OJSC Dixy Group

Unaudited interim condensed consolidated financial statements

For the six months ended 30 June 2012

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Contents

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Report on review of interim condensed consolidated financial statements

To the Board of Directors of OJSC Dixy Group

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of OJSC Dixy Group and its subsidiaries (the "Group") as at 30 June 2012, which comprise the interim consolidated statement of financial position as at 30 June 2012 and the related interim consolidated statements of comprehensive income, cash flows and changes in equity for the six month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

Ernst & Young LLC

14 September 2012

OJSC Dixy Group

Interim consolidated statement of financial position at 30 June 2012

(in thousands of Russian roubles, unless otherwise indicated)

	Note	30 June 2012 (unaudited)	31 December 2011 (audited)
Assets			
Non-current assets			
Property, plant and equipment	6	25,925,045	24,529,085
Capital advances		3,673,230	2,224,283
Goodwill		17,665,526	17,665,526
Other intangible assets		2,868,966	3,078,570
Initial lease costs		124,197	85,105
Loans		126,887	123
Deferred tax asset		515,341	539,592
		50,899,192	**48,122,284**
Current assets			
Inventories	7	6,814,766	7,855,779
Trade and other receivables		2,794,898	2,641,382
Taxes recoverable and prepayments		2,199,385	1,863,335
Income tax prepayments		155,531	173,194
Loans		2,827	129,072
Initial lease costs		36,857	31,994
Cash and cash equivalents	8	1,738,814	2,383,651
		13,743,078	**15,078,407**
Assets classified as held for sale	6	172,376	–
		13,915,454	**15,078,407**
Total assets		**64,814,646**	**63,200,691**
Equity and liabilities			
Equity attributable to equity holders of the Parent			
Share capital	9	1,248	1,248
Additional paid-in capital		20,437,555	20,437,555
Treasury shares		(554)	(554)
Retained earnings		3,477,520	2,976,625
		23,915,769	**23,414,874**
Non-controlling interest		513	286
Total equity		**23,916,282**	**23,415,160**
Non-current liabilities			
Borrowings	10	19,295,040	9,809,737
Finance leases		69,739	87,270
Unfavourable operating lease commitments		143,031	168,584
Deferred tax liability		1,163,852	1,238,788
		20,671,662	**11,304,379**
Current liabilities			
Trade and other payables		14,072,637	15,893,465
Borrowings	10	4,538,264	11,258,982
Finance leases		77,822	145,191
Advances from customers		128,776	145,964
Tax liability, other than income tax		1,167,163	701,607
Income taxes payable		163,104	245,635
Unfavourable operating lease commitments		60,582	71,954
Provisions for liabilities and charges	12	18,354	18,354
		20,226,702	**28,481,152**
		40,898,364	**39,785,531**
Total equity and liabilities		**64,814,646**	**63,200,691**

Signed and authorized for release by the General Director and the Head of IFRS Reporting of OJSC Dixy Group on 14 September 2012

Fedor Rybasov,
General Director

Irina Kobyakina,
Head of IFRS Reporting

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

Interim consolidated statement of comprehensive income

For the six months ended 30 June 2012

(in thousands of Russian roubles, unless otherwise indicated)

	Note	For the six months ended 30 June 2012	For the six months ended 30 June 2011 restated (Note 2.2)
		(unaudited)	(unaudited)
Revenue		70,835,127	39,168,557
Cost of sales		(50,948,548)	(29,223,911)
Gross profit		**19,886,579**	**9,944,646**
Selling, general and administrative expenses		(17,644,510)	(8,534,333)
Operating profit		**2,242,069**	**1,410,313**
Finance income		8,900	23,185
Finance costs		(1,088,703)	(461,919)
Foreign exchange gain/(loss), net		18,727	(10,145)
Profit before income tax		**1,180,993**	**961,434**
Income tax expense	11	(679,871)	(411,700)
Profit for the period		**501,122**	**549,734**
Total comprehensive income for the period		**501,122**	**549,734**
Attributable to:			
Equity holders of the Parent		500,895	549,734
Equity holders of the non-controlling interest		227	–
Profit per ordinary share attributable to the equity holders of the parent, basic and diluted (in Russian roubles per share)		**4.02**	**6.16**

