2013	6	2
			51	**36**
Current – related parties:				
VTB	7.22%	2013	–	36
Other Related Parties	Various	2013	–	4
			–	**40**
			51	**76**
Non-current – third parties:				
Novjusar	10.00%	2014	–	11
			–	**11**
			51	**87**

Loans and notes receivable are neither past due nor impaired.

20. Cash and short term deposits

	30 June 2013 (unaudited)	31 December 2012
Cash at bank and on hand	206	543
Short-term deposits	3,933	1,910
	4,139	**2,453**

The weighted average interest rate on demand deposits as of 30 June 2013 and 31 December 2012 was 5.3% and 4.5%, respectively.

(Amounts in millions of Russian Rubles, unless otherwise stated)

21. Other non-financial assets

	30 June 2013 (unaudited)	31 December 2012
Other non-current		
Advances issued for construction of investment property	1,876	2,501
Advances issued for construction of property, plant and equipment	788	14
	2,664	**2,515**
Other current assets		
Advances issued for construction of inventory property with period of realization above the year	1,416	2,319
Advances issued for construction of inventory property with period of realization within the year	5	39
Advance payments for taxes	60	89
Other current non-financial assets	53	50
	1,534	**2,497**

22. Equity

At 30 June 2013 the Company had 11,217,094 common shares issued and 11,211,534 shares outstanding. Nominal value of one share is equal to RUR 50.

The reconciliation of the beginning and closing balances of the number of shares authorized, issued and outstanding for the six-month periods ended 30 June 2013 and 2012 is as follows:

	Total shares authorised and issued	Treasury shares	Total shares authorised, issued and outstanding
	Thousands	*Thousands*	*Thousands*
As of 1 January 2013	11,217	(5)	11,212
As of 30 June 2013 (unaudited)	**11,217**	**(5)**	**11,212**
As of 1 January 2012	11,217	(5)	11,212
As of 30 June 2012 (unaudited)	**11,217**	**(5)**	**11,212**

(Amounts in millions of Russian Rubles, unless otherwise stated)

23. Interest bearing loans and borrowings

	Interest rate %	Maturity	30 June 2013 (unaudited)	31 December 2012
Current interest-bearing loans and borrowings from related parties				
VTB	The rate of the Central Bank (RF) + 0.25%	2015	3,941	3,807
VTB	9.5%	2015	–	649
VTB	The rate of the Central Bank (RF) + 0.25%	2016	1,434	1,313
VTB	9.5%	2017	1,544	1,373
VTB	12%	2017	15,845	13,539
			22,764	**20,681**
Current interest-bearing loans and borrowings from third parties				
Vnesheconombank	9.0%	2014	2,379	2,303
Other Third Parties	Various		10	11
			2,389	**2,314**
Total current interest-bearing loans and borrowings			**25,153**	**22,995**
Non-current interest-bearing loans and borrowings from related parties				
VTB	8.0%	2015	3,170	1,477
VTB	9.5%	2015	3,097	2,985
VTB	9.5%	2016	4,896	4,853
VTB	9.5%	2017	26,459	26,755
VTB	9.5%	2019	2,513	2,063
VTB	9.5%	2020	13,897	12,672
VTB	9.5%	2021	23,581	22,709
VTB	9.5%	2022	3,668	–
VTB	10%	2015	2,926	2,327
VTB	The rate of the Central Bank (RF) + 0.25%	2014	6,109	5,887
VTB	The rate of the Central Bank (RF) + 0.25%	2015	600	580
Other Related Parties	Various	2015	–	9
			90,916	**82,317**
Non-current interest-bearing loans and borrowings from third parties				
Emmomax International N.V	8.15%	2018	1,271	1,143
Other Third Parties	Various	Various	37	22
			1,308	**1,165**
Total non-current interest-bearing loans and borrowings			**92,224**	**83,482**
Total interest-bearing loans and borrowings			**117,377**	**106,477**

