RBC Group

Consolidated Financial Statements
for the year ended 31 December 2010

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Grant Thornton
Грант Торнтон

Accountants, Tax and Legal Advisers

Grant Thornton ZAO
32 A, Khoroshevskoye Shosse,
Moscow 123007, Russia

T +7 495 258 99 90
F +7 495 580 91 96

Аудиторы, Консультанты по налоговым и юридическим вопросам

ЗАО Грант Торнтон
Россия, 123007, Москва
Хорошевское шоссе, д.32 А

T +7 495 258 99 90
F +7 495 580 91 96

www.gtrus.ru

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors
of OJSC RBC
Profsoyuznaya street, 78
117393 Russian Federation, Moscow

We have audited the accompanying consolidated financial statements of OJSC RBC and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with 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 Group'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 Group'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 provide a basis for our audit opinion.

Grant Thornton
Грант Торнтон

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2010, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we also draw attention to the fact that USD amounts in the accompanying consolidated financial statements, which are presented solely for the convenience of the users as described in Note 2(d), do not form a part of the consolidated financial statements and are unaudited.

Grant Thornton ZAO

Moscow, Russian Federation
24 June 2011

	Note	2010 Mln RUR	2009 Continuing operations Mln RUR	2009 Discontinued operations Mln RUR	2009 Mln RUR
Revenue	8	3,479	3,043	8	3,051
Cost of sales	9	(2,324)	(2,293)	(3)	(2,296)
Gross profit		**1,155**	**750**	**5**	**755**
Other income	10	22	93	-	93
Selling expenses	11	(761)	(758)	-	(758)
Administrative expenses	12	(541)	(500)	(22)	(522)
Other expenses	13	(79)	(38)	-	(38)
Loss on disposal of discontinued operations	6	-	(17)	-	(17)
Impairment loss	18	-	(516)	-	(516)
Results from operating activities		**(204)**	**(986)**	**(17)**	**(1,003)**
Financial income	14	73	17	18	35
Financial expenses	14	(1,670)	(573)	-	(573)
Share of profit of associates and joint ventures (net of income tax)	19	38	(755)	-	(755)
Loss before income tax		**(1,763)**	**(2,297)**	**1**	**(2,296)**
Income tax (expense)/benefit	15	(41)	406	(29)	377
Loss for the year		**(1,804)**	**(1,891)**	**(28)**	**(1,919)**
Other comprehensive (loss)/ income					
Foreign currency translation differences for foreign operations		(8)	5	-	5
Acquisition of subsidiaries		-	3	-	3
Disposal of subsidiaries, net of income tax		-	(3)	-	(3)
Other comprehensive (loss)/ income for the year, net of income tax		**(8)**	**5**	**-**	**5**
Total comprehensive loss for the year		**(1,812)**	**(1,886)**	**(28)**	**(1,914)**
(Loss)/income attributable to:					
Shareholders of the Company		(1,823)	(1,896)	(30)	(1,926)
Non-controlling interest		19	5	2	7
Loss for the year		**(1,804)**	**(1,891)**	**(28)**	**(1,919)**
Total comprehensive (loss)/income attributable to:					
Shareholders of the Company		(1,831)	(1,891)	(30)	(1,921)
Non-controlling interest		19	5	2	7
Total comprehensive loss for the year		**(1,812)**	**(1,886)**	**(28)**	**(1,914)**
Loss per share					
Basic loss per share, RUR	27	(13)	(14)	-	(14)
Diluted loss per share, RUR	27	(13)	(14)	-	(14)

These consolidated financial statements were approved by management on 24 June 2011 and were signed on its behalf by:

Chief Executive Officer

German Kaplun

Deputy General Director of Finance

Evgeny Shishkov

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 13 to 82.

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

	Note	2010 Mln USD*	2009 Continuing operations Mln USD*	2009 Discontinued operations Mln USD*	2009 Mln USD*
Revenue	8	114	100	-	100
Cost of sales	9	(76)	(75)	-	(75)
Gross profit		**38**	**25**	**-**	**25**
Other income	10	1	3	-	3
Selling expenses	11	(25)	(25)	-	(25)
Administrative expenses	12	(18)	(16)	(1)	(17)
Other expenses	13	(3)	(1)	-	(1)
Loss on disposal of discontinued operation	6	-	(1)	-	(1)
Impairment loss	18	-	(17)	-	(17)
Results from operating activities		**(7)**	**(32)**	**(1)**	**(33)**
Financial income	14	2	1	1	2
Financial expenses	14	(55)	(19)	-	(19)
Share of profit of associates and joint ventures (net of income tax)	19	1	(25)	-	(25)
Loss before income tax		**(59)**	**(75)**	**-**	**(75)**
Income tax (expense)/benefit	15	(1)	13	(1)	12
Loss for the year		**(60)**	**(62)**	**(1)**	**(63)**
Other comprehensive (loss)/ income					
Foreign currency translation differences for foreign operations		-	-	-	-
Acquisition of subsidiaries		-	-	-	-
Disposal of subsidiaries, net of income tax		-	-	-	-
Other comprehensive (loss)/ income for the year, net of income tax		**-**	**-**	**-**	**-**
Total comprehensive loss for the year		**(60)**	**(62)**	**(1)**	**(63)**
(Loss)/income attributable to:					
Shareholders of the Company		(61)	(63)	(1)	(64)
Non-controlling interest		1	1	-	1
Loss for the year		**(60)**	**(62)**	**(1)**	**(63)**
Total comprehensive (loss)/income attributable to:					
Shareholders of the Company		(61)	(63)	(1)	(64)
Non-controlling interest		1	1	-	1
Total comprehensive loss for the year		**(60)**	**(62)**	**(1)**	**(63)**
Loss per share					
Basic loss per share, RUR	27	-	-	-	-
Diluted loss per share, RUR	27	-	-	-	-

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 13 to 82.

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

	Note	31 December 2010 Mln RUR	31 December 2009 Mln RUR	31 December 2010 Mln USD*	31 December 2009 Mln USD*
ASSETS					
Non-current assets					
Property, plant and equipment	16	163	241	5	8
Intangible assets	17	1,072	1,168	35	39
Investments in associates and joint ventures	19	303	129	10	4
Deferred tax assets	22	227	227	7	7
Other non-current assets	21	127	104	4	3
Other investments	20	8	13	-	-
Total non-current assets		**1,900**	**1,882**	**61**	**61**
Current assets					
Inventories	23	24	29	1	1
Other investments	20	32	22	1	1
Income tax receivable		16	28	1	1
Trade and other receivables	24	819	748	27	25
Cash and cash equivalents	25	1,174	243	39	8
Total current assets		**2,065**	**1,070**	**69**	**36**
Total assets		**3,965**	**2,952**	**130**	**97**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 13 to 82.

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

	Note	31 December 2010 Mln RUR	31 December 2009 Mln RUR	31 December 2010 Mln USD*	31 December 2009 Mln USD*
EQUITY AND LIABILITIES					
Equity					
Share capital	26	-	-	-	-
Share premium	26	8,995	6,644	295	218
Treasury shares	26	(631)	(774)	(21)	(25)
Translation reserve		(9)	(1)	-	-
Accumulated losses		(13,417)	(11,331)	(440)	(372)
Total equity attributable to shareholders of the Company		**(5,062)**	**(5,462)**	**(166)**	**(179)**
Non-controlling interest		47	28	2	1
Total equity		**(5,015)**	**(5,434)**	**(164)**	**(178)**
Non-current liabilities					
Loans and borrowings	28	6,528	-	214	-
Derivative financial liability	28	1,083	-	36	-
Deferred tax liabilities	22	39	30	1	1
Total non-current liabilities		**7,650**	**30**	**251**	**1**
Current liabilities					
Loans and borrowings	28	126	6,066	4	199
Provisions	29	89	78	3	3
Trade and other payables	30	1,107	2,207	36	72
Income tax payable		8	5	-	-
Total current liabilities		**1,330**	**8,356**	**43**	**274**
Total liabilities		**8,980**	**8,386**	**294**	**275**
Total equity and liabilities		**3,965**	**2,952**	**130**	**97**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 13 to 82.

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

	2010 Mln RUR	2009 Mln RUR	2010 Mln USD*	2009 Mln USD*
OPERATING ACTIVITIES				
Loss for the year	(1,804)	(1,919)	(60)	(63)
Adjustments for:				-
Depreciation and amortization	289	283	10	9
Impairment and write-off of assets	-	516	-	17
Unrealized foreign exchange gain	(12)	25	-	1
Gain on disposal of property, plant and equipment and intangible assets	(1)	(83)	-	(3)
Loss on disposal of discontinued operations	-	17	-	1
Gain on disposal of investments	(13)	-	-	-
Share in profit/loss of associates and joint ventures	(38)	755	(1)	24
Share option program compensation expense	-	13	-	1
Impairment loss on accounts receivable	10	50	-	2
Increase in provisions, other than on income tax	11	-	-	-
Loss from restructuring	1,065	-	35	-
Interest expense	444	405	15	13
Interest income	(57)	(11)	(2)	-
Other non-cash adjustments	(169)	3	(5)	-
Income tax expense/(income)	41	(377)	1	(12)
Operating loss before changes in working capital and provisions	**(234)**	**(323)**	**(7)**	**(10)**
Decrease in inventories	5	8	-	-
Decrease in trade and other receivables	(261)	(105)	(8)	(3)
Increase/(decrease) in trade and other payables	87	(283)	3	(9)
Cash flows used in operations before income taxes and interest paid	**(403)**	**(703)**	**(12)**	**(22)**
Income taxes paid	(21)	(30)	(1)	(1)
Interest paid	(154)	-	(5)	-
Cash flows used in operating activities	**(578)**	**(733)**	**(18)**	**(23)**
INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	-	43	-	1
Proceeds from disposal of intangible assets	-	72	-	2
Proceeds from disposal of investments	-	25	-	1
Proceeds from disposal of other assets	-	(3)	-	-
Proceeds from disposal of shares	-	13	-	1
Loans granted	-	(3)	-	-
Repayment of loans granted	-	3	-	-
Interest received	42	8	1	-
Acquisition of property, plant and equipment	(24)	(32)	(1)	(1)
Acquisition of intangible assets	(25)	(38)	(1)	(1)
Acquisition of other assets	-	(3)	-	-
Acquisition of minority interest in subsidiaries	(6)	-	-	-
Acquisition of subsidiaries, net of cash acquired	-	4	-	-
Disposal of subsidiaries, net of cash disposed	-	(159)	-	(5)
Cash flows used in investing activities	**(13)**	**(70)**	**(1)**	**(2)**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 13 to 82.

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

	2010 Mln RUR	2009 Mln RUR	2010 Mln USD*	2009 Mln USD*
FINANCING ACTIVITIES				
Proceeds from issue of additional capital	2,346	-	77	-
Proceeds from borrowings	5	74	-	2
Repayment of borrowings	(837)	(69)	(27)	(2)
Proceeds from sale of treasury shares	8	44	-	1
Cash flows from financing activities	**1,522**	**49**	**50**	**1**
				-
Net increase in cash and cash equivalents	**931**	**(754)**	**31**	**(24)**
Cash and cash equivalents at beginning of the period (owned by OJSC RBC Bank)	-	644	-	21
Cash and cash equivalents at beginning of the period	243	353	8	11
Cash and cash equivalents at end of the period	1,174	243	39	8

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 13 to 82.

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Mln RUR	**Attributable to shareholders of the Company**								
	Share capital	**Share premium**	**Treasury shares**	**Translation reserve**	**Available-for-sale investments revaluation reserve**	**Accumulated loss**	**Total**	**Non-controlling interest**	**Total equity**
							-		-
Balance at 1 January 2010	**-**	**6,644**	**(774)**	**(1)**	**-**	**(11,331)**	**(5,462)**	**28**	**(5,434)**
(Loss)/profit for the year	-	-	-	-	-	(1,823)	(1,823)	19	(1,804)
	-	**6,644**	**(774)**	**(1)**	**-**	**(13,154)**	**(7,285)**	**47**	**(7,238)**
Other comprehensive loss									
Foreign currency translation differences for foreign operations	-	-	-	(8)	-	-	(8)	-	(8)
Total other comprehensive loss	**-**	**-**	**-**	**(8)**	**-**	**-**	**(8)**	**-**	**(8)**
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**(8)**	**-**	**(1,823)**	**(1,831)**	**19**	**(1,812)**
Transactions with owners recorded directly in equity									
Acquisition of non-controlling interest	-	-	-	-	-	(128)	(128)	-	(128)
Additional contribution from shareholders	-	2,351	-	-	-	-	2,351	-	2,351
Own shares sold	-	-	169	-	-	(135)	34	-	34
Own shares acquired	-	-	(26)	-	-	-	(26)	-	(26)
Total transactions with owners	**-**	**2,351**	**143**	**-**	**-**	**(263)**	**2,231**	**-**	**2,231**
Balance at 31 December 2010	**-**	**8,995**	**(631)**	**(9)**	**-**	**(13,417)**	**(5,062)**	**47**	**(5,015)**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 13 to 82.

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Mln RUR	Attributable to shareholders of the Company								
	Share capital	**Share premium**	**Treasury shares**	**Translation reserve**	**Available-for-sale investments revaluation reserve**	**Accumulated loss**	**Total**	**Non-controlling interest**	**Total equity**
							-		-
Balance at 1 January 2009	**-**	**6,644**	**(1,019)**	**(6)**	**(4)**	**(9,215)**	**(3,600)**	**22**	**(3,578)**
(Loss)/profit for the year	-	-	-	-	-	(1,926)	(1,926)	7	(1,919)
	-	**6,644**	**(1,019)**	**(6)**	**(4)**	**(11,141)**	**(5,526)**	**29**	**(5,497)**
Other comprehensive income/(loss)									
Foreign currency translation differences for foreign operations	-	-	-	5	-	-	5	-	5
Acquisitions of subsidiaries	-	-	-	-	-	-	-	3	3
Disposal of subsidiaries, net of tax	-	-	-	-	4	(2)	2	(5)	(3)
Total other comprehensive income/(loss)	**-**	**-**	**-**	**5**	**4**	**(2)**	**7**	**(2)**	**5**
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**5**	**4**	**(1,928)**	**(1,919)**	**5**	**(1,914)**
Transactions with owners recorded directly in equity									
Options granted	-	-	-	-	-	13	13	-	13
Own shares sold	-	-	245	-	-	(201)	44	-	44
Other contributions by and distributions to owners	-	-	-	-	-		-	1	1
Total transactions with owners	**-**	**-**	**245**	**-**	**-**	**(188)**	**57**	**1**	**58**
Balance at 31 December 2009	**-**	**6,644**	**(774)**	**(1)**	**-**	**(11,331)**	**(5,462)**	**28**	**(5,434)**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 13 to 82.