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

Interim consolidated statement of cash flows

For the six months ended 30 June 2012

(in thousands of Russian roubles, unless otherwise indicated)

	Note	For the six months ended 30 June 2012	For the six months ended 30 June 2011 restated (Note 2.2)
		(unaudited)	(unaudited)
Cash flows from operating activities:			
Profit before income tax		1,180,993	961,434
Adjustments for:			
Depreciation of property, plant and equipment	6	1,662,075	909,416
Amortisation of intangible assets		282,458	53,618
Amortisation of initial lease costs		16,137	31,471
Amortisation of unfavourable lease commitments		(36,916)	(3,730)
Gains less losses on disposals of property, plant and equipment and intangible assets		68,769	16,471
Provision for impairment of property, plant, equipment and assets under construction	6	45,265	113,662
(Decrease)/increase in provision for impairment of taxes recoverable and prepayments		(40,349)	2,849
(Decrease)/increase in provision for impairment of trade and other receivables		(46,700)	21,119
Reversal of write-down of inventory to net realizable value		(12,611)	(421)
Finance costs		1,088,703	461,919
Finance income		(8,900)	(23,185)
Unrealised foreign exchange (gains)/losses on borrowings		(18,727)	10,145
Operating cash flows before working capital changes		**4,180,197**	**2,554,768**
Increase in trade and other receivables		(94,057)	(35,676)
Decrease/(increase) in inventories		1,053,625	(45,327)
Increase in taxes recoverable and prepayments		(516,727)	(146,841)
Decrease in trade and other payables		(1,820,828)	(203,567)
Increase in tax liability, other than income tax		465,556	54,217
(Decrease)/increase in advances from customers		(17,191)	29,500
Cash generated from operations		**3,250,575**	**2,207,074**
Income tax paid		(795,424)	(415,085)
Interest paid		(1,115,916)	(484,129)
Net cash from operating activities		**1,339,235**	**1,307,860**
Cash flows from investing activities:			
Acquisition of subsidiaries, net of cash acquired		–	(12,411,963)
Purchase of property, plant and equipment		(4,610,209)	(2,078,609)
Proceeds from sale of property, plant and equipment		172,951	67,731
Initial lease costs paid		(60,101)	(3,799)
Loans repaid		3,067	547,984
Disbursement of loans		–	(529,800)
Interest received		7,935	13,066
Purchases of intangible assets		(101,760)	(16,926)
Net cash used in investing activities		**(4,588,117)**	**(14,412,316)**

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

Interim consolidated statement of cash flows (continued)

		For the six months ended 30 June	
		2012	2011 restated (Note 2.2)
	Note	(unaudited)	
Cash flows from financing activities:			
Proceeds from loans and borrowings		15,613,244	6,448,788
Repayment of loans and borrowings		(12,927,644)	(2,633)
Repayment of bonds		–	(2,852,822)
Buy-out of shares		–	(411,010)
Proceeds from sales of treasury shares		–	1,220,973
Contribution from shareholders		–	392,258
Proceeds from new issuance of shares		–	8,734,892
Finance lease payments		(81,555)	(104,769)
Net cash from financing activities		**2,604,045**	**13,425,677**
Net (decrease)/increase in cash and cash equivalents		**(644,837)**	**321,221**
Cash and cash equivalents at the beginning of the period	8	**2,383,651**	**1,596,680**
Cash and cash equivalents at the end of the period	8	**1,738,814**	**1,917,901**

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

OJSC Dixy Group

Interim consolidated statement of changes in equity

For the six months ended 30 June 2012

(in thousands of Russian roubles, unless otherwise indicated)