(Amounts in millions of Russian Rubles, unless otherwise stated)

23. Interest bearing loans and borrowings (continued)

The schedule of repayment of debt as at 30 June 2013 is as follows:

Year ended 30 June	
2013	10
2014	8,488
2015	13,771
2016	6,330
2017	43,848
2018	1,271
2019	2,513
2020	13,897
2021	23,581
2022	3,668
Total	**117,377**

In March 2013 the Group signed new credit facility agreement with VTB with a limit of RUR 3,600 million, the interest rate of 9.5% per annum for the purpose of financing the Iskra project. The loan is to be repaid in March 2022. As of 30 June 2013 the loan facility was fully utilized.

In September 2011 the Group signed new credit agreement with the limit of RUR 5,000 million and interest rate of 9.5% for the corporate purpose. The loan is to be repaid in December 2020. In July 2012 the Group agreed with VTB to increase the limit on the corporate credit facility up to RUR 6,200 million. In May 2013 the Group agreed with VTB to increase the limit on the corporate credit facility from RUR 6,200 million up to RUR 9,600 million which supposed to be used for current activity as well as project financing. As of 30 June 2013, 31 December 2012, 30 June 2012 and 31 December 2011 the loan facility was utilized in amount of RUR 6,200 million, RUR 5,488 million, RUR 3,664 and RUR 3,203 million, respectively.

In May 2013 the Group signed new credit facility agreement with VTB with a limit of RUR 9,008 million, the interest rate of 10% per annum for the purpose of financing the project multifunctional terminal complex “IQ-quarter”. The loan is to be repaid in November 2015. As of 30 June 2013 the loan facility was fully utilized.

In February 2012 the Group signed new credit facility agreement with VTB with a limit of RUR 980 million, the interest rate of 9.5% per annum and maturing in five years for the purpose of financing the Povarskaya project. As of 30 June 2013, 31 December 2012 and 30 June 2012 the loan facility was fully utilized.

In January 2012 the Group agreed with VTB to increase the limit of the credit agreement for financing of the Leto project up to USD 190 million. The repayment date was prolonged from May 2012 to December 2016. In April 2012 the Group converted the currency of this loan agreement from USD to RUR. The interest rate was not changed and remained 9.5% per annum. As a result no substantial modification of the terms of an existing liability occurred. As of 30 June 2013, 31 December 2012 and 30 June 2012 the loan facility was utilized in the amount of RUR 4,012 million, RUR 4,162 million and or RUR 4,005 million, respectively.

23. Interest bearing loans and borrowings (continued)

In March 2012 the Group signed new loan agreement with VTB with a limit of RUR 1,780 million, the interest rate of 9.5% per annum and maturing in three years for the purpose of financing the Literator project. As of 30 June 2013 and 31 December 2012 the loan facility was utilized in the amount of RUR nil million and RUR 604 million, respectively. As of 30 June 2012 the loan facility was not utilized.

As a result of acquisition of CJSC Hals-Technopark in April 2012 the Group inherited liability to VTB in the amount of RUR 253 million principal amount and accrued interest in the amount of RUR 14 million. The loan facility was obtained for the purpose of financing the residential real estate project Povarskaya, has a credit limit of RUR 678 million, bears interest of the Central Bank (RF) + 0.25% and matures in March 2016. In April 2013 the Group agreed with VTB to increase the limit of the credit agreement for financing of the Povarskaya project from RUR 1,297 million up to 2,683 million. As of 30 June 2013, 31 December 2012 and 30 June 2012 the loan facility was utilized in the amount of RUR 1,340 million, RUR 1,273 million and RUR 308 million, respectively.

In April 2012 the Group converted the currency of the loan agreement with VTB signed for the purpose of purchase of 50% share in CJSC Ekvivalent from USD to RUR. The interest rate was not changed and remained 9.5% per annum. As a result no substantial modification of the terms of an existing liability occurred. As of 30 June 2013, 31 December 2012 and 30 June 2012 the loan facility was utilized in the amount of RUR 2,370 million, RUR 2,370 million and RUR 2,370 million, respectively.