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Mln USD*	**Attributable to shareholders of the Company**								
	Share capital	**Share premium**	**Treasury shares**	**Translation reserve**	**Available-for-sale investments revaluation reserve**	**Accumulated loss**	**Total**	**Non-controlling interest**	**Total equity**
							-		-
Balance at 1 January 2010	**-**	**218**	**(25)**	**-**	**-**	**(372)**	**(179)**	**1**	**(178)**
(Loss)/profit for the year	-	-	-	-	-	(60)	(60)	1	(59)
	-	**218**	**(25)**	**-**	**-**	**(432)**	**(239)**	**2**	**(237)**
Other comprehensive loss									
Foreign currency translation differences for foreign operations	-	-	-	-	-	-	-	-	-
Total other comprehensive loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**-**	**-**	**(60)**	**(60)**	**1**	**(59)**
Transactions with owners recorded directly in equity									
Acquisitions of non-controlling interest	-	-	-	-	-	(4)	(4)	-	(4)
Additional contribution from shareholders	-	77	-	-	-	-	77	-	77
Own shares sold	-	-	5	-	-	(4)	1	-	1
Own shares acquired	-	-	(1)	-	-	-	(1)	-	(1)
Total transactions with owners	**-**	**77**	**4**	**-**	**-**	**(8)**	**73**	**-**	**73**
Balance at 31 December 2010	**-**	**295**	**(21)**	**-**	**-**	**(440)**	**(166)**	**2**	**(164)**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 13 to 82.

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Mln USD*	**Attributable to shareholders of the Company**								
	Share capital	**Share premium**	**Treasury shares**	**Translation reserve**	**Available-for-sale investments revaluation reserve**	**Accumulated loss**	**Total**	**Non-controlling interest**	**Total equity**
							-		-
Balance at 1 January 2009	**-**	**218**	**(33)**	**-**	**-**	**(302)**	**(117)**	**1**	**(116)**
(Loss)/profit for the year	-	-	-	-	-	(63)	(63)	-	(63)
	-	**218**	**(33)**	**-**	**-**	**(365)**	**(180)**	**1**	**(179)**
Other comprehensive income/(loss)									
Foreign currency translation differences for foreign operations	-	-	-	-	-	-	-	-	-
Acquisitions of subsidiaries	-	-	-	-	-	-	-	-	-
Disposal of subsidiaries, net of tax	-	-	-	-	-	-	-	-	-
Total other comprehensive income/(loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income/ (loss) for the year	**-**	**-**	**-**	**-**	**-**	**(63)**	**(63)**	**-**	**(63)**
Transactions with owners recorded directly in equity									
Options granted	-	-	-	-	-	-	-	-	-
Own shares sold	-	-	8	-	-	(7)	1	-	1
Other contributions by and distributions to owners	-	-	-	-	-		-	-	-
Total transactions with owners	**-**	**-**	**8**	**-**	**-**	**(7)**	**1**	**-**	**1**
Balance at 31 December 2009	**-**	**218**	**(25)**	**-**	**-**	**(372)**	**(179)**	**1**	**(178)**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 13 to 82.

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1 Background

(a) Organization and operations

OJSC RBC (the "Company") and its subsidiaries (together referred to as the "Group") comprise Russian open joint stock companies, closed joint stock companies and limited liability companies as defined in the Civil Code of the Russian Federation, and companies located abroad. OJSC RBC Information Systems, which was the parent company of the Group at 31 December 2009, and its subsidiaries as at 31 December 2010 were controlled by the Company based on the terms of the shareholders' agreements.

OJSC RBC Information Systems was established as an open joint stock company in 2000. During 2010 the shares of OJSC RBC Information Systems were traded in the Russian Federation on the Moscow Stock Exchange and Russian Trading System and in the United States of America through a Level-1 ADR program (Note 37).

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

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

As at 31 December 2010 Mr. Mikhail D. Prokhorov was the ultimate beneficiary of the Company.

(b) Restructuring

In 2010 the Group began a process of changing its structure, which included establishing a new parent company, OJSC RBC. OJSC RBC was established in May 2005 as closed joint stock company and in August 2010 was reorganized into open joint stock company. The shares of the Company are listed in the Russian Federation on the Moscow Stock Exchange and Russian Trading System.

On 7 June 2010, ONEXIM Group had acquired a 51.1% stake in the Company through an additional share issue for 80 million US Dollars. The remaining 48.9% in the Company are being swapped for 100% of shares in OJSC RBC Information Systems as part of the restructuring process during 2011 (Note 37).

(c) Business environment

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

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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 the derivative financial instruments, financial investments at fair value through profit and loss and financial investments classified as available-for-sale that are presented at their fair value.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUR"), which is the Group's functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in RUR has been rounded to the nearest million.

(d) Convenience translation

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

All amounts in the consolidated financial statements, including comparatives, are translated from RUR to USD at the closing exchange rate at 31 December 2010 of RUR 30.4769 to USD 1.

(e) Use of judgments, estimates and assumptions

Management has made a number of judgments, estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with IFRS. Actual results may differ from those estimates.

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

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 7 – Acquisition and disposals of subsidiaries and non-controlling interest;
- Note 8 – Revenue;
- Note 18 – Impairment;
- Note 22 – Deferred tax assets and liabilities;
- Note 24 – Trade and other receivables;
- Note 29 – Provisions;
- Note 33 – Contingencies.

3 Significant accounting policies

The significant accounting policies applied in the preparation of the consolidated financial statements are described in Notes 3(a) to 3(p). These accounting policies have been consistently applied.

(a) Basis of consolidation

(i) 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 currently are exercisable are taken into account. 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 doing so causes the non-controlling interests to have a deficit balance.

(ii) Associates and jointly controlled entities

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 contractual agreement and requiring unanimous consent for strategical financial and operating decisions.

Associates and jointly controlled entities are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses 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 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.

(iii) Transactions eliminated on consolidation

All intra-group balances and transactions, and any unrealized profits and losses arising from intra-group transactions are eliminated. Unrealized profits arising from transactions with the associates and joint ventures 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 profits, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are

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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 that are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to RUR at the exchange rate at the reporting date. The income and expenses of foreign operations are translated to RUR 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 transition to IFRS such differences have been recognized in the foreign currency translation reserve. When a foreign operation 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 the other comprehensive income, and are presented within equity in the foreign currency translation reserve.

(c) Financial instruments

Non-derivative financial instruments

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

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

Cash and cash equivalents comprise cash balances and call deposits. 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.

Accounting for finance income and expenses is discussed in Note 3(m).

Held-to-maturity investments

If the Group has the positive 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.

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 and changes therein, other than impairment losses (Note 3(h)(i)), and foreign exchange gains and losses on available-for-sale monetary items (Note 3(b)(i)), are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive statement is transferred to profit or loss.

Financial assets at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if

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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.

Derivative instruments

Derivative financial instruments: options and warrants are measured at fair value. Changes are recognized in profit and loss.

Other

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

(d) Share capital

Ordinary shares

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

Repurchase of share capital

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

Dividends

Dividends are recognized as a liability in the period in which they are declared.

(e) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditure that is directly attributable to the 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. Borrowing costs related to the acquisition or construction of qualifying assets are recognized in the cost of such assets.

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 net in "other income" or "other expense" in profit or loss.

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(ii) Subsequent costs

The cost of replacing a part 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 part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives 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 life. Land is not depreciated.

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

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Estimates in respect of certain items of plant and equipment were revised in 2010 (Note 16).

(f) Intangible assets

(i) Goodwill

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

For acquisitions on or after 1 January 2009, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus

  the recognized amount of any non-controlling interests in the acquiree; plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; 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.

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

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

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

Acquisitions before 1 January 2009

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For acquisitions before 1 January 2009, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognized immediately in profit or loss.

Acquisitions of non-controlling interest

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognized as a result of such transactions.

Subsequent measurement

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

(ii) Web-sites

Costs relating to the development of web-sites are capitalized if the site is functional in nature (i.e. it is designed to generate revenue from sales).

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

(iii) Software

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

(iv) 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.

The 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 cost of qualifying assets.

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

(v) Trademarks

Trademarks acquired by the Group and representing registered rights are stated at cost less accumulated amortization and impairment losses.

(vi) Brands

Brands acquired by the Group in connection with the acquisition of internet resources, are stated at cost less accumulated amortization and impairment losses. Expenditure on internally generated goodwill and brands is recognized in profit or loss as an expense as incurred.

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(vii) Other intangible assets

Other intangible assets include licenses, customer lists, and content of websites. 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.

(viii) 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.

(ix) 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 for the current and comparative periods are as follows:

Trademarks	5 to 20 years
Software	1-3 years
Web-sites	1-3 years
Brands	12 to 15 years
Customer lists	1 to 10 years
Cable network connection	15 years
Other (licenses, content)	1-3 years

Amortization methods and useful lives are reviewed at each reporting date and adjusted if appropriate. Estimated useful lives were revised in 2010 for the groups: software, web-sites, other (licenses, content).

(g) 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.

(h) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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 the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in other comprehensive income is transferred to profit or loss.

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An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in other comprehensive income.

(ii) 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 lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business acquisition, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses 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.

(i) Employee benefits

(i) Short-term benefits

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

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.

(ii) Share-based payment transactions

At the grant date fair value of share options granted to employees is recognized as personnel costs, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognized as an expense is adjusted to reflect the actual number of share options for which the related service requirements and non-market vesting conditions are met.

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(j) Provisions

(i) Tax provisions

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.

(ii) 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.

(k) Revenue

Revenue from the sale of goods and rendering of services is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Transfer of risks and rewards vary depending on the individual terms of the contract of sale. For sales of printing products, transfer usually occurs when the goods are shipped to buyers.

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission made by the Group.

(l) 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. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

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

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

(m) Finance income and expenses

Finance 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.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, foreign currency losses, changes in the fair value

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of financial assets at fair value through profit or loss and impairment losses recognized on financial assets. All borrowing costs are recognized in profit or loss using the effective interest method.

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

(n) 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 or loss 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 for financial reporting purposes 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
- taxable 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 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.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which 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.

(o) Earnings/(losses) per share

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

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(p) New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2010, and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.

- Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* clarifies that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount are classified as equity instruments even if the fixed amount is determined in foreign currency. A fixed amount can be determined in any currency provided that entity offers these instruments pro rata to all of the existing owners of the same class of its own non-derivative equity instruments. The amendment is applicable for annual periods beginning on or after 1 February 2010. The amendment is expected to have no impact on the Group's consolidated financial statements.
- Revised IAS 24 *Related Party Disclosures (2010)* introduces an exemption from the basic disclosure requirements in relation to related party disclosures and outstanding balances, including commitments, for government-related entities. Additionally, the standard has been revised to simplify some of the presentation guidance that was previously non-reciprocal. The revised standard is to be applied retrospectively for annual periods beginning on or after 1 January 2011. The Group has not yet determined the potential effect of the amendment.
- Amended IFRS 7 *Disclosures – Transfers of Financial Assets* introduces additional disclosure requirements for transfers of financial assets in situations where assets are not derecognized in their entirety or where the assets are derecognized in their entirety but a continuing involvement in the transferred assets is retained. The new disclosure requirements are designated to enable the users of financial statements to better understand the nature of the risks and rewards associated with these assets. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment is expected to have no impact on the Group's consolidated financial statements
- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2013. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during the first half of 2011. The Group recognizes that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The impact of these changes will be analyzed during the course of the project as further phases of the standard are issued. The Group does not intend to adopt this standard early.
- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purpose, will come into effect not earlier than 1 January 2011. The Group has not yet analyzed the likely impact of the improvements on its financial position or performance.

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4 Determination of fair values

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

(a) Intangible assets

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

(i) 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).

(ii) 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.

(iii) Other intangible assets

The fair values of customer lists acquired in business combinations were valued using the multi-period excess earnings approach.

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) Inventories

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

(c) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, available-for-sale investments and held-to-maturity investments is determined by reference to their quoted weighted average price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(d) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(e) Non-derivative financial liabilities

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

(f) Share-based payment transactions

The fair value of employee share options is measured using the Black-Scholes formula. Measurement inputs include share price at the measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

(g) Derivatives

The fair value of options and warrants is based on their quoted market price, if available. If a quoted market price is not available, then fair value is estimated by application of option valuation models.

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5 Segment reporting

(a) Business segments

The Group has the following reportable segments, based on the fact how the Board of Directors and Management Committee of the Company (chief operating decision maker) provide an assessment of the operating results of the Group:

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

Consumer Internet Segment. Provision of entertainment internet services and resources, internet advertising, hosting services.

TV segment. Operation of a TV channel, provision of TV advertising.

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

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

Bank segment. Provision of banking services. OJSC RBC Bank, the only legal entity comprising the banking segment, was disposed in 2009 (Note 6).