		Attributable to equity holders of the Parent						
	Note	**Share capital**	**Additional paid-in capital**	**Treasury shares**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
At 1 January 2011 (audited)		**860**	**4,828,806**	**(717,401)**	**1,916,147**	**6,028,412**	**–**	**6,028,412**
Total comprehensive income for the period					549,734	549,734		**549,734**
Issue of shares		388	15,123,929	–	–	15,124,317	–	**15,124,317**
Contribution from shareholders		–	392,258	–	–	392,258	–	**392,258**
Buy-out of shares		–		(411,010)	–	(411,010)	–	**(411,010)**
Sale of treasury shares		–	92,562	1,128,411	–	1,220,973	–	**1,220,973**
At 30 June 2011 restated (Note 2.2) (unaudited)		**1,248**	**20,437,555**	–	**2,465,881**	**22,904,684**	**–**	**22,904,684**
At 1 January 2012 (audited)		**1,248**	**20,437,555**	**(554)**	**2,976,625**	**23,414,874**	**286**	**23,415,160**
Total comprehensive income for the period		–	–	–	500,895	500,895	227	**501,122**
At 30 June 2012 (unaudited)		**1,248**	**20,437,555**	**(554)**	**3,477,520**	**23,915,769**	**513**	**23,916,282**

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

1. Corporate information

CJSC "Company Uniland Holding" (the "Company") was incorporated in January 2003 in Moscow, Russian Federation, for the purpose of consolidation and reorganization of entities under common control. In March 2007 the Company was reorganized into an Open Joint Stock Company and renamed to "Dixy Group".

Since 24 May 2007 shares of OJSC Dixy Group are listed on the Russian Stock Exchange.

As at 30 June 2012 and 31 December 2011 the OJSC Dixy Group and its subsidiaries ("the Group") were controlled by Dixy Holding Limited (Cyprus), which as at 30 June 2012 owned 54.42% (31 December 2011: 54.42 %) in OJSC Dixy Group.

As of 30 June 2012 and 31 December 2011 Dixy Holding Limited (Cyprus) was 100% owned by Dixy Retail Limited (BVI), which is in its turn 100% owned by Closed Joint Stock Company "Trade Company Megapolis". CJSC "Trade Company Megapolis" is a part of the Mercury Group. Mercury Group is ultimately controlled by Mr. Igor Kesaev.

These interim condensed consolidated financial statements of the Company were signed and authorized for release by the General Director and the Head of IFRS Reporting of OJSC Dixy Group on 14 September 2012.

2.1 Basis of preparation and accounting policies

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2012 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2011.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2011, except for the adoption of new Standards and Interpretation listed below:

2.1 Basis of preparation and accounting policies (continued)

Significant accounting policies (continued)

Adoption of new Standards and Interpretation

- IAS 12 *Deferred Tax: Recovery of Underlying Assets* (Ammendment)

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment is effective for annual periods beginning on or after 1 January 2012. The adoption of this interpretation has no effect on the financial statements of the Group.

- IFRS 7 *Financial Instruments: Disclosures* – Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

- IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (Amendment)

When an entity's date of transition to IFRS is on or after the functional currency normalization date the entity may elect to measure all assets and liabilities held before the functional currency normalization date, at fair value on the date of transition to IFRS. This fair value may be used as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. However, this exemption may only be applied to assets and liabilities that were subject to severe hyperinflation. Effective implementation date is for annual periods beginning on or after 1 July 2011. The adoption of this interpretation has no effect on the financial statements of the Group.

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

2.2 Restatement of comparative information for six months ended 30 June 2011

On 15 June 2011 the Group acquired 100% equity interest in OJSC GK Victoria, a holding company that operates the neighbourhood store, supermarket and cash&carry formats. The Group completed purchase price allocation only in December 2011 and for the purpose of these interim condensed consolidated financial statements restated comparative financial information for the six months ended 30 June 2011. As a result of this restatement depreciation of property plant and equipment increased by 1,933, amortisation of intangible assets decreased by 10,465, amortisation of unfavourable lease commitments decreased by 922, gains less losses on disposals of property, plant and equipment and intangible assets increased by 18,590 and income tax expense decreased by 1,797.

3. Seasonality of operation

Due to the seasonal nature of the Group's operations, higher revenues in all operating segments (Note 4) are usually expected in the second half of the year. Higher sales during the fourth quarter are mainly attributable to the increase in customer demand for food and beverages during the peak holiday season (Christmas and New Year eve period).