In April 2012 the Group terminated loan agreement with VTB for the purpose of financing Elninskaya, 28A project and the loan facility was fully repaid.

In December 2012 the Group signed new loan agreement with VTB with a limit of RUR 3,971 million, the interest rate of 9.5% per annum and maturing five years for the purpose of financing the Wine House project. As of 30 June 2013 and 31 December 2012 the loan facility was utilized in the amount of RUR 436 million and RUR 329 million, respectively.

In January 2011 the Group signed new loan agreement with VTB for the credit line in the amount of RUR 12,674 million and the interest rate of 12% for the purpose of financing the residential real estate project Gorki-8 (land plot). The loan is to be repaid in January 2016. In October 2012 the Group agreed with VTB to increase the limit of the credit facility up to RUR 14,757 million. As of 30 June 2013, 31 December 2012, 30 June 2012 and 31 December 2011 the loan facility was utilized in the amount of RUR 13,537 million, RUR 11,975 million, RUR 9,008 million and RUR 6,506 million, respectively.

In April 2011 the Group signed the credit agreement with the limit of USD 119 million and the interest rate of 9% for the purpose of financing the multifunctional terminal complex “IQ-quarter” in Moscow-City. The loan is to be repaid in November 2015. In June 2012 the Group converted the currency from USD to RUR. The interest rate was changed from 9% to 10%. As a result no substantial modification of the terms of an existing liability occurred. As of 30 June 2013, 31 December 2012, 30 June 2012 and 31 December 2011 the loan facility was utilized in the amount of RUR 2,918 million, RUR 2,320 million, RUR 1,037 million and USD 2 million (or RUR 64.9 million, respectively.

In October 2011 the Group signed the credit agreement with the limit of RUR 4,253 million and interest rate of 8% for the purpose of financing project Kamelia. The loan is to be repaid in December 2015. As of 30 June 2013, 31 December 2012, 30 June 2012 and 31 December 2011 the loan facility was utilized in the amount of RUR 3,026 million, RUR 1,417 million, RUR 702 million and RUR 257 million, respectively.

(Amounts in millions of Russian Rubles, unless otherwise stated)

24. Trade and other payables

	30 June 2013 (unaudited)	31 December 2012
Current financial liability		
Trade payables		
Trade payable to third parties	361	308
	361	**308**
Other payables		
Other payable to third parties	1,175	881
Financial lease obligations	31	31
	1,206	**912**
	1,567	**1,220**
Non-current financial liability		
Other payables		
Financial lease obligations	76	76
	76	**76**

25. Other non-financial liability

	30 June 2013 (unaudited)	31 December 2012
Non-current		
Advances from Iskra (Note 13)	1,400	–
Advances from customers	78	–
Deferred rent income	175	196
	1,653	**196**
Current liability		
Advances from customers with period of settlement above the year	4,596	2,312
Advances from state authority with period of settlement above the year	1,659	1,659
Advances from customers with period of settlement within the year	1,469	1,448
	7,724	**5,419**

(Amounts in millions of Russian Rubles, unless otherwise stated)

26. Fair values of financial assets and financial liabilities

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the interim consolidated financial statements.

	Carrying amount		**Fair value**	
	30 June 2013 (unaudited)	**31 December 2012**	**30 June 2013 (unaudited)**	**31 December 2012**
Financial assets				
Trade and other receivables	816	1,185	816	1,185
Loans and notes receivable	51	87	51	87
Other financial assets	158	266	158	266
Cash and short-term deposits	4,139	2,453	4,139	2,453
	5,164	**3,991**	**5,164**	**3,991**
Financial liabilities				
Interest-bearing loans and borrowings:				
Floating rate borrowings	(12,084)	(11,588)	(12,084)	(11,588)
Fixed rate borrowings	(105,293)	(94,889)	(91,307)	(81,040)
Trade and other payables	(1,643)	(1,296)	(1,643)	(1,296)
Tenants guarantee deposits	(323)	(274)	(323)	(274)
	(119,343)	**(108,047)**	**(105,357)**	**(94,198)**