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Year ended 31 December 2010, Mln RUR	Revenue	Expenses	Payroll expenses	Cost of sales	Administrative expenses	Other operating expenses	Other operating income	Selling expenses	Profit/(loss)
Business internet	1,408	(1,039)	(463)	(146)	(58)	(1)	-	(371)	369
Consumer internet	689	(732)	(302)	(263)	(60)	(19)	-	(88)	(43)
TV	489	(674)	(369)	(163)	(65)	(5)	-	(72)	(185)
Printing	324	(381)	(196)	(77)	(23)	(2)	-	(83)	(57)
Salon	569	(476)	(147)	(113)	(44)	(4)	-	(168)	93
Restructuring expenses	-	(91)	-	-	(90)	(1)	-	-	(91)
EBITDA (management accounts)	**3,479**	**(3,393)**	**(1,477)**	**(762)**	**(340)**	**(32)**	**-**	**(782)**	**86**
Adjustments									
Restructuring expenses	-	91	-	-	90	1	-	-	91
Unused vacations	-	(9)	-	(9)	-	-	-	-	(9)
Write-off of goods (print segment)	-	(66)	-	(66)	-	-	-	-	(66)
Audit expenses	-	12	-	-	12	-	-	-	12
Gain from disposal of investments	-	13	-	-	-	-	13	-	13
Prior periods income amount	-	(15)	-	-	-	-	(15)	-	(15)
Expenses reclassifications	-	(27)	(3)	53	(74)	(48)	24	21	(27)
Other revenue differences	-	-	-	-	-	-	-	-	-
Reclass to research expenses	-	-	(49)	49	-	-	-	-	-
Total adjustments	**-**	**(1)**	**(52)**	**27**	**28**	**(47)**	**22**	**21**	**(1)**
EBITDA (IFRS accounts)	**3,479**	**(3,394)**	**(1,529)**	**(735)**	**(312)**	**(79)**	**22**	**(761)**	**85**
Depreciation & amortization	-	(289)	-	(232)	(57)	-	-	-	(289)
SUBTOTAL	**3,479**	**(3,683)**	**(1,529)**	**(967)**	**(369)**	**(79)**	**22**	**(761)**	**(204)**
Financial income									73
Financial expenses									(1,670)
Share in income of associated companies									38
Taxation									(41)
Non-controlling interest									(19)
Net loss attributable to shareholders of the company									**(1,823)**

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Year ended 31 December 2009, Mln RUR	Revenue	Expenses	Payroll expenses	Cost of sales	Administrative expenses	Other operating expenses	Other operating income	Selling expenses	Profit/(loss)
Business internet	1,238	(987)	(570)	(46)	(45)	(2)	-	(324)	251
Consumer internet	627	(732)	(272)	(256)	(93)	(15)	-	(96)	(105)
TV	430	(719)	(345)	(156)	(103)	(19)	-	(96)	(289)
Printing	249	(400)	(201)	(83)	(35)	(1)	-	(80)	(151)
Salon	593	(514)	(125)	(166)	(42)	(19)	-	(162)	79
Banking	8	(19)	-	(3)	(16)		-	-	(11)
EBITDA (management accounts)	**3,145**	**(3,371)**	**(1 ,513)**	**(710)**	**(334)**	**(56)**	**-**	**(758)**	**(226)**
Adjustments									
Unused vacations	-	-	19	(19)	-	-	-	-	-
Impairment of intangible assets	-	(516)	-	-	-	(516)	-	-	(516)
Revenue from sale of TV equipment	(34)	34	-	-	-	-	34	-	-
Sale of IA	(72)	72	-	-	-	-	72	-	-
Expenses reclassifications	-	(2)	13	26	(29)	18	(30)	-	(2)
Others	12	12	(6)	18	-	-	-	-	24
Total adjustments	**(94)**	**(400)**	**26**	**25**	**(29)**	**(498)**	**76**	**-**	**(494)**
EBITDA (IFRS accounts)	**3,051**	**(3,771)**	**(1,487)**	**(685)**	**(363)**	**(554)**	**76**	**(758)**	**(720)**
Depreciation & amortisation	-	(283)	-	(241)	(42)	-	-	-	(283)
SUBTOTAL	**3,051**	**(4,054)**	**(1,487)**	**(926)**	**(405)**	**(554)**	**76**	**(758)**	**(1,003)**
Financial income									35
Financial expenses									(573)
Share in loss of associated companies									(755)
Taxation									377
Non-controlling interest									(7)
Net loss attributable to shareholders of the company									**(1,926)**

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Year ended 31 December 2010, Mln USD*	Revenue	Expenses	Payroll expenses	Cost of sales	Administrative expenses	Other operating expenses	Other operating income	Selling expenses	Profit/(loss)
Business internet	45	(34)	(16)	(4)	(2)	-	-	(12)	11
Consumer internet	23	(25)	(10)	(9)	(2)	(1)	-	(3)	(2)
TV	16	(21)	(12)	(5)	(2)	-	-	(2)	(5)
Printing	11	(13)	(6)	(3)	(1)	-	-	(3)	(2)
Salon	19	(16)	(5)	(4)	(1)	-	-	(6)	3
Restructuring expenses	-	(3)	-	-	(3)	-	-	-	(3)
EBITDA (management accounts)	**114**	**(112)**	**(49)**	**(25)**	**(11)**	**(1)**	**-**	**(26)**	**2**
Adjustments									
Restructuring expenses	-	3	-	-	3	-	-	-	3
Unused vacations	-	-	-	-	-	-	-	-	-
Write-off of goods (print segment)	-	(2)	-	(2)	-	-	-	-	(2)
Audit expenses	-	-	-	-	-	-	-	-	-
Gain from disposal of investments	-	-	-	-	-	-	-	-	-
Prior periods income amount	-	-	-	-	-	-	-	-	-
Expenses reclassifications	-	-	-	2	(2)	(2)	1	1	-
Other revenue differences	-	-	-	-	-	-	-	-	-
Reclass to research expenses	-	-	(2)	2	-	-	-	-	-
Total adjustments	**-**	**1**	**(2)**	**2**	**1**	**(2)**	**1**	**1**	**1**
EBITDA (IFRS accounts)	**114**	**(111)**	**(51)**	**(23)**	**(10)**	**(3)**	**1**	**(25)**	**3**
Depreciation & amortization	-	(10)	-	(8)	(2)	-	-	-	(10)
SUBTOTAL	**114**	**(121)**	**(51)**	**(31)**	**(12)**	**(3)**	**1**	**(25)**	**(7)**
Financial income									2
Financial expenses									(55)
Share in loss of associated companies									1
Taxation									(1)
Non-controlling interest									(1)
Net loss attributable to shareholders of the company									**(61)**

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

Year ended 31 December 2009 Mln USD*	**Revenue**	**Expenses**	**Payroll expenses**	**Cost of sales**	**Administrative expenses**	**Other operating expenses**	**Other operating income**	**Selling expenses**	**Profit/(loss)**
Business internet	41	(33)	(19)	(2)	(1)	-	-	(11)	8
Consumer internet	21	(23)	(9)	(8)	(3)	-	-	(3)	(2)
TV	14	(23)	(11)	(5)	(3)	(1)	-	(3)	(9)
Printing	8	(14)	(7)	(3)	(1)	-	-	(3)	(6)
Salon	19	(16)	(4)	(5)	(1)	(1)	-	(5)	3
Banking	-	(1)	-	-	(1)	-	-	-	(1)
EBITDA (management accounts)	**103**	**(110)**	**(50)**	**(23)**	**(10)**	**(2)**	**-**	**(25)**	**(7)**
Adjustments									
Unused vacations	-	-	1	(1)	-	-	-	-	-
Impairment of intangible assets	-	(17)	-	-	-	(17)	-	-	(17)
Revenue from sale of TV equipment	(1)	1	-	-	-	-	1	-	-
Sale of IA	(2)	2	-	-	-	-	2	-	-
Expenses reclassifications	-	-	-	1	(2)	1	-	-	-
Others	-	1	-	1	-	-	-	-	1
Total adjustments	**(3)**	**(13)**	**1**	**1**	**(2)**	**(16)**	**3**	**-**	**(16)**
EBITDA (IFRS accounts)	**100**	**(123)**	**(49)**	**(22)**	**(12)**	**(18)**	**3**	**(25)**	**(23)**
Depreciation & amortization	-	(9)	-	(8)	(1)	-	-	-	(9)
SUBTOTAL	**100**	**(132)**	**(49)**	**(30)**	**(13)**	**(18)**	**3**	**(25)**	**(32)**
Financial income									1
Financial expenses									(19)
Share in loss of associated companies									(25)
Taxation									12
Non-controlling interest									(1)
Net loss attributable to shareholders of the company									**(64)**

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6 Discontinued operations in 2009

In April 2009 the Group disposed of OJSC RBC Bank, the only legal entity comprising Banking segment. The Group sold 98% interest in OJSC RBC Bank, which represented all of its interest in the subsidiary, for RUR 300 million/ USD* 10 million. The loss from discontinued operations comprised RUR 45 million/ USD* 1 million, including the loss on disposal of RUR 17 million/ USD* 0.6 million.

	4 months ended 28 April 2009 Mln RUR	**4 months ended 28 April 2009 Mln USD***
Results of discontinued operations		
Revenue	8	-
Cost of sales	(3)	-
Gross profit	**5**	**-**
Administrative expenses	(22)	(1)
Results from operating activities	**(17)**	**(1)**
Financial income	18	1
Profit before income tax	**1**	**-**
Income tax expense	(29)	(1)
Loss for the year	**(28)**	**(1)**
Cash flows used in discontinued operations		
Net cash used in operating activities	136	4
Net cash flows used in discontinued operations	136	4

Effect of disposal on financial position of the Group

	Carrying amount at date of disposal Mln RUR	**Carrying amount at date of disposal Mln USD***
Non-current assets		
Property, plant and equipment	4	-
Current assets		
Financial instruments at fair value through profit or loss	34	1
Cash and cash equivalents	459	15
Other assets	5	-
Assets held for sale	50	2
Trade and other receivables	84	3
Non-current liabilities		
Deferred tax	(7)	-
Current liabilities		
Trade and other payables	(307)	(10)
Net identifiable assets, liabilities and contingent liabilities	**322**	**11**
Consideration received, satisfied in cash	300	10
Cash disposed of	459	15
Net cash outflow	**159**	**5**

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7 Acquisition and disposals of subsidiaries and non-controlling interest

During 2010 the following entities were disposed with corresponding financial result:

- Salon entities (CJSC Salon Office, CJSC Salon Press, CJSC Eidos Logistics, Ad Point Ltd., ASMC Ltd.) – gain of RUR 5 million /USD 0.2 million;
- CJSC Nashi Dengi Volga – gain of RUR 7 million/USD 0.2 million.

Acquisition of LLC "RBC Money" in 2009

In March 2009 the Group completed acquisition of 74% of the shares in LLC "RBC Money" for RUR 90 million/ USD* 3 million. This acquisition was made consistent with the Group's strategy, aiming for integration of electronic cash online payments business in the Consumer Internet business segment. LLC "RBC Money" provided services of electronic cash online payments.

A part of the purchase consideration in the amount of RUR 50 million/ USD* 2 million was settled in 2008 in the form of advertising services on RBC media resources provided by the Group to LLC "RBC Money". The Group forgave a loan to the former owner of LLC "RBC Money" for an amount of RUR 40 million/ USD* 1 million as the remained part of consideration.

The impact of acquiring the subsidiary was to increase revenue for the year by RUR 9 million/USD* 0.3 million and to increase loss for the year by RUR 1 million/USD* 0.05 million.

The Group has determined fair value of identifiable tangible and intangible assets of the acquiree as at the acquisition date. The following assets have been identified:

	Fair value Mln RUR	Fair value Mln USD*	Estimated remaining useful life, years
Client base	7	-	6
Trademark	2	-	5

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

	Recognized fair values acquisition Mln RUR	Recognized fair values acquisition Mln USD*
Non-current assets		
Property, plant and equipment	1	-
Intangible assets	9	-
Deferred tax asset	6	-
Current assets		
Trade and other receivables	7	-
Cash and cash equivalents	4	-
Non-current liabilities		
Deferred tax liabilities	(2)	-
Current liabilities		
Loans and borrowings	(1)	-
Trade and other payables	(37)	(1)
Net identifiable assets, liabilities and contingent liabilities	**(13)**	**(1)**
Group's share in net identifiable assets, liabilities and contingent liabilities	(10)	-
Goodwill on acquisition	100	3
Total consideration	**90**	**3**
Advertising services	50	2
Forgiven loan	40	1
Cash acquired	4	-
Net cash inflow	**4**	**-**

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The gross contractual amounts receivable at the acquisition date was RUR 42 million/ USD* 1 million. The amount of RUR 35 million/ USD* 1 million was derecognized at the acquisition date, because the contractual cash flows are not expected to be collected.

Since the acquired subsidiary did not prepare IFRS financial statements before acquisition, it was impracticable to determine the effect of the acquisitions on consolidated revenue and profit for the year ended 31 December 2009, had the acquisition occurred on 1 January 2009.

Business combination for acquisition of LLC "RBC Money" was accounted under revised edition of IFRS 3 Business Combinations. Non-controlling interest was measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets in the amount of RUR 3 million/ USD* 0.1 million at the acquisition date. The goodwill in the amount of RUR 100 million/ USD* 3 million arose on the acquisition because the Group expects to benefit from synergy of LLC "RBC Money" integration into activities of its Consumer internet segment.

Disposal of control in LLC Fidel Solutions

In 2009 the Group disposed of its residual interest of 41% in LLC Fidel Solutions to its former owner for no consideration. There was no impact from the disposition on the loss for the year.

In August 2008 the Group disposed of 10% interest in LLC Fidel Solutions for no consideration to the former owners of the subsidiary. As a result, the Group's ownership in LLC Fidel Solutions reduced from 51% to 41%. At the date of loss of control assets of LLC Fidel Solutions were RUR 24 million/ USD* 0.8 million and liabilities were RUR 36 million/ USD* 1.2 million.

A liability for additional 10% non-controlling interest in LLC Fidel Solutions in the amount of RUR 25 million/USD* 1 million recognized by the Group as at 31 December 2007, was derecognized at 31 December 2008 as the seller's put option had not been exercised and expired. The excess of the value of derecognized liability over the carrying value of non-acquired non-controlling interest in the amount of RUR 24 million/ USD*1 million has been credited to equity.

Subsequent to the disposal of the control in LLC Fidel, the Group wrote off a loan issued to Fidel upon its acquisition in 2007 in the amount of RUR 29 million/USD* 1 million.

In 2008 the Group recognized profit of RUR 12 million/ USD* 0.4 million from investments in LLC Fidel Solutions. Gain from disposal of the subsidiary in 2008 amounted to RUR 8 million/ USD* 0.3 million.

Acquisition of remaining 8% in Valento Commerce Limited

Share in investments to Valento Commerce (8%) was acquired from minority shareholders for advertising services providing in amount of RUR 176 million/USD* 6 million and cash paid of RUR 6 million/USD 0.2 million.