4. Segment information

For management purposes, the Group is organised into business units based on format of its stores and has seven reportable operating segments as follows:

- Kvartal – Kaliningrad – representing retail sales through a chain of neighbourhood stores in Kaliningrad and Kaliningrad region;
- Victoria – Kaliningrad – representing retail sales through a chain of compact hypermarkets in Kaliningrad and Kaliningrad region;
- Victoria – Moscow – representing retail sales through a chain of compact hypermarkets in Moscow;
- Dixy – Moscow – representing retail sales through a chain of neighbourhood stores, which are present in Central Region (comprising Moscow and Moscow region, Yaroslavl region, Ryazan region, Tula and Kaluga);
- Dixy – St.Petersburg – a chain of neighbourhood stores, which are present in North-West Region (comprising Saint-Petersburg and neighbouring towns);
- Dixy – Chelyabinsk – representing retail sales through a chain of neighbourhood stores, which are present in Chelyabinsk Region;
- Megamart – representing retail sales through chains of compact hypermarkets and economy supermarkets (Minimart), which are present in Ural Region;

Starting 2011 the number of the Group's segments increased by Kvartal – Kaliningrad, Victoria – Kaliningrad and Victoria-Moscow as a result of acquisition of OJSC GK Victoria in June 2011. Neighbourhood stores located in Moscow and St. Petersburg acquired through acquisition of OJSC GK Victoria were included in Dixy – Moscow and Dixy – St. Petersburg reporting segments. Comparative information for the six months ended 30 June 2011 was restated in order to reflect completion of purchase price allocation related to the above acquisition (refer to Note 2.2)

No operating segments have been aggregated to form the above reportable operating segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. The Group corporate expenses are managed on a group basis and are not allocated to operating segments.

Corporate expenses include payroll of head office employees, amortisation and depreciation of corporate assets and other expenses related to general management of the Group. Corporate non-current assets include trademarks, software and other non-current assets used for general management of the Group.

Transfer prices between segments are set on an arm's length basis in a manner similar to transactions with third parties. During the six months ended 30 June 2011 and 30 June 2012 there were no material transfers between reportable operating segments.

4. Segment information (continued).

Segment information for the main reportable business segments of the Group for the six months ended 30 June 2012 and 30 June 2011 is set out below:

	Dixy - Moscow	Dixy - St.Petersburg	Dixy - Chelyabinsk	Megamart	Victoria-Kaliningrad	Victoria - Moscow	Kvartal - Kaliningrad	Adjustments	Group
Six months ended 30 June 2012 (unaudited)									
Total segment revenue	38,177,755	13,089,112	2,136,182	6,602,589	3,636,823	4,930,321	2,262,345	–	**70,835,127**
Profit before taxation	798,943	647,562	251,802	714,957	619,389	307,835	126,637	(2,286,132) (A)	**1,180,993**
Depreciation and amortisation	994,654	326,575	48,834	100,629	70,113	206,873	41,626	155,229 (B)	**1,944,533**
Other non-cash expenses:									
Amortisation of Initial Lease costs and unfavourable lease rights	(4,253)	(1,337)	280	1,725	(5,963)	(7,397)	(3,834)	–	**(20,779)**
Provision for impairment of non-current assets	35,245	10,020	–	–	–	–	–	–	**45,265**

(A) Segment profit before taxation does not include corporate expenses of 1,225,056, finance costs of 1,088,703, finance income of 8,900 and net foreign exchange gain of 18,727.

(B) Segment depreciation and amortisation do not include depreciation and amortisation of corporate assets.

	Dixy - Moscow	Dixy - St.Petersburg	Dixy - Chelyabinsk	Megamart	Victoria-Kaliningrad	Victoria - Moscow	Kvartal - Kaliningrad	Adjustments	Group
Six months ended 30 June 2011restated (Note 2.2) (unaudited)									
Total segment revenue	21,637,009	10,096,395	1,625,394	5,041,057	277,511	321,263	169,928	–	**39,168,557**
Profit before taxation	872,106	522,681	123,322	480,375	35,292	47,581	12,649	(1,132,572) (A)	**961,434**
Depreciation and amortisation	620,641	197,503	28,708	81,714	6,094	11,591	3,683	13,100 (B)	**963,034**
Other non-cash expenses:									
Amortisation of Initial Lease costs and unfavourable lease rights	23,338	4,340	282	–	–	–	(219)	–	**27,741**
Provision for impairment of non-current assets	–	113,662	–	–	–	–	–	–	**113,662**

(A) Segment profit before taxation does not include corporate expenses of 683,693, finance expense of 461,919 finance income of 23,185 and net foreign exchange loss of 10,145.