27. Transactions with related parties

The following table provides the details of transactions that have been entered into with related parties for the relevant six-month period ended 30 June:

	2013 (unaudited)	**2012 (unaudited)**
Transactions with related parties		
Services provided to associates		
Services provided to SistemApsys	–	1
	–	**1**
Interest income from other related parties		
Interest income from Bank of Moscow	–	16
	–	**16**
Interest on borrowings to shareholders		
Interest on borrowings payable to VTB	4,162	3,463
	4,162	**3,463**
Interest income from shareholders		
Interest income from VTB	69	36
	69	**36**

(Amounts in millions of Russian Rubles, unless otherwise stated)

27. Transactions with related parties (continued)

	30 June 2013 (unaudited)	31 December 2012
Amounts due from associates		
Trade and other receivables from other associates	1	3
Loans and notes receivable from other associates	3	3
	4	**6**
Amounts due to associates		
Trade and other payables to other associates	2	–
	2	**–**
Amounts due from shareholder		
Cash and short-term deposits in VTB	4,137	2,281
Loans and notes receivable from VTB	–	36
	4,137	**2,317**
Amounts due to shareholders		
Loans and borrowings from VTB	113,681	102,989
	113,681	**102,989**

Compensation of key management personnel of the Group for the six-month periods ended 30 June:

	2013 (unaudited)	2012 (unaudited)
Short-term employee benefits	91	49
Other long-term benefits	10	6

28. Segment information

For management purposes, the Group is organised into operating segments based on nature of property and has six reportable segments in the six-month period ended 30 June 2013:

- real estate held for sale – ready for use by the buyer (the project Nahimovsky, the project Michurinsky, the project Elninskaya, the project Gorki (town houses));
- real estate held for sale – under construction (the project Gorki (land plot for future construction of apartments), the project Literator, the project Pekin (apartments), the project Wine-House, the project Povarskaya, the project Nasledie), the project IQ-quarter (Moscow-City) (apartments), the project Kamelia (apartments));
- investment property – under construction (the major projects – IQ-quarter (Moscow-City), Detsky Mir Lubyanka);
- investment property – submitted to the operating lease (the project SkyLight, the project Danilovsky Fort, the project Leto, the project Bulvar na Peterburgskoy (Kazan));
- hospitality – under construction (the project Kamelia, the project IQ-quarter (Moscow-City));
- hospitality – rented apartments (the project Pekin (hotel)).

(Amounts in millions of Russian Rubles, unless otherwise stated)

28. Segment information (continued)

Management monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating results as defined below. This performance indicator is measured on a basis that differ from the IFRS consolidated financial statements as IFRS consolidated financial statements are prepared on accrual basis, and management accounts are prepared on cash basis.

The following tables present measures of segment revenues and segment results on management accounts in accordance with IFRS 8 and a reconciliation of revenue and segment result used by management for decision making and revenue and loss before tax per the consolidated financial statements prepared under IFRS:

The six-month period ended 30 June 2013

	Real estate held for sale		Investment property		Hospitality		
	Ready for use by the buyer	Under construc-tion	Under construc-tion	Submitted to the operating lease	Under construc-tion	Rented apartments	Total
Segment revenue	221	2,665	6	1,551	0	261	4,704
Accrual vrs. cash basis	–	–	–	–	–	–	(2,987)
Revenue per IFRS consolidated financial statements*	–	–	–	–	–	–	1,717

	Real estate held for sale		Investment property		Hospitality		
	Ready for use by the buyer	Under construc-tion	Under construc-tion	Submitted to the operating lease	Under construc-tion	Rented apartments	Total
Segment result	(61)	(97)	208	2,374	67	36	2,527
Accrual vrs. cash basis	–	–	–	–	–	–	(3,365)
Loss before tax per IFRS consolidated financial statements**	–	–	–	–	–	–	(838)