8 Revenue

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

	2010 Mln RUR	2009 Mln RUR	2010 MlnUSD*	2009 Mln USD*
Revenue from sale of internet advertising services and hosting services	2,134	1,844	70	60
Revenue from sale of advertising services in printing segment and from sales on prints	862	810	28	27
Revenue from sale of TV advertising services	483	389	16	13
Revenue from banking services	-	8	-	-
	3,479	**3,051**	**114**	**100**

In 2009 part of the revenue amounted RUR 43 million/USD 1 million from internet advertising services and hosting services was included in the revenue from of advertising services in printing segment. In 2010 the corresponding figure was included in the revenue from internet advertising services and hosting services. For comparability purpose 2009 figures were reclassified from the revenue from advertising services in printing segment to the revenue from internet advertising services and hosting services.

The banking segment was disposed in April 2009 (Note 6).

9 Cost of sales

	2010 Mln RUR	2009 Mln RUR	2010 MlnUSD*	2009 Mln USD*
Payroll costs, including social charges	1,357	1,370	45	45
Depreciation and amortization	232	241	8	8
Rent expenses	108	137	4	4
Telecom expenses	151	150	5	5
Printing services	23	70	1	2
Content expenses	71	67	2	2
Domain names expenses	74	45	2	1
Conference costs	78	44	3	1
Other expenses	230	172	6	7
	2,324	**2,296**	**76**	**75**

In 2009 part of telecom expenses amounted RUR 27 million/USD 1 million was included in other expenses. In 2010 the corresponding figure was included in telecom expenses. For comparability purpose 2009 figures were reclassified from other expenses to telecom expenses.

10 Other income

	2010 Mln RUR	2009 Mln RUR	2010 Mln USD*	2009 Mln USD*

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Gain on disposal of investments	13	-	1	-
Other operating income	8	6	-	-
Non-repayable aid	1	4	-	-
Gain on disposal of intangible assets	-	65	-	2
Gain on disposal of property, plant and equipment	-	18	-	1
	22	**93**	**1**	**3**

11 Selling expenses

Selling expenses are mainly represented by advertising expenses.

12 Administrative expenses

	2010 Mln RUR	2009 Mln RUR	2010 Mln USD*	2009 Mln USD*
Payroll costs, including social charges	172	117	6	4
Rent	96	104	3	3
Other administrative expenses	49	40	2	1
Material expenses	46	31	2	1
Depreciation, amortization	57	42	2	1
Communication	32	32	1	1
Consulting and legal expenses	29	76	1	2
Housing	25	20	1	1
Taxes other than profit tax	11	17	-	1
Business trips and transportation costs	11	7	-	-
Insurance	9	8	-	-
IT expenses	2	13	-	1
Information services	2	2	-	-
Employee compensation under share option program	-	13	-	1
	541	**522**	**18**	**17**

13 Other expenses

	2010 Mln RUR	2009 Mln RUR	2010 Mln USD*	2009 Mln USD*
Other operating expenses	75	30	3	1
Penalties	3	3	-	-
Loss on disposal of inventories	1	5	-	-

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	79	**38**	**3**	**1**

14 Financial income and expenses

	2010 Mln RUR	2009 Mln RUR	2010 Mln USD*	2009 Mln USD*
Financial income				
Interest income	57	11	1	1
Other financial income	16	24	1	1
	73	**35**	**2**	**2**
Financial expenses				
Loss on restructuring	(659)	-	(22)	-
Interest expense	(444)	(405)	(15)	(13)
Fines and penalties on overdue debts	(405)	-	(13)	-
Foreign exchange loss, net	(142)	(103)	(5)	(3)
Impairment loss on trade and other receivables	(10)	(50)	-	(2)
Irredeemable loans and investments write-off	(6)	-	-	-
Other financial expenses	(4)	(15)	-	(1)
	(1,670)	**(573)**	**(55)**	**(19)**

15 Income tax expense

	2010 Mln RUR	2009 Mln RUR	2010 Mln USD*	2009 Mln USD*
Current tax (expenses)/benefit	(32)	45	(1)	1
Deferred tax (expenses)/benefit	(9)	332	-	11
	(41)	**377**	**(1)**	**12**

The applicable income tax rate for the Company and Russian subsidiaries is 20% (2009: 20%). Foreign subsidiaries pay income tax in accordance with the legislative requirements of their tax jurisdictions. For the entities located in Ukraine, the applicable tax rate is the corporate income tax rate of 25% (2009: 25%). For the entities located in Cyprus, the applicable tax rate is the corporate income tax rate of 10% (2009: 10%). An entity located in Netherland Antilles had tax loss in 2010 and 2009 (tax rate is variable from 2.4% to 30%). The income earned by entities incorporated in the British Virgin Islands is not currently subject to income tax.

Reconciliation of effective tax rate:

	2010 Mln RUR	2010 %	2009 Mln RUR	2009 %

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Loss before income tax	(1,763)	100%	(2,296)	100%
Income tax at applicable tax rate	353	-20%	459	-20%
Effect of income taxed at (lower)/higher rates	24	-1%	(74)	3%
Non-deductible expenses	(1,602)	91%	(1,350)	59%
Non-taxable income	1,212	-69%	1,636	-71%
Recognition of deferred tax for temporary differences from prior years	(7)	0%	251	-11%
Current year losses for which no deferred tax asset was recognized	(19)	1%	(612)	27%
Under/over provided in prior years	(2)	0%	67	-3%
	(41)	**-2%**	**377**	**-16%**

	2010 Mln USD*	**2010 %**	**2009 Mln USD***	**2009 %**
Loss before income tax	(60)	100%	(75)	100%
Income tax at applicable tax rate	12	-20%	15	-20%
Effect of income taxed at (lower)/higher rates	1	-1%	(2)	3%
Non-deductible expenses	(53)	91%	(45)	59%
Non-taxable income	40	-69%	54	-71%
Recognition of deferred tax for temporary differences from prior years	-	0%	8	-11%
Current year losses for which no deferred tax asset was recognized	(1)	1%	(20)	27%
Under/over provided in prior years	-	0%	2	-3%
	(1)	**-2%**	**12**	**-16%**

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16 Property, plant and equipment

Cost, Mln RUR	TV equipment	Computer equipment	Office equipment	Other assets	Construction-in-progress	Prepayments	Total
Balance at 1 January 2010	**463**	**175**	**144**	**48**	**9**	**5**	**844**
Additions	-	32	-	-	-	-	**32**
Transfer	(261)	31	54	181	(1)	(4)	**-**
Disposals	(4)	(34)	(19)	(10)	(2)	-	**(69)**
Balance at 31 December 2010	**198**	**204**	**179**	**219**	**6**	**1**	**807**
Accumulated depreciation, Mln RUR							
Balance at 1 January 2010	**(407)**	**(87)**	**(88)**	**(21)**	**-**	**-**	**(603)**
Transfer	225	(47)	(42)	(134)	(2)	-	**-**
Depreciation charge	(6)	(49)	(38)	(17)	-	-	**(110)**
Disposals	4	34	17	14	-	-	**69**
Balance at 31 December 2010	**(184)**	**(149)**	**(151)**	**(158)**	**(2)**	**-**	**(644)**
Net book value							
At 1 January 2010	**56**	**88**	**56**	**27**	**9**	**5**	**241**
At 31 December 2010	**14**	**55**	**28**	**61**	**4**	**1**	**163**

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

Cost, Mln RUR	TV equipment	Computer equipment	Office equipment	Other assets	Construction-in-progress	Prepayments	Total
Balance at 1 January 2009	**491**	**314**	**158**	**42**	**15**	**5**	**1,025**
Acquisitions through business combinations	-	1	-	-	-	-	**1**
Additions	6	15	2	8	1	-	**32**
Transfer	7	-	-	-	(7)	-	**-**
Disposed with discontinued operation	-	(74)	(7)	(1)	-	-	**(82)**
Disposals	(41)	(81)	(9)	(1)	-	-	**(132)**
Balance at 31 December 2009	**463**	**175**	**144**	**48**	**9**	**5**	**844**
Accumulated depreciation, Mln RUR							
Balance at 1 January 2009	**(408)**	**(189)**	**(60)**	**(19)**	**-**	**-**	**(676)**
Depreciation charge	(22)	(46)	(40)	(2)	-	-	**(110)**
Disposed with discontinued operation	-	71	5	-	-	-	**76**
Disposals	23	77	7	-	-	-	**107**
Balance at 31 December 2009	**(407)**	**(87)**	**(88)**	**(21)**	**-**	**-**	**(603)**
Net book value							
At 1 January 2009	**83**	**125**	**98**	**23**	**15**	**5**	**349**
At 31 December 2009	**56**	**88**	**56**	**27**	**9**	**5**	**241**

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

Cost, Mln USD*	TV equipment	Computer equipment	Office equipment	Other assets	Construction-in-progress	Prepayments	Total
Balance at 1 January 2010	**15**	**6**	**5**	**2**	**-**	**-**	**28**
Additions	-	1	-	-	-	-	**1**
Transfer	(9)	1	2	6	-	-	**-**
Disposals	-	(1)	(1)	-	-	-	**(2)**
Balance at 31 December 2010	**6**	**7**	**6**	**8**	**-**	**-**	**27**
Accumulated depreciation, Mln USD*							
Balance at 1 January 2010	**(13)**	**(3)**	**(3)**	**(1)**	**-**	**-**	**(20)**
Transfer	7	(2)	(1)	(4)	-	-	**-**
Depreciation charge	-	(2)	(1)	(1)	-	-	**(4)**
Disposals	-	1	1	-	-	-	**2**
Balance at 31 December 2010	**(6)**	**(6)**	**(4)**	**(6)**	**-**	**-**	**(22)**
Net book value							
At 1 January 2010	**2**	**3**	**2**	**1**	**-**	**-**	**8**
At 31 December 2010	**-**	**1**	**2**	**2**	**-**	**-**	**5**

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Cost, Mln USD*	TV equipment	Computer equipment	Office equipment	Other assets	Construction-in-progress	Prepayments	Total
Balance at 1 January 2009	**16**	**10**	**5**	**1**	**-**	**-**	**32**
Acquisitions through business combinations	-	-	-	-	-	-	-
Additions	-	-	-	1	-	-	1
Disposed with discontinued operation	-	(2)	-	-	-	-	(2)
Disposals	(1)	(2)	-	-	-	-	(3)
Transfer	-	-	-	-	-	-	-
Balance at 31 December 2009	**15**	**6**	**5**	**2**	**-**	**-**	**28**
Accumulated depreciation, Mln USD*							
Balance at 1 January 2009	**(13)**	**(6)**	**(2)**	**(1)**	**-**	**-**	**(22)**
Depreciation charge	(1)	(2)	(1)	-	-	-	(4)
Disposed with discontinued operation	-	2	-	-	-	-	2
Disposals	1	3	-	-	-	-	4
Balance at 31 December 2009	**(13)**	**(3)**	**(3)**	**(1)**	**-**	**-**	**(20)**
Net book value							
At 1 January 2009	**3**	**4**	**3**	**-**	**-**	**-**	**10**
At 31 December 2009	**2**	**3**	**2**	**1**	**-**	**-**	**8**

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

17 Intangible assets

Mln RUR	**Trade marks**	**Software**	**Web-sites**	**Brands**	**Prepayments**	**Cable network connection**	**Goodwill**	**Customer list**	**Other**	**Total**
Cost										
At 1 January 2010	**482**	**447**	**544**	**515**	**-**	**657**	**1,690**	**198**	**230**	**4,763**
Transfer	6	(67)	(17)	19		56	9	-	(6)	-
Additions	3	54	26	-	-	-	-	-	-	83
Disposals	-	-	-	-	-	-	-	-	-	-
At 31 December 2010	**491**	**434**	**553**	**534**	**-**	**713**	**1,699**	**198**	**224**	**4,846**
Amortization										
At 1 January 2010	**(286)**	**(401)**	**(474)**	**(502)**	**-**	**(104)**	**(1,486)**	**(141)**	**(201)**	**(3,595)**
Transfer	(8)	65	3	-		(58)	-	-	(2)	-
Amortization charge	(34)	(50)	(34)	(3)	-	(45)	-	(11)	(2)	(179)
Disposals	-	-	-	-	-	-	-	-	-	-
At 31 December 2010	**(328)**	**(386)**	**(505)**	**(505)**	**-**	**(207)**	**(1,486)**	**(152)**	**(205)**	**(3,774)**
Net book value										
At 1 January 2010	**196**	**46**	**70**	**13**	**-**	**553**	**204**	**57**	**29**	**1,168**
At 31 December 2010	**163**	**48**	**48**	**29**	**-**	**506**	**213**	**46**	**19**	**1,072**

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

Mln RUR	Trade marks	Software	Web-sites	Brands	Prepayments	Cable network connection	Goodwill	Customer list	Other	Total
Cost										
At 1 January 2009	**480**	**349**	**510**	**525**	**51**	**647**	**1,784**	**197**	**249**	**4,792**
Additions	-	59	34	-	-	-	-	-	1	94
Additions through business combinations	2	-	-	-	-	-	100	7	-	109
Disposals	-	-	-	(10)	-	-	-	-	-	(10)
Disposed through disposals of subsidiaries	-	(2)	-	-	-	-	(194)	(6)	(20)	(222)
Transfers	-	41	-	-	(51)	10	-	-	-	-
At 31 December 2009	**482**	**447**	**544**	**515**	**-**	**657**	**1,690**	**198**	**230**	**4,763**
Amortization										
At 1 January 2009	**(149)**	**(315)**	**(445)**	**(503)**	**-**	**(57)**	**(1,340)**	**(101)**	**(221)**	**(3,131)**
Additions	(31)	(47)	(29)	(2)	-	(47)	-	(16)	(1)	(173)
Additions through business combinations	-	-	-	3	-	-	-	-	-	3
Disposals	-	2	-	-	-	-	193	6	21	222
Disposed through disposals of subsidiaries	(106)	(41)	-	-	-	-	(339)	(30)	-	(516)
At 31 December 2009	**(286)**	**(401)**	**(474)**	**(502)**	**-**	**(104)**	**(1,486)**	**(141)**	**(201)**	**(3,595)**
Net book value										
At 1 January 2009	**331**	**34**	**65**	**22**	**51**	**590**	**444**	**96**	**28**	**1,661**
At 31 December 2009	**196**	**46**	**70**	**13**	**-**	**553**	**204**	**57**	**29**	**1,168**