(B) Segment depreciation and amortisation do not include depreciation and amortisation of OJSC GK Victoria.

5. Balances and transactions with related parties

Transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. The management considers that the Group has appropriate procedures in place to identify, account and properly disclose transactions with related parties.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions for the six-month period ended 30 June 2012 and 30 June 2011 or had significant balances outstanding at 30 June 2012 and 31 December 2011 are detailed below:

	30 June 2012 (unaudited)	**31 December 2011 (audited)**
Gross amount of trade receivables (entities under common control)	8,814	5,807
Gross amount of prepayments (entities under common control)	4,313	4,313
Gross amount of other receivables (entities under common control)	4,672	4,628
Gross amount of loans (entities under common control) – current	527	120,835
Gross amount of loans (entities under common control) – non-current	126,887	–
Trade and other payables (entities under common control)	256,872	228,245

The income and expense items with related parties for the six months ended 30 June 2012 and 30 June 2011 were as follows:

	Six months ended 30 June 2012 (unaudited)	**Six months ended 30 June 2011 (unaudited)**
Interest income (entities under common control)	3,956	9,604
Purchase of goods (entities under common control)	1,093,980	648,007
Sale of treasury shares (entities under common control)	–	785,458

Loans issued to parties under common control

As at 30 June 2012 and 2011 the Group had several loans issued to parties under common control of the Group's ultimate shareholder. These loans are payable on demand and are mainly denominated in US dollar. The interest rate on these loans is 11.5% (2011: 11.5%). These loans are not secured.

Purchase of goods

During the six months ended 30 June 2012 and 30 June 2011 the Group purchased goods for resale in the normal course of business in the amount of 1,093,980 and 648,007, respectively, from entities under control of its controlling shareholder CJSC "Trade Company Megapolis". The Group's controlling shareholder operates in the wholesale business specializing in distribution of tobacco goods.

Compensation to key management personnel

During the six months ended 30 June 2012 compensation paid to six (during the six months ended 30 June 2011: six) directors for their services in full or part time executive management positions is made up of a contractual salary and a performance bonus depending on operating results, all of which represent short-term employee benefits as defined in IAS 19, *Employee Benefits*. Total compensation to key management personnel included in selling, general and administrative expenses in the interim consolidated statement of comprehensive income for the six months ended 30 June 2012 and 2011 amounted to 168,637 and 101,325, respectively.

6. Property, plant and equipment

As at 30 June 2012 property, plant and equipment and related accumulated depreciation consisted of the following:

	Land	Buildings	Renovation of stores	Equipment	Assets under construction and uninstalled equipment	Total
Cost						
At 31 December 2011 (audited)	**679,338**	**16,154,038**	**4,284,750**	**9,511,054**	**573,022**	**31,202,202**
Additions	–	–	–	–	3,488,488	**3,488,488**
Transfers	15,056	341,563	874,857	2,109,527	(3,341,003)	–
Reclassification to assets classified as held for sale	(28,393)	(192,494)	–	(17,968)	–	**(238,855)**
Disposals	–	(4,600)	(101,375)	(284,594)	(47,045)	**(437,614)**
At 30 June 2012 (unaudited)	**666,001**	**16,298,507**	**5,058,232**	**11,318,019**	**673,462**	**34,014,221**
Accumulated depreciation At 31 December 2011 (audited)	–	**1,382,987**	**1,527,874**	**3,762,256**	–	**6,673,117**
Depreciation charge	–	266,958	408,342	986,775	–	**1,662,075**
Provision for impairment of property, plant and equipment	–	45,265	–	–	–	**45,265**
Reclassification to assets classified as held for sale	–	(61,109)	–	(5,370)	–	**(66,479)**
Disposals	–	(6,094)	(24,912)	(193,796)	–	**(224,802)**
At 30 June 2012 (unaudited)	–	**1,628,007**	**1,911,304**	**4,549,865**	–	**8,089,176**
Net book value						
At 31 December 2011 (audited)	**679,338**	**14,771,051**	**2,756,876**	**5,748,798**	**573,022**	**24,529,085**
At 30 June 2012 (unaudited)	**666,001**	**14,670,500**	**3,146,928**	**6,768,154**	**673,462**	**25,925,045**