The six-month period ended 30 June 2012

	Real estate held for sale		Investment property		Hospitality		
	Ready for use by the buyer	Under construc-tion	Under construc-tion	Submitted to the operating lease	Under construc-tion	Rented apartments	Total
Segment revenue	1,405	241	73	450	10	232	2,411
Accrual vrs. cash basis	–	–	–	–	–	–	1,136
Revenue per IFRS consolidated financial statements*	–	–	–	–	–	–	3,547

(Amounts in millions of Russian Rubles, unless otherwise stated)

28. Segment information (continued)

The six-month period ended 30 June 2012 (continued)

	Real estate held for sale		Investment property		Hospitality		
	Ready for use by the buyer	**Under construc-tion**	**Under construc-tion**	**Submitted to the operating lease**	**Under construc-tion**	**Rented apartments**	**Total**
Segment result	**972**	**109**	**(9)**	**(147)**	**37**	**104**	**1,066**
Accrual vrs. cash basis	–	–	–	–	–	–	(1,862)
Loss before tax per IFRS consolidated financial statements	**–**	**–**	**–**	**–**	**–**	**–**	**(796)**

* *Includes rental income, sales of inventory property revenue from room charges and other hotel services and other sales per the consolidated statement of comprehensive income*

** *Including impairment losses by segment hospitality under construction in the amount of RUR 712 million*

** *Including impairment losses by segment hospitality under construction in the amount of RUR 62 million*

29. Guarantees and pledges

Warranties and guarantees of work performed

The Group is contractually responsible for the quality of construction works performed subsequent to the date at which the relevant object was handed over, generally for a period up to 2 years subsequent to handover. Based upon prior experience with warranty claims, which have not been significant, no contingent liabilities have been recorded in the Group's interim condensed consolidated financial statements in relation to warranties and guarantees for work performed.

Pledges

As of 30 June 2013 and 31 December 2012 common shares of the Group's entities have been pledged as follows:

Group`s company	Projects	Number of shares pledged	Number of shares pledged as a percentage of total shares
OJSC Lubyanka-Development	Detsky Mir Lubyanka	22,004,320	100%
OJSC Sistema-Temp	Bol`shaya Tatarskaya, 35	4,680,000	100%
OJSC Beiging-Invest	Pekin	1,350	90%
OJSC Pansionat s lecheniem "Kamelia"	Kamelia	13,000	100%
CJSC EZNCh	Literator	100	100%
CJSC Kuntsevo-Invest	Solntse	5,000	100%
CJSC Hals-Tehnopark	Povarskaya	3,781,900	100%
CJSC Ekvivalent	Nevskaja ratusha	500	50%
Gurdon management limited	Iskra	5,000	100%
CiTer Invest B.V.	IQ- quarter	101	50.5%
CJSC Bisnespark Novaja Riga	Wine Hose	100	100%

29. Guarantees and pledges (continued)

Pledges (continued)

As of 30 June 2013 and 31 December 2012 the Group pledged land plots (inventory property) in the Odintsovsky Region (Soloslovo) with a carrying amount of RUR 24,963 and RUR 21,095 million, respectively, as security under the credit line from VTB in the amount of RUR 4.0 billion and RUB 4.0 billion, respectively.

As of 30 June 2013 and 31 December 2012 the Group has pledged 40 cottages (13,184.9 sq. m) and land plots (10,695 sq. m) in the Moscow Region (inventory property) with a carrying amount of RUR 1,376 million and RUR 1,376 million, respectively, as security under the loan received from Vnesheconombank in the amount of RUR 1,701 and RUR 1,701 million, respectively.

As of 30 June 2013 and 31 December 2012 the Group pledged Detsky Mir Lubyanka (investment property under construction) with a carrying amount of RUR 8,152 million and RUR 6,888 million, respectively, as security under the credit line from VTB in the amount of RUR 2,204 million and RUR 1,849 million, respectively.