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

Mln USD*	Trade marks	Software	Web-sites	Brands	Prepayments	Cable network connection	Goodwill	Customer list	Other	Total
Cost										
At 1 January 2010	**16**	**15**	**18**	**17**	**-**	**22**	**55**	**6**	**8**	**157**
Transfer	-	(2)	(1)	1	-	2	-	-	-	-
Additions	-	2	-	-	-	-	-	-	-	2
Disposals	-	-	-	-	-	-	-	-	-	-
At 31 December 2010	**16**	**15**	**17**	**18**	**-**	**24**	**55**	**6**	**8**	**159**
Amortization										
At 1 January 2010	**(9)**	**(13)**	**(16)**	**(16)**	**-**	**(3)**	**(49)**	**(5)**	**(7)**	**(118)**
Transfer	-	2	-	-	-	(2)	-	-	-	-
Amortization charge	(1)	(2)	(1)	-	-	(2)	-	-	-	(6)
Disposals	-	-	-	-	-	-	-	-	-	-
At 31 December 2010	**(10)**	**(13)**	**(17)**	**(16)**	**-**	**(7)**	**(49)**	**(5)**	**(7)**	**(124)**
Net book value										
At 1 January 2010	**7**	**2**	**2**	**1**	**-**	**19**	**6**	**1**	**1**	**39**
At 31 December 2010	**6**	**2**	**-**	**2**	**-**	**17**	**6**	**1**	**1**	**35**

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

Mln USD*	Trade marks	Software	Web-sites	Brands	Prepayments	Cable network connection	Goodwill	Customer list	Other	Total
Cost										
At 1 January 2009	**16**	**11**	**17**	**17**	**2**	**21**	**59**	**6**	**8**	**157**
Additions	-	2	1	-	-	1	-	-	1	5
Additions through business combinations	-	-	-	-	-	-	3	-	-	3
Disposals	-	-	-	-	-	-	-	-	-	-
Disposed through disposals of subsidiaries	-	-	-	-	-	-	(7)	-	(1)	(8)
Transfers	-	2	-	-	(2)	-	-	-	-	-
At 31 December 2009	**16**	**15**	**18**	**17**	**-**	**22**	**55**	**6**	**8**	**157**
Amortization										
At 1 January 2009	**(5)**	**(10)**	**(15)**	**(16)**	**-**	**(2)**	**(44)**	**(3)**	**(7)**	**(102)**
Additions	(1)	(2)	(1)	-	-	(1)	-	(1)	-	(6)
Additions through business combinations	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	6	-	-	6
Disposed through disposals of subsidiaries	(3)	(1)	-	-	-	-	(11)	(1)	-	(16)
Transfers	-	-	-	-	-	-	-	-	-	-
At 31 December 2009	**(9)**	**(13)**	**(16)**	**(16)**	**-**	**(3)**	**(49)**	**(5)**	**(7)**	**(118)**
Net book value										
At 1 January 2009	**11**	**1**	**2**	**1**	**2**	**19**	**15**	**3**	**1**	**55**
At 31 December 2009	**7**	**2**	**2**	**1**	**-**	**19**	**6**	**1**	**1**	**39**

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

(a) Amortization charge

The amortization charge for the year is included in “Cost of sales” and “Administrative expenses”.

(b) Non-cash acquisition of intangible assets

In 2009 the Group acquired license with a carrying value of RUR 55 million/ USD* 2 million from a related party in exchange for advertising services.

(c) Impairment testing and write off

All intangible assets were tested for impairment as at 31 December 2010 within those cash generating units where they belonged and no assets (2009: RUR 39 million/ USD* 1 million) were individually impaired.

(d) Reclassifications of intangible assets between the groups in 2010

The management of the Group decided to change the format of the presentation of intangible assets types included in the consolidated financial statement compared to the year ended 31 December 2009. The reason of this change is to provide the users of the consolidated financial statements with a more detailed understanding of the intangible assets of the Group.

18 Impairment

For the purposes of impairment testing the following cash generating units (“CGUs”) were identified: Consumer internet, Salon, Business internet, Hosting, TRK MKS, Atwood, Limandora, CJSC Yuzhny Region – Telekommunikacii, BidLive and iGlobe.

For the purposes of impairment testing, the goodwill has been allocated to two cash generating units, namely Consumer internet, Hosting. These cash generating units included respective Group entities whose acquisition resulted in recognition of the goodwill. These units represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

For the purpose of impairment testing all other non-financial assets of the Group were allocated to cash generating units set out below. The values assigned to the key assumptions represent management’s assessment of future trends in the business and are based on both external sources and internal sources.

For the purposes of impairment testing the recoverable amount of each business was assumed to be equal to its value in use (discounted cash flow).

(i) Consumer internet business

This cash generating unit comprises consumer internet, which attracts advertising revenue from third parties. Also in 2009 the RBC Money business was included in Consumer Internet business CGU due to its activities being tightly interrelated with the CGU operations.

The following key assumptions were used in determining the recoverable amount of the non-financial assets attributable to the cash generating unit for Consumer Internet projects:

- Cash flows were projected based on actual operating results for 2010 and the five-year business plan for 2011-2015. Net cash flows in the post-forecast period were determined assuming a 3.5% growth per year;
- Annual revenue from internet advertising was projected to increase in the following years by 41% in 2011, by 29% in 2012, by 25% in 2013, by 22% in 2014 and by 20% in 2015;

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- Annual expenses were projected to increase by 12% in 2011 as compared to 2010, and to increase by 10% in 2012, by 10% in 2013, by 10% in 2014 and by 9% in 2015;

A nominal after-tax discount rate of 18% was applied in determining the recoverable amount of the cash-generating unit. The discount rate used was based on an industry average weighted average cost of capital. As a result of the above test the recoverable amount of the cash-generating unit exceeded its carrying amount.

The above estimates are particularly sensitive in the following areas:

- An increase of one percentage point in the discount rate used would result in no impairment.
- A 10% decrease in annual sales would result in no impairment.

For the CGU recoverable amount to be equal to its carrying amount the following changes in the amounts of the values assigned to the key assumptions must take place:

- An increase of discount rate used in Consumer Internet business fair value estimation by 3%; or
- A 30% decrease in annual sales of Consumer Internet business.

(ii) Salon business

This cash generating unit includes subsidiaries of EDI S Press Holding, involved in publishing and distribution of magazines “Idei Vashego Doma”, “Interier-Magazin”, “Salon-Interier” and others, in Russia and Ukraine.

The following key assumptions were used in determining the recoverable amount of the non-financial assets attributable to the cash generating unit:

- Cash flows were projected to be based on actual operating results for 2010 and the five-year business plan for 2011-2015. Net cash flows in the post-forecast period were determined assuming a 3.5% growth per year.
- Annual print advertising sales were projected to change as 3% growth in 2011, 7% growth in 2012 and 8% growth in 2013-2015;
- Annual internet advertising sales were projected to change as 83% growth in 2011, 30% growth in 2012, 15% growth in 2013, 15% growth in 2014 and 2015);
- Annual sales of prints have been projected to grow as 2% in 2011, 10% in 2012, 5% in 2013-2015;
- Annual expenses were projected to grow by 14% in 2011, by 3% in 2012, by 7% in 2013-2015;
- A nominal after-tax discount rate of 16% was applied in determining the recoverable amount of the cash-generating unit. The discount rate used was based on an industry average weighted average cost of capital.

As a result of the above test the recoverable amount of the cash-generating unit exceeded its carrying amount.

The above estimates are particularly sensitive in the following areas:

- An increase of one percentage point in the discount rate used would result in no impairment.
- A 10% decrease in annual sales would result in no impairment.

For the CGU recoverable amount to be equal to its carrying amount the following changes in the amounts of the values assigned to the key assumptions must take place:

- An increase of discount rate by 32%; or

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- A 12% decrease in annual sales.

(iii) Business Internet

This cash generating unit includes subsidiaries involved in business internet activities.

The following key assumptions were used in determining the recoverable amount of the non-financial assets attributable to the cash generating unit:

- Cash flows were projected to be based on actual operating results for 2010 and on the five-year business plan for 2011-2015. Net cash flows in the post-forecast period were determined assuming a 3.5% growth per year.
- Annual internet advertising sales were projected to change as 65% growth in 2011, 42% growth in 2012-2015);
- Annual expenses were projected to increase by 37% in 2011, by 41% in 2012, by 25% in 2013, by 32% in 2014 and by 29% in 2015;
- A nominal after-tax discount rate of 18% was applied in determining the recoverable amount of the cash-generating unit. The discount rate used was based on an industry average weighted average cost of capital.

As a result of the above test the recoverable amount of the cash-generating unit exceeded its carrying amount.

The above estimates are not sensitive in the following areas:

- An increase of one percentage point in the discount rate used would result in no impairment;
- A reduction in the annual sales by 10% would result in no impairment.

For the CGU recoverable amount to be equal to its carrying amount the following changes in the amounts of the values assigned to the key assumptions must take place:

- An increase of discount rate by 11%; or
- A 27% decrease in annual sales.

(iv) Business Print

This cash generating unit includes subsidiaries involved in publication and distribution of the newspaper “RBC daily” and magazine “RBC” in Russia.

The following key assumptions were used in determining the recoverable amount of the non-financial assets attributable to the cash generating unit:

- Cash flows were projected to be based on actual operating results for 2010 and on the five-year business plan for 2011-2015. Net cash flows in the post-forecast period were determined assuming a 3.5% growth per year.
- Annual sales of advertising in prints were projected to change as 26% growth in 2011-2015);
- Annual expenses were projected to increase by 37% in 2011, by 41% in 2012, by 25% in 2013, by 32% in 2014 and by 29% in 2015;
- A nominal after-tax discount rate of 18% was applied in determining the recoverable amount of the cash-generating unit. The discount rate used was based on an industry average weighted average cost of capital.

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

As a result of the above test the recoverable amount of the cash-generating unit exceeded its carrying amount.

The above estimates are not sensitive in the following areas:

- An increase of one percentage point in the discount rate used would result in no impairment;
- A reduction in the annual sales by 10% would result in no impairment.

For the CGU recoverable amount to be equal to its carrying amount the following changes in the amounts of the values assigned to the key assumptions must take place:

- An increase of discount rate by 11%; or
- A 27% decrease in annual sales.

(v) Business TV

This cash generating unit includes subsidiaries involved in operating RBC-TV channel in Russia and abroad.

The following key assumptions were used in determining the recoverable amount of the non-financial assets attributable to the cash generating unit:

- Cash flows were projected to be based on actual operating results for 2010 and on the five-year business plan for 2011-2015. Net cash flows in the post-forecast period were determined assuming a 3.5% growth per year.
- Annual TV advertising sales were projected to change as 35% growth in 2011, 20% growth in 2012, 24% growth in 2013-2015);
- Annual expenses were projected to increase by 37% in 2011, by 41% in 2012, by 25% in 2013, by 32% in 2014 and by 29% in 2015;
- A nominal after-tax discount rate of 18% was applied in determining the recoverable amount of the cash-generating unit. The discount rate used was based on an industry average weighted average cost of capital.

As a result of the above test the recoverable amount of the cash-generating unit exceeded its carrying amount.

The above estimates are not sensitive in the following areas:

- An increase of one percentage point in the discount rate used would result in no impairment;
- A reduction in the annual sales by 10% would result in no impairment.

For the CGU recoverable amount to be equal to its carrying amount the following changes in the amounts of the values assigned to the key assumptions must take place:

- An increase of discount rate by 11%; or
- A 27% decrease in annual sales.

(vi) Hosting business

This cash generating unit includes subsidiaries involved in provision of web hosting services in Russia.

The following key assumptions were used in determining the recoverable amount of the non-financial assets attributable to the cash generating unit:

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- Cash flows were projected to be based on actual operating results for 2010 and on the five-year business plan for 2011-2015. Net cash flows in the post-forecast period were determined assuming a 3.5% growth per year.
- Revenue was projected to grow by 19% in 2011, by 34% in 2012, by 3% in 2013, by 5% in 2014 and by 7% in 2015;
- Annual expenses were projected to increase by 15% in 2011, by 21% in 2012, by 3% in 2013, by 5% in 2014 and by 7% in 2015;
- A nominal after-tax discount rate of 18% was applied in determining the recoverable amount of the cash-generating unit. The discount rate used was based on an industry average weighted average cost of capital.
- As a result of the above test the recoverable amount of the cash-generating unit exceeded its carrying amount.

The above estimates are particularly sensitive in the following areas:

- An increase of one percentage point in the discount rate used would result in no impairment;
- A reduction in the annual sales by 10% would result in no impairment.

For the CGU recoverable amount to be equal to its carrying amount the following changes in the amounts of the values assigned to the key assumptions must take place:

- An increase of discount rate by 79%; or
- A 40% decrease in annual sales.

(vii) TRK MKS

This cash generating unit includes CJSC TRK Molodaya Kultura Sibiri, which provides RBC-TV broadcasting services in the Novosibirsk region.

The following key assumptions were used in determining the recoverable amount of the non-financial assets attributable to the cash generating unit:

- Cash flows were projected to be based on actual operating results for 2010 and on the five-year business plan for 2011-2015. Net cash flows in the post-forecast period were determined assuming a 3.5% growth per year.
- Annual TV advertising sales were projected to change in line with the Russian TV advertising market (27% growth in 2011, no change in 2012-2013, 20% growth in 2014-2015);
- Annual EBITDA was projected to grow 42% in 2011, 11% in 2012, 10% in 2013, 31% in 2014 and 30% in 2015;
- A nominal after-tax discount rate of 15% was applied in determining the recoverable amount of the cash-generating unit. The discount rate used was based on an industry average weighted average cost of capital.

As a result of the above test the recoverable amount of the cash-generating unit exceeded its carrying amount.

The above estimates are not sensitive in the following areas:

- An increase of one percentage point in the discount rate used would result in impairment of million 0.3 RUR;
- A reduction in the annual sales by 10% would result in impairment of RUR 1 million.

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For the CGU recoverable amount to be equal to its carrying amount the following changes in the amounts of the values assigned to the key assumptions must take place:

- An increase of discount rate by 1%; or
- A 7% decrease in annual sales.

(viii) Atwood Lake Ltd

The Group performed an impairment testing of the investment in its associate, Atwood Lake Ltd., at 31 December 2010.

The following key assumptions for impairment testing were used for Atwood operations:

- Cash flows were projected to be based on actual operating results for 2010 and on the five-year business plan for 2011-2015. Net cash flows in the post-forecast period were determined assuming a 3.5% growth per year.
- Annual advertising sale were projected to grow in 2012 by 41%, by 40% in 2013, by 28% in 2014, and to grow by 22% in 2015;
- Annual expenses were projected to increase by 42% in 2012, by 17% in 2013, by 36% in 2014, by 26% in 2015;
- A nominal after-tax discount rate of 18% was applied in determining the recoverable amount of the cash-generating unit. The discount rate used was based on an industry average weighted average cost of capital.

As a result of the above test the recoverable amount of the cash-generating unit exceeded its carrying amount.

The above estimates are not sensitive in the following areas:

- An increase of one percentage point in the discount rate used would result in no impairment;
- A reduction in the annual sales by 10% would result in impairment of RUR 81 million/ USD 3 million.

For the CGU recoverable amount to be equal to its carrying amount the following changes in the amounts of the values assigned to the key assumptions must take place:

- A decrease of discount rate used in Atwood business fair value estimation by 79%; or
- A 2% decrease in annual sales of Atwood business.

(ix) Limandora

The Group performed an impairment testing of the investment in its associate, Limandora Ltd, at 31 December 2010.

The following key assumptions for impairment testing were used:

- Cash flows were projected to be based on actual operating results for 2010 and on the five-year business plan for 2011-2015. Net cash flows in the post-forecast period were determined assuming a 3.5% growth per year.
- Annual advertising sales were projected to grow by 110% in 2011, by 46% in 2012, by 43% in 2013, by 21% in 2014 and by 9% in 2015;
- Annual costs were projected to increase by 41% in 2011, by 6% in 2012, decrease by 2% in 2013, increase by 5% in 2014 and by 4% in 2015;

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

- A nominal after-tax discount rate of 18% was applied in determining the recoverable amount of the cash-generating unit. The discount rate used was based on an industry average weighted average cost of capital.

As a result of the above test the recoverable amount of the cash-generating unit exceeded its carrying amount.

The above estimates are not sensitive in the following areas:

- An increase of one percentage point in the discount rate used would result in no impairment;
- A reduction in the annual sales by 10% would result in no impairment.

For the CGU recoverable amount to be equal to its carrying amount the following changes in the amounts of the values assigned to the key assumptions must take place:

- An increase of discount rate by 25%; or
- A 39% decrease in annual sales.

(x) CJSC Yuzhny Region – Telekommunikacii

The Group performed an impairment testing of the investment in its associate, CJSC Yuzhny Region-Telekommunikacii, at 31 December 2010.

The following key assumptions for impairment testing were used:

- Cash flows were projected to be based on actual operating results for 2010 and on the five-year business plan for 2011-2015. Net cash flows in the post-forecast period were determined assuming a 3.5% growth per year.
- Annual TV advertising revenue were projected to change as 65% growth in 2011, 26% growth in 2012, 23% growth in 2013, 21% growth in 2014 and 19% in 2015;
- The ratio of annual EBITDA to revenue was projected to be 17% in 2011-2012, 18% in 2013, 19% in 2014 and 20% in 2015;
- A nominal after-tax discount rate of 15% was applied in determining the recoverable amount of the cash-generating unit. The discount rate used was based on an industry average weighted average cost of capital.

As a result of the above test the recoverable amount of the cash-generating unit exceeded its carrying amount.

The above estimates are not sensitive in the following areas:

- An increase of one percentage point in the discount rate used would result in no impairment;
- A reduction in the annual sales by 10% would result in no impairment.

For the CGU recoverable amount to be equal to its carrying amount the following changes in the amounts of the values assigned to the key assumptions must take place:

- An increase of discount rate by 3%; or
- A 24% decrease in annual sales.

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

(xi) BidLive

The Group performed an impairment testing of the investment in its joint venture, BidLive, at 31 December 2010.

The following key assumptions for impairment testing were used:

- Cash flows were projected to be based on actual operating results for 2010 and on the five-year business plan for 2011-2015. Net cash flows in the post-forecast period were determined assuming a 3.5% growth per year.
- Annual revenue was projected to grow tremendously in 2011-2012 as connected to rapidly growing business and to proceed with growth of 12% in 2013, 7% in 2014 and 5% in 2015;
- Annual costs were projected to grow tremendously in 2011-2012 as connected to rapidly growing business and to proceed with growth of 10% in 2013, 4% in 2014 and 2% in 2015;
- A nominal after-tax discount rate of 18% was applied in determining the recoverable amount of the cash-generating unit. The discount rate used was based on an industry average weighted average cost of capital.

As a result of the above test the recoverable amount of the cash-generating unit exceeded its carrying amount.

The above estimates are not sensitive in the following areas:

- An increase of one percentage point in the discount rate used would result in no impairment;
- A reduction in the annual sales by 10% would result in no impairment.

For the CGU recoverable amount to be equal to its carrying amount the following changes in the amounts of the values assigned to the key assumptions must take place:

- An increase of discount rate by 28%.

(xii) iGlobe

The Group performed an impairment testing of the investment in its associate, iGlobe, at 31 December 2010.

The following key assumptions for impairment testing were used:

- Cash flows were projected to be based on actual operating results for 2010 and on the five-year business plan for 2011-2015. Net cash flows in the post-forecast period were determined assuming a 3.5% growth per year.
- Annual revenue was projected to grow tremendously in 2011-2012 as connected to rapidly growing business and to proceed with its growth as 152% in 2013, 148% in 2014 and 59% in 2015;
- Annual cost was projected to grow tremendously in 2011-2012 as connected to rapidly growing business and to proceed with its growth as 132% in 2013, 138% in 2014 and 57% in 2015;
- A nominal after-tax discount rate of 18% was applied in determining the recoverable amount of the cash-generating unit. The discount rate used was based on an industry average weighted average cost of capital.

As a result of the above test the recoverable amount of the cash-generating unit exceeded its carrying amount.

The above estimates are not sensitive in the following areas:

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

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- A reduction in the annual sales by 10% would result in no impairment.

For the CGU recoverable amount to be equal to its carrying amount the following changes in the amounts of the values assigned to the key assumptions must take place:

- An increase of discount rate by 65%; or
- A 45% decrease in annual sales.

There was no recognized impairment loss by the Group in 2010. The recognized impairment loss as at 31 December 2009 is summarized in tables below:

	Impairment loss allocation as at 31 December 2009, Mln RUR			
Cash generating unit	**Goodwill**	**Intangible assets**	**Investments**	**Total**
Consumer Internet business	109	-	-	109
Salon business	-	138	-	138
Hosting business	230	-	-	230
Atwood Lake Ltd.	-	-	728	728
Individually impaired intangible assets	-	39	-	39
	339	**177**	**728**	**1,244**

	Impairment loss allocation as at 31 December 2009, Mln USD*			
Cash generating unit	**Goodwill**	**Intangible assets**	**Investments**	**Total**
Consumer Internet business	4	-	-	4
Salon business	-	5	-	5
Hosting business	8	-	-	8
Atwood Lake Ltd.	-	-	24	24
Individually impaired intangible assets	-	1	-	1
	12	**6**	**24**	**42**

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

19 Investments in associates and joint ventures

As at 31 December 2010 the Group had the following investments in the associates and joint ventures:

	Carrying value at 31 December 2009 Mln RUR	Acquisition 2010 Mln RUR	Recognized income/(loss) Mln RUR	Carrying value at 31 December 2010 Mln RUR
Atwood Lake Ltd.	75	-	38	113
Limandora Ltd.	29	-	(2)	27
CJSC Yuzhny Region-Telecommunikacii	25	-	2	27
IGlobe	-	76	-	76
BidLive	-	60	-	60
	129	**136**	**38**	**303**

	Carrying value at 31 December 2009 Mln USD*	Acquisition 2010 Mln USD*	Recognized income/(loss) Mln USD*	Carrying value at 31 December 2010 Mln USD*
Atwood Lake Ltd.	3	-	2	5
Limandora Ltd.	-	-	-	-
CJSC Yuzhny Region-Telecommunikacii	1	-	-	1
IGlobe	-	2	-	2
BidLive	-	2	-	2
	4	**4**	**2**	**10**

As at 31 December 2009 the Group had the following investments in the associates and joint ventures:

	Carrying value before impairment loss Mln RUR	Recognized income/(loss) Mln RUR	Impairment loss Mln RUR	Carrying value at 31 December 2009 Mln RUR
Atwood Lake Ltd.	809	(6)	(728)	75
Limandora Ltd.	48	(19)	-	29
CJSC Yuzhny Region-Telecommunikacii	27	(2)	-	25
	884	**(27)**	**(728)**	**129**

	Carrying value before impairment loss Mln USD*	Recognized income/(loss) Mln USD*	Impairment loss Mln USD*	Carrying value at 31 December 2009 Mln USD*
Atwood Lake Ltd.	27	-	(24)	3
Limandora Ltd.	1	(1)	-	-
CJSC Yuzhny Region-Telecommunikacii	1	-	-	1
	29	**(1)**	**(24)**	**4**

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

The following is summarized financial information, in aggregate, in respect of the associates and joint ventures:

	31 December 2010 Mln RUR	31 December 2009 Mln RUR	31 December 2010 Mln USD*	31 December 2009 Mln USD*
Total assets	700	551	23	18
Total liabilities	(285)	(276)	(9)	(9)
Revenue	404	192	13	6
Profit/(loss) for the year	91	(50)	3	(2)

(a) Atwood Lake Ltd

In 2010 the Group recognized profit of RUR 38 million/ USD* 2 million (2009: loss of RUR 6 million) from investments in Atwood Lake Ltd.

In 2008 the Group acquired 40% of the shares in Atwood Lake Ltd. Atwood Lake Ltd owns brand and software for internet resource 4shared.com.

The impairment of the investment in Atwood Lake Ltd. of RUR 728 million/USD* 24 million was recognized at 31 December 2009.

(b) Limandora Ltd

In 2010 the Group got loss of RUR 2 million/ USD* 0.07 million (2009: loss of RUR 19 million/ USD* 1 million) from investments in Limandora Ltd.

In 2008 the Group acquired 51% of the shares in Limandora Ltd. According to the investment agreement, the Group and the second owner have equal voting rights in the annual general meeting of shareholders so the Group does not have control over Limandora Ltd. but has significant influence.. Therefore, the investment in Limandora Ltd. is accounted by equity method.

Limandora Ltd. owns internet resource - a new consumer web-site for children.

(c) CJSC Yuzhny Region – Telekommunikacii

In 2010 the Group recognized profit of RUR 2 million/ USD* 0.05 million (2009: loss of RUR 2 million) from investments in CJSC Yuzhny Region – Telekommunikacii.

The Group acquired 50% of CJSC Yuzhny Region – Telekommunikacii in 2007.

(d) Braddy S.A.

In 2010 the Group launched acquisition of 25% Braddy S.A. for RUR 76 million/USD* 2 million.

In 2010 the Group paid for shares RUR 1 million in cash and RUR 48 million rendered advertising services. In the I quarter 2011 the Group additionally rendered advertising services in amount RUR 27 million.

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

In 2010 the Group recognized zero profit from investments in Braddy S.A. because its annual result was immaterial.

Braddy S.A. owns internet resource iglobe.ru - a web-site for travellers who booked tickets and hotels on-line.

(e) LLC BidLive Russia

In 2010 the Group launched acquisition of 45% LLC BidLive Russia for RUR 60 million/USD* 2 million.

In 2010 the Group recognized zero profit from investments in LLC BidLive Russia because its annual result was immaterial.

LLC BidLive Russia owns internet resource intermediate to sale the property

20 Other investments

	31 December 2010 Mln RUR	31 December 2009 Mln RUR	31 December 2010 Mln USD*	31 December 2009 Mln USD*
Non-current				
Loans granted to employees	4	6	-	-
Loans granted to third parties	-	5	-	-
Loans granted to related parties	-	1	-	-
Other investments	4	1	-	-
	8	**13**	**-**	**-**
Current				
Investments designated at fair value through profit and loss	10	10	1	1
Promissory notes held to maturity	9	8	-	-
Other investments	8	2	-	-
Loans granted to third parties	5	-	-	-
Loans granted to related parties	-	2	-	-
	32	**22**	**1**	**1**

21 Other non-current assets

Other assets represent contracts for the acquisition of property in the amount of RUR 127 million/ USD 4 million (2009: RUR 104 million/USD 3 million) for the construction of apartments in residential buildings in Moscow and Moscow region and are stated at cost less accumulated impairment if any. These assets were obtained as payment for the rendered advertising services and will be sold by the Group.