As of 30 June 2013 and 31 December 2012 the Group pledged land plots and buildings (inventory property) in Khamovniki (the project Literator) with a carrying amount of RUR 4,677 million and RUR 4,024 million, respectively, as security under the credit line from VTB in the amount of RUR 18,508 million and RUR 18,508 million, respectively.

As of 30 June 2013 the Group pledged SkyLight (completed investment property) with a carrying amount of RUR 15,103 million, as security under the credit line from VTB in the amount of RUR 5,271 million.

As of 30 June 2013 the Group pledged Leto (completed investment property) with a carrying amount of RUR 8,848 million, as security under the credit line from VTB in the amount of RUR 4,012 million.

30. Commitments and contingencies

Taxation

Possible liabilities identified by the management as of 30 June 2013 as those that can be subject to different interpretations of the tax laws and other regulations and are not accrued in these interim condensed consolidated financial statement could be approximately RUR 1,075 million.

Commitments under construction contracts

The Group has entered into agreements with third parties for construction of objects which will require capital outlays subsequent to 30 June 2013. A summary of significant commitments under construction contracts is provided below:

Gorki-8 (land plot) – The Group entered contractual agreements for construction of housing estate in Moscow Region. Commitments under these contracts amounted to RUR 406 million and RUR 1,944 million as of 30 June 2013 and 31 December 2012, respectively.

30. Commitments and contingencies (continued)

Commitments under construction contracts (continued)

Skylight – The Group entered contractual agreements for construction of multifunctional complex with two office buildings in Moscow. Commitments under these contracts amounted to RUR nil million and RUR 91 million as of 30 June 2013 and 31 December 2012, respectively.

Detsky Mir Lubyanka – The Group entered contractual agreements for reconstruction works under the project. Commitments under the contract amounted to RUR 3,479 million and RUR 4,014 million as of 30 June 2013 and 31 December 2012, respectively.

Kamelia – The Group entered contractual agreements for construction of hotel complex in Sochi. Commitments under these contracts amounted to RUR 3,252 million and RUR 2,645 million as of 30 June 2013 and 31 December 2012, respectively.

IQ- quarter – The Group entered contractual agreements for construction of multifunctional terminal complex “IQ- quarter” in Moscow-City. Commitments under these contracts amounted to RUR 10,816 million and RUR 11,590 million as of 30 June 2013 and 31 December 2012, respectively.

Literator – The Group entered contractual agreements for construction of residential house in Moscow. Commitments under these contracts amounted to RUR 2,469 million and RUR 4,279 million as of 30 June 2013 and 31 December 2012, respectively.

Wine House – The Group entered contractual agreements for construction of residential house in Moscow. Commitments under these contracts amounted to RUR 5,494 million and RUR 7,416 million as of 30 June 2013 and 31 December 2012, respectively.

Nasledie – The Group entered contractual agreements for construction of residential house in Moscow. Commitments under these contracts amounted to RUR 10,293 million and RUR 11,845 million as of 30 June 2013 and 31 December 2012, respectively.

Pekin – The Group entered contractual agreements for the restoration of adaptation to modern requirements of the Hotel complex "Pekin" and integrated development of the adjacent territory. Commitments under these contracts amounted to RUR 10,707 million and RUR 10,846 million as of 30 June 2013 and 31 December 2012, respectively.

Leto – The Group entered contractual agreements for construction of shopping and entertainment complex “Leto” in S.Peterburg. Commitments under these contracts amounted to RUR 153 million and RUR 162 million as of 30 June 2013 and 31 December 2012, respectively.

31. Subsequent events

In August 2013 the Group pledged land plots and buildings (inventory property) in Sadovnicheskaya str. (the project Wine House), with a carrying amount of RUR 1,542 million as of 30 June 2013, as security under the credit line from VTB with a limit of RUR 3,971 million.