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22 Deferred tax assets and liabilities

(a) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net		Movement
Mln RUR	**31 December 2010**	**31 December 2009**	**31 December 2010**	**31 December 2009**	**31 December 2010**	**31 December 2009**	**2 010**
Property, plant and equipment	6	13	(11)	(22)	(5)	(9)	4
Intangible assets	7	24	(124)	(144)	(117)	(120)	3
Investments	44	1	(28)	-	16	1	15
Inventory	22	12	-	(3)	22	9	13
Trade and other receivables	78	40	(4)	(3)	74	37	37
Prepaid expenses	18	6	(7)	(3)	11	3	8
Loans and Borrowings	-	-	(7)	-	(7)	-	(7)
Trade and other payables	8	6	(31)	(5)	(23)	1	(24)
Tax loss carry forwards	218	275	(1)	-	217	275	(58)
Tax assets/(liabilities)	**401**	**377**	**(213)**	**(180)**	**188**	**197**	**(9)**

	Assets		Liabilities		Net		Movement
Mln USD*	**31 December 2010**	**31 December 2009**	**31 December 2010**	**31 December 2009**	**31 December 2010**	**31 December 2009**	**2 010**
Property, plant and equipment	-	-	-	(1)	-	(1)	1
Intangible assets	-	1	(4)	(5)	(4)	(4)	-
Investments	1	-	(1)	-	-	-	-
Inventory	1	-	-	-	1	-	1
Trade and other receivables	3	1	-	-	3	1	2
Prepaid expenses	1	-	-	-	1	-	1
Loans and Borrowings	-	-	-	-	-	-	-
Trade and other payables	-	-	(1)	-	(1)	-	(1)
Tax loss carry forwards	7	9	-	-	7	9	(2)
Tax assets/(liabilities)	**13**	**11**	**(6)**	**(6)**	**7**	**5**	**2**

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

Unrecognized deferred tax assets

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

	31 December 2010 Mln RUR	31 December 2009 Mln RUR	31 December 2010 Mln USD*	31 December 2009 Mln USD*
Trade and other receivables	91	215	3	7
Derivative financial liability	(1,083)	-	(36)	-
Tax loss carry-forwards	3,465	3,325	114	109

The deferred tax assets from the tax losses in amount of RUR 3,465 million/ USD* 114 million have not been recognized as they relate to tax losses carried forward of the entities which are expected to be disposed of in 2011. It is not probable that future taxable profit will be available against which benefit from such assets can be utilized and that the temporary difference will reverse in the foreseeable future.

A deferred tax assets for temporary difference of RUR 1,083 million / USD* 36 million relating to derivative financial liability has not been recognized due to it is not probable that derivatives would be exercised and PV of RBC shares for the year 2015 and 2018 is difficult for estimation.

2009: deferred tax asset from the tax losses in amount of RUR 3,325 million/ USD* 109 million relating to investments in subsidiaries has not been recognized as the Group is able to control the timing of reversal of the difference, and reversal is not expected in the foreseeable future.

(b) Movement in temporary differences during the year

Mln RUR	**31 December 2009**	**Recognized in income in 2010**	**31 December 2010**
Property, plant and equipment	(9)	4	(5)
Intangible assets	(120)	3	(117)
Investments	1	15	16
Inventory	9	13	22
Trade and other receivables	37	37	74
Prepaid expenses	3	8	11
Loans and Borrowings	-	(7)	(7)
Trade and other payables	1	(24)	(23)
Tax loss carry forwards	275	(58)	217
	197	**(9)**	**188**

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

Mln USD*	31 December 2009	Recognized in income in 2010	31 December 2010
Property, plant and equipment	(1)	1	-
Intangible assets	(4)	-	(4)
Investments	-	-	-
Inventory	-	1	1
Trade and other receivables	1	2	3
Prepaid expenses	-	1	1
Loans and Borrowings	-	-	-
Trade and other payables	-	(1)	(1)
Tax loss carry forwards	9	(2)	7
	5	**2**	**7**

23 Inventories

	31 December 2010 Mln RUR	31 December 2009 Mln RUR	31 December 2010 Mln USD*	31 December 2009 Mln USD*
Finished goods	2	5	-	-
Raw materials and consumables	12	17	1	1
Goods for resale	7	4	-	-
Work in progress	3	3	-	-
	24	**29**	**1**	**1**
Write-off of inventories during the year	74	30	2	1

24 Trade and other receivables

	31 December 2010 Mln RUR	31 December 2009 Mln RUR	31 December 2010 Mln USD*	31 December 2009 Mln USD*
Trade accounts receivable	881	919	29	30
VAT receivable	50	55	2	2
Other receivables	51	114	2	4
Other prepayments	85	38	3	1
Deferred expenses	13	21	-	1
	1,080	**1 147**	**36**	**38**
Allowance for doubtful receivables	(261)	(399)	(9)	(13)
Total accounts receivable	**819**	**748**	**27**	**25**

Allowance for doubtful receivables includes RUR 231 million/USD* 8 million (2009: RUR 390 million / USD* 13 million) of allowance for doubtful trade accounts receivable.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 31.

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

25 Cash and cash equivalents

	31 December 2010 Mln RUR	31 December 2009 Mln RUR	31 December 2010 Mln USD*	31 December 2009 Mln USD*
Bank balances and petty cash	306	242	10	8
Bank deposits	868	1	29	-
Total cash and cash equivalents	**1,174**	**243**	**39**	**8**

As at 31 December 2010 the Group had USD-denominated term deposit in Hellenic Bank in amount of RUR 1 million / USD* 0.04 million and RUR-denominated term deposit in the bank "International finance club" in amount of RUR 865 million / USD* 28 million, which has a maturity date 20 January 2011 and consists of two parts: RUR 365 million / USD* 12 million nominal interest rate 7.25% and RUR 500 million / USD* 16 million nominal interest rate 8.25%.

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

26 Equity

(a) Share capital and share premium

Number of shares unless otherwise stated	Ordinary shares 2010	Ordinary shares 2009
Authorized shares	140,000,000	140,000,000
Par value	RUR 0.001	RUR 0.001
On issue at beginning of year	140,000,000	140,000,000
Issued for cash	-	-
On issue at end of year, fully paid	140,000,000	140,000,000

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

(b) Treasury shares

At the reporting date the Group held 3,789,573 (2009: 3,943,435) of its own shares.

(c) Dividends

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of accumulated retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles. As at 31 December 2010, the Company had cumulative retained loss and, therefore, no dividends could be distributed.

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(d) ADR

RBC Informational Systems established a Level-1 ADR program for its common stock on 24 March 2005 through Bank of New York. One ADR represents four ordinary shares. As of 31 December 2010 2,931.644 (2009: 2,934.776) of the shares were reserved for ADR in depositary by Bank of New York.

27 Loss per share

The calculation of basic loss per share as at 31 December 2010 was based on the loss for the year and the weighted average number of ordinary shares outstanding during the year of 136,352 thousand (2009: 134,973 thousand), calculated as follows:

In thousands of shares	**2010**	**2009**
Issued shares at 1 January	140,000	140,000
Own shares held at 1 January	(3,943)	(4,944)
Effect of shares issued in April	(170)	-
Effect of shares issued in September	(104)	-
Effect of shares acquired in November	569	-
Effect of shares issued in December	-	(83)
Weighted average number of shares for the period ended 31 December	**136,352**	**134,973**

In thousands of shares	**2010**	**2009**
Weighted average number of shares	136,352	134,973
Weighted average number of shares at 31 December	136,352	134,973

There were no potentially dilutive ordinary shares at 31 December 2010 and 2009.

	2010 **Mln RUR**	**2009** **Mln RUR**
Loss for the period	(1,804)	(1,919)
Weighted average number of shares at 31 December	136,352	134,973
Basic loss per share, RUR	(13)	(14)
Diluted loss per share, RUR	(13)	(14)

	2010 **Mln USD***	**2009** **Mln USD***
Loss for the period	(60)	(63)
Weighted average number of shares at 31 December	136,352	134,973
Basic loss per share, USD	-	-
Diluted loss per share, USD	-	-

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

28 Loans and borrowings

As at 31 December 2009 the Group was in default of its loans and borrowings. As at 31 December 2010 the Group's management reached the agreements with all of the creditors and the outstanding debt was exchanged into RUR 6,337 million / USD* 208 million of the loan participation notes, RUR 191 million / USD* 6 million of the bonds and RUR 1,083 million / USD* 36 million of the derivative financial liabilities. As a result of the debt restructuring, the Group recognized a loss in the amount of RUR 659 million / USD* 22 million and fines and penalties on overdue debts in the amount of RUR 405 million / USD* 13 million (Note 14).

As at 31 December 2010 and 31 December 2009 the loans and borrowings of the Group were as follows:

	31 December 2010 Mln RUR	31 December 2009 Mln RUR	31 December 2010 Mln USD*	31 December 2009 Mln USD*
Non-current liabilities				
Loan participation notes	6,337	-	208	-
Unsecured bond issues	191	-	6	-
	6,528	**-**	**214**	**-**
Current liabilities				
Unsecured bond issues	113	3,281	4	108
Credit linked notes at 9.5%	-	1,470	-	48
Credit linked notes at 11.25%	-	1,154	-	38
Unsecured bank loans	-	156	-	5
Other loans	13	5	-	-
	126	**6,066**	**4**	**199**

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

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				Carrying amount			
	Currency	**Nominal Interest rate**	**Year of maturity**	**At 31 December 2010 Mln RUR**	**At 31 December 2009 Mln RUR**	**At 31 December 2010 Mln USD***	**At 31 December 2009 Mln USD***
Non-current liabilities							
Loans							
Loans at 7%	USD	7%	2015	3,956	-	130	-
Loans at 6%	USD	6%	2018	2,381	-	78	-
Unsecured bond issues							
Bonds (issue B-1)	RUR	7%	2015	117	-	4	-
Bonds (issue B-4)	RUR	6%	2018	74	-	2	-
Current liabilities							
Unsecured bond issues							
Bonds (issue BO-4)	RUR	12%	2009	53	1,617	2	53
Bonds (issue BO-5)	RUR	11%.	2009	60	1,664	2	55
Credit linked notes							
Loans at 9.5%	USD	10%	2009	-	1,470	-	48
Loans at 11.25%	USD	11%	2009	-	1,154	-	38
Unsecured bank loans							
Bank loan	USD	5%+LIBOR	2009	-	156	-	5
Other loans	RUR			13	5	-	-

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Derivative financial liabilities

As part of the debt restructuring process the Group agreed to grant to its creditors the options vesting in 2015 and in 2018. As at 31 December 2010 21,099,564 options vesting in 2015 and 18,464,487 options vesting in 2018 were granted to the creditors. The Group is obliged to pay to creditors the difference between average price of a share of OJSC RBC for the last 120 days preceding the execution date and the fixed price of 1.96 USD. The fair value of the options at 31 December 2010 amounted to RUR 1,083 million / USD* 36 million. The fair value of the options was determined by an independent appraiser Renaissance Capital, using the Black-Scholes valuation model.

29 Provisions

As at 31 December 2010 the following provisions were made:

	31 December 2010 Mln RUR	31 December 2009 Mln RUR	31 December 2010 Mln USD*	31 December 2009 Mln USD*
Income tax	41	39	1	1
Unused vacation provision	22	14	1	1
VAT	13	13	1	1
Late-payment interests and penalties related to VAT	11	10	-	-
Legal case provision	2	2	-	-
	89	**78**	**3**	**3**

30 Trade and other payables

	31 December 2010 Mln RUR	31 December 2009 Mln RUR	31 December 2010 Mln USD*	31 December 2009 Mln USD*
Trade accounts payables	396	456	13	15
Other payables and accrued expenses	228	1,445	7	47
Advances received	335	222	11	7
Other taxes payable	148	80	5	3
Deferred income	-	4	-	-
	1,107	**2,207**	**36**	**72**

As at 31 December 2009 a provision was made in the amount of RUR 1,267 million / USD*41 million for liabilities to OJSC Alfa-Bank and classified in the statement of financial position as other payables. As at 31 December 2010 the provision was settled through its exchanging for the loan participation notes and the derivative financial instruments (Note 28).

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

31 Financial risk management

(a) Overview

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

- credit risk
- liquidity risk
- market risk.

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

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 are 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, and arises principally from the Group's receivables from customers.

(i) 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' managements. 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. 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.

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(ii) ***Investments***

The Group does not actively invest in securities.

(iii) ***Guarantees***

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

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:

	Carrying amount		Carrying amount	
	31 December 2010 Mln RUR	31 December 2009 Mln RUR	31 December 2010 Mln USD*	31 December 2009 Mln USD*
Current financial assets				
Financial assets as fair value through profit and loss	10	10	-	-
Held-to-maturity investments	9	-	-	-
Loans granted	-	-	-	-
Trade receivables	650	529	21	17
Cash and cash equivalents	1,174	243	39	8
Non-current financial assets				
Loans granted	9	13	-	1
Total financial assets	**1,852**	**795**	**60**	**26**

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

	Carrying amount		Carrying amount	
	31 December 2010 Mln RUR	31 December 2009 Mln RUR	31 December 2010 Mln USD*	31 December 2009 Mln USD*
Russia	600	452	20	15
Europe	42	66	1	2
Other	8	11	-	-
	650	**529**	**21**	**17**

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Impairment losses

The ageing of trade receivables at the reporting date was:

	Gross 31 December 2010 Mln RUR	Impairment 31 December 2010 Mln RUR	Gross 31 December 2009 Mln RUR	Impairment 31 December 2009 Mln RUR
Not past due	453	(1)	347	(10)
Past due 1-180	139	(17)	165	(59)
Past due 181-365	71	(25)	106	(75)
More than 1 year	218	(188)	301	(246)
	881	**(231)**	**919**	**(390)**

	Gross 31 December 2010 Mln USD*	Impairment 31 December 2010 Mln USD*	Gross 31 December 2009 Mln USD*	Impairment 31 December 2009 Mln USD*
Not past due	15	-	11	-
Past due 1-180	5	(1)	5	(2)
Past due 181-365	2	(1)	4	(2)
More than 1 year	7	(6)	10	(9)
	29	**(8)**	**30**	**(13)**

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

	31 December 2010 Mln RUR	31 December 2009 Mln RUR	31 December 2010 Mln USD*	31 December 2009 Mln USD*
Balance at 1 January	(390)	(571)	(13)	(19)
Allowance for impairment loss utilized	159	231	5	8
Impairment loss recognized	-	(50)	-	(2)
Balance at 31 December	**(231)**	**(390)**	**(8)**	**(13)**

The allowance in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. As at 31 December 2009 the Group had substantial borrowings payable within twelve months as (Note 28); additionally, the Group was in breach of covenants or had defaulted in making loan repayments to all of its loan creditors.

For the long-term perspective the Group analyzes five-year forecasts covering financial, operating and investing activities.

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

2010	**Average Interest rate**									
Mln RUR	**Contractual**	**Effective**	**0-6 mths**	**6-12 mths**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**Over 5 yrs**	**Total**
Payables	-	-	(772)	-	-	-	-	-	-	(772)
Loans and borrowings	9-13%	9-13%	(126)	-	-	-	-	(4,073)	(2,455)	(6,654)
Total non-derivative financial liabilities			**(898)**	**-**	**-**	**-**	**-**	**(4,073)**	**(2,455)**	**(7,426)**

2010	**Average Interest rate**									
Mln USD*	**Contractual**	**Effective**	**0-6 mths**	**6-12 mths**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**Over 5 yrs**	**Total**
Payables	-	-	(25)	-	-	-	-	-	-	(25)
Loans and borrowings	9-13%	9-13%	(4)	-	-	-	-	(134)	(80)	(218)
Total non-derivative financial liabilities			**(29)**	**-**	**-**	**-**	**-**	**(134)**	**(80)**	**(243)**

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2009 **Mln RUR**	**Average Interest rate** **Contractual**	**Effective**	**0-6 mths**	**6-12 mths**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**Over 5 yrs**	**Total**
Payables	-	-	(1,981)	-	-	-	-	-	-	(1,981)
Loans and borrowings	9-13%	9-13%	(6,066)	-	-	-	-	-	-	(6,066)
Total non-derivative financial liabilities			**(8,047)**	**-**	**-**	**-**	**-**	**-**	**-**	**(8,047)**

2009 **Mln USD***	**Average Interest rate** **Contractual**	**Effective**	**0-6 mths**	**6-12 mths**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**Over 5 yrs**	**Total**
Payables	-	-	(65)	-	-	-	-	-	-	(65)
Loans and borrowings	9-13%	9-13%	(199)	-	-	-	-	-	-	(199)
Total non-derivative financial liabilities			**(264)**	**-**	**-**	**-**	**-**	**-**	**-**	**(264)**

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(d) Market risk

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

(i) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Russian Rouble (RUR).

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily USD and RUR. 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 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:

Mln RUR	USD-denominated 2010	EUR-denominated 2010
Financial assets		
Trade and other receivables	41	23
Cash and cash equivalents	17	24
Total financial assets	**58**	**47**
Financial liabilities		
Trade and other payables	(164)	(7)
Loans and borrowings	(6,337)	-
Total financial liabilities	**(6,501)**	**(7)**
	(6,443)	**40**

Mln USD*	USD-denominated 2010	EUR-denominated 2010
Financial assets		
Trade and other receivables	1	1
Cash and cash equivalents	1	1
Total financial assets	**2**	**2**
Financial liabilities		
Trade and other payables	(5)	-
Loans and borrowings	(208)	-
Total financial liabilities	**(213)**	**-**
	(211)	**2**

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Mln RUR	USD-denominated 2009	EUR-denominated 2009
Financial assets		
Trade and other receivables	97	50
Cash and cash equivalents	26	13
Total financial assets	**123**	**63**
Financial liabilities		
Trade and other payables	(50)	(8)
Loans and borrowings	(2,780)	-
Total financial liabilities	**(2,830)**	**(8)**
	(2,707)	**55**

Mln USD*	USD-denominated 2009	EUR-denominated 2009
Financial assets		
Trade and other receivables	3	2
Cash and cash equivalents	1	-
Total financial assets	4	2
Financial liabilities		
Trade and other payables	(2)	-
Loans and borrowings	(92)	-
Total financial liabilities	**(94)**	**-**
	(90)	**2**

The following significant exchange rates applied during the year:

Mln RUR	Average rate		Reporting date spot rate	
	2010	**2009**	**2010**	**2009**
USD	30.3765	31.7214	30.4769	30.2442

(ii) Interest rate risk

Generally, the Group adopts a policy of fixed rates borrowings. The Group had a loan of RUR 156 million/ USD* 5 million with a floating interest rate of LIBOR+5%, which constituted 3% of the total outstanding loans and borrowings of the Group as at 31 December 2009.

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

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whether it believes that a fixed or variable rate would be more favorable to the Group over the expected period until maturity.

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

	Carrying amount 2010 Mln RUR	Carrying amount 2009 Mln RUR	Carrying amount 2010 Mln USD*	Carrying amount 2009 Mln USD*
Fixed rate instruments				
Financial liabilities	(6,654)	(5,910)	(218)	(194)
	(6,654)	**(5,910)**	**(218)**	**(194)**
Variable rate instruments				
Financial liabilities	-	(156)	-	(5)
	-	**(156)**	**-**	**(5)**

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(e) Sensitivity analysis

2010 Mln RUR	Carrying amount	Interest rate risk sensitivity + 200 basis points Profit/(loss)	Interest rate risk sensitivity - 200 basis points Profit/(loss)	Currency risk sensitivity +10% Profit/(loss)	Currency risk sensitivity -10% Profit/(loss)	Other price risk sensitivity +10% Profit/(loss)	Other price risk sensitivity -10% Profit/(loss)
Current financial assets							
Investments held for trading	10	-	-	-	-	1	(1)
Trade and other receivables	819	-	-	6	(6)	-	-
Cash and cash equivalents	1,174	-	-	4	(4)	-	-
Impact on financial assets before tax		-	-	10	(10)	1	(1)
Income tax (20%)				(2)	2	-	-
Impact on financial assets after tax		-	-	8	(8)	1	(1)
Current financial liabilities							
Payables	772	-	-	17	(17)	-	-
Loans and borrowings	126	3	(3)	1	(1)	-	-
Impact on financial liabilities before tax		3	(3)	18	(18)	-	-
Income tax (20%)		(1)	1	(4)	4	-	-
Impact on financial liabilities after tax		2	(2)	14	(14)	-	-
Total increase/ (decrease)		2	(2)	23	(23)	1	(1)

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2010 **Mln USD***	**Carrying amount**	**Interest rate risk sensitivity** + 200 basis points **Profit/(loss)**	 - 200 basis points **Profit/(loss)**	**Currency risk sensitivity** +10% **Profit/(loss)**	 -10% **Profit/(loss)**	**Other price risk sensitivity** +10% **Profit/(loss)**	 -10% **Profit/(loss)**
Current financial assets							
Investments held for trading	-	-	-	-	-	-	-
Trade and other receivables	27	-	-	-	-	-	-
Cash and cash equivalents	39	-	-	-	-	-	-
Impact on financial assets before tax		-	-	-	-	-	-
Income tax (20%)		-	-	-	-	-	-
Impact on financial assets after tax		-	-	-	-	-	-
Current financial liabilities							
Payables	25	-	-	1	(1)	-	-
Loans and borrowings	4	-	-	-	-	-	-
Impact on financial liabilities before tax		-	-	1	(1)	-	-
Income tax (20%)		-	-	-	-	-	-
Impact on financial liabilities after tax		-	-	-	-	-	-
Total increase/ (decrease)		-	-	1	(1)	-	-

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(f) Fair values

Management believes that the fair value of the Group's financial assets and liabilities as at 31 December 2010 and 31 December 2009 approximated their carrying amounts. The methods used to determine fair values are disclosed in Note 4.

(g) Capital management

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

	2010 Mln RUR	2009 Mln RUR	2010 Mln USD*	2009 Mln USD*
Loss after tax	**(1,804)**	**(1,919)**	**(60)**	**(63)**
Ordinary shareholders funds	**(5,062)**	**(5,462)**	**(166)**	**(179)**
Share capital	-	-	-	-
Share premium	8,995	6,644	295	218
Treasury shares	(631)	(774)	(21)	(25)
Foreign currency translation reserves	(9)	(1)	-	-
Available-for-sale investments revaluation reserve	-	-	-	-
Accumulated losses	(13,417)	(11,331)	(440)	(372)
ROE	**N/A**	**N/A**	**N/A**	**N/A**

The financial crisis of 2008 had significant impact on the 2010 and 2009 results. ROE calculation is not applicable due to negative amounts in numerator and denominator.

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32 Commitments

(a) Capital commitments

In July 2009 the Group committed to acquire the remaining 26% non-controlling interest in LLC “RBC Money” for RUR 15 million/ USD* 0.5 million, subject to the condition of finalization of restructuring process. At the date of approval of these consolidated financial statements, the Group is in process of acquiring the 26% interest. Management expects to complete the acquisition at the second half of 2011.

(b) Operating leases

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

	2010 Mln RUR	2009 Mln RUR	2010 Mln USD*	2009 Mln USD*
Less than one year	99	80	3	3
Between one and five years	189	120	6	4
More than five years	348	364	11	12
	636	**564**	**20**	**19**

During the current year RUR 266 million / USD* 9 million (2009: RUR 241 million / USD* 8 million) were recognized in profit or loss in respect of operating leases.

33 Contingencies

(a) Insurance

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

(b) Litigation

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

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(c) Taxation contingencies

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

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

Management has not provided any amounts in these consolidated financial statements, except for the provisions in Note 29.

34 Related party disclosures

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 related parties.

(a) Control relationships

The Group has a controlling relationship with all its subsidiaries.The list of the significant subsidiaries is presented in Note 35.

(b) Transactions with key management personnel and close family members

Compensation to key management personnel

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

Total key management compensation represented by short-term employee benefits and included in administrative expenses in the consolidated statement of comprehensive income was RUR 97 million/ USD* 3 million) and RUR 129 million/ USD* 4 million the years ended 31 December 2010 and 2009, respectively.

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(c) Transactions with the associates and joint ventures

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

Mln RUR	Outstanding balance 31 December 2010	Transaction value 2010	Outstanding balance 31 December 2009	Transaction value 2009
Loans received	-	-	-	(2)
Other services received	-		-	(34)
Advertising services provided	-	5	(3)	59
Other services provided	(1)	23	-	1
Share of profit of associates and joint ventures (net of income tax)	-	-	-	(691)

Mln USD*	Outstanding balance 31 December 2010	Transaction value 2010	Outstanding balance 31 December 2009	Transaction value 2009
Loans received	-	-	-	-
Other services received	-	-	-	(1)
Advertising services provided	-	-	-	2
Other services provided	-	1	-	-
Share of profit of associates and joint ventures (net of income tax)	-	-	-	(25)

(d) Transactions with other related parties

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

Mln RUR	Outstanding balance 31 December 2010	Transaction value 2010	Outstanding balance 31 December 2009	Transaction value 2009
Other services received	-	(86)	(1)	(27)
Loans received	(2)	-		-
Advertising services provided	-	136	1	115
Cash in bank and on-hand	-	102		-
Loans issued	4	-	2	5
Other expenses	-	-		-
Other services provided	-	1	3	14
Bank deposits	865	102		-
Other expenses	-	-	(1)	(10)

Mln USD*	Outstanding balance	Transaction value	Outstanding balance	Transaction value

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

	31 December 2010	2010	31 December 2009	2009
Other services received	-	(3)	-	(1)
Loans received		-	-	-
Advertising services provided	-	4	-	4
Cash in bank and on-hand	-	3	-	-
Loans issued	-	-	-	-
Other expenses	-	-	-	-
Other services provided		-	-	-
Bank deposits	28	3	-	-
Other expenses	-	-	-	-

35 Significant subsidiaries

	Country of incorporation	Ownership/voting 31 December 2010	31 December 2009
RBC Media, LLC	Russia	100%	100%
RBC Money, LLC	Russia	74%	74%
RBC TV, CJSC	Russia	100%	100%
RBC Reklama, LLC	Russia	100%	100%
RBC Holding, CJSC	Russia	100%	100%
Amida, CJSC	Russia	100%	100%
RosBusinessConsulting, CJSC	Russia	100%	100%
RBC Investments Cyprus Ltd.	Cyprus	100%	100%
Mohiville Corporation	Netherland Antilles	100%	100%
AD Net Ltd.	Cyprus	100%	100%
Ad Line, LLC	Russia	100%	100%
Loveplanet, LLC	Russia	75%	75%
EDI S Press Holding Ltd.	Cyprus	80%	80%
MassMediaGroup Ltd.	Ukraine	100%	100%
Global Media Solutions	Russia	100%	100%
RBC-TV Novosibirsk, CJSC	Russia	100%	100%
IPK Media Production, LLC	Russia	100%	100%
SMTP Press, LLC	Russia	100%	100%
BusinessPress, LLC	Russia	100%	100%
Eidos Marketing	British Virgin Islands	80%	80%
ID Salon Press, CJSC	Russia	80%	80%
Konkord, LLC	Russia	100%	100%
CentroHost, CJSC	Russia	100%	100%
Garant-Park-Telecom, LLC	Russia	86%	86%
Hosting-Centr, LLC	Russia	100%	100%
MediaMir, LLC	Russia	100%	100%
Valento Commerce	British Virgin Islands	100%	100%

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36 EBITDA

The Board of Directors monitors the performance of the Group by EBITDA, which is determined as result from operating activities adjusted to exclude depreciation and amortization expenses and impairment losses. For 2009, results from operating activities of the Group for the purposes of EBITDA calculation exclude the results of operating activities of discontinued operations in the amount of RUR 17 million / USD* 0.6 million and the loss on disposal of discontinued operations in the amount RUR 17 million / USD* 0.6 million.

	2010	**2009**	**2010**	**2009**
	Mln RUR	**Mln RUR**	**Mln USD***	**Mln USD***
Results from operating activities	(205)	(969)	(7)	(32)
Adjustments for:				
Amortization	180	173	6	6
Depreciation	110	110	4	4
Impairment of intangible and other assets	-	516	-	17
EBITDA	**85**	**(170)**	**3**	**(5)**

37 Events subsequent to the reporting date

(a) Renaming of the Company, exchange of shares, delisting

In February 2011 the Company was renamed from OJSC “RBC-TV Moscow” to OJSC “RBC”. In January 2011 exchange of shares of the OJSC RBC Information Systems to the shares of the Company has started. At the date of approval of these consolidated financial statements, 90% of the shares of the OJSC RBC Information Systems were exchanged. In June 2011 the OJSC RBC Informational Systems shares were delisted from Moscow Stock Exchange but the exchange of remaining part will continue in the second half of 2011.

(b) Acquisition of RU-CENTER

In March 2011 the Group announced a plan on acquisition of JSC “RSIC” (RU-CENTER), the domain name registrar and hosting provider. RU-CENTER will become part of consumer internet segment. Acquisition of RU-CENTER is expected to take place in the second half of 2011. Structure of the deal has not been finalized yet.

(c) Option program for management

In April 2011 the Group approved a share option program for the selected key management personnel of the Group. The terms of the program have not yet been sufficiently defined. The process is expected to be finalized in the second half 2011.

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