During the six months ended 30 June 2012 the Group reclassified to assets held for sale two buildings including related land and equipment in total amount of 172,376, which the Group decided to sell and started active search for a buyer. As a result of this decision the Group recognized impairment in the amount of 45,265 based on estimated selling price less cost to sell.

7. Inventories

	30 June 2012 (unaudited)	31 December 2011 (audited)
Goods for resale (net of write-down to net realizable value of 178,831 (31 December 2011: 191,442)	6,752,969	7,788,078
Raw materials and operating supplies	61,797	67,701
	6,814,766	**7,855,779**

Inventory write-down due to shrinkages identified during the physical inventory counting during the six months ended 30 June 2012 and 2011 comprised 1,208,637 and 804,033, respectively. No inventory was pledged as at 30 June 2012 and 31 December 2011.

8. Cash and cash equivalents

	30 June 2012 (unaudited)	31 December 2011 (audited)
Cash on hand – Russian roubles	299,830	338,181
Russian rouble denominated bank balances due on demand	513,888	549,591
US$ denominated bank balances due on demand	16,934	1,166
Cash in transit – Russian roubles	908,162	1,494,713
	1,738,814	**2,383,651**

9. Share capital and equity

Issued and additional paid-in capital

As at 30 June 2012 the Group had 124,750,000 (31 December 2011: 124,750,000) authorized ordinary shares of which 1,500 (31 December 2011: 1,500) ordinary shares were held as treasury stock. All ordinary shares are fully paid. Ordinary shares have par value of 0.01 Russian rouble per share. The shares rank equally. Each share carries one vote.

Dividends paid and proposed

No dividends were paid during the six months ended 30 June 2012 and 2011. No dividends were declared or paid subsequent to 30 June 2012 up to the date of authorization of these interim condensed consolidated financial statements for issue.

10. Loans and borrowings

Terms and conditions in respect of borrowings are detailed below:

			Interest rate		Collateral			
Source of financing	**Maturity date**	**Currency**	**30 June 2012 (unaudited)**	**31 December 2011 (audited)**	**30 June 2012 (unaudited)**	**31 December 2011 (audited)**	**30 June 2012 (unaudited)**	**31 December 2011 (audited)**
Syndicated borrowing facility	2017	RR	MOSPRIME+ 4.5%	–	–		11,595,558	–
Syndicated borrowing facility	2014	RR	MOSPRIME+ 4%	MOSPRIME+ 4%	–	–	6,086,103	6,071,729
Revolving credit lines	2013-2014	RR	6.95-10.3%	6.95-9.65%	–	–	5,716,096	4,932,342
Bank overdrafts	2012	RR	6.6-9.0%	6.6-9.0%	–	–	435,135	299,585
Bridge loan for acquisition of subsidiary	2012	RR	MOSPRIME+ 1.75%	MOSPRIME+ 1.75%	–	–	–	4,490,559
Bank loans acquired through acquisition of subsidiary	2013	RR	–	MOSPRIME +3.7-4.5%	–	Buildings for 1,941,557	–	4,064,022
Short term bank loan	2012	RR	–	10.10%	–	–	–	1,209,962
Other	2012	RR	–	–	–	–	412	520
							23,833,304	**21,068,719**

The Group does not apply hedge accounting and has not entered into any hedging arrangements in respect of its interest rate exposures.

In accordance with terms and conditions of certain borrowing agreements the Group has to maintain certain ratios – maximum level of Total Financial Debt / EBITDA, minimum level of EBITDA / Interest expense, minimum level of Net worth. As of 30 June 2012 and 2011 the Group was in compliance with externally imposed capital requirements.

11. Income taxes

Income tax expense comprises the following:

	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 restated (Note 2.2) (unaudited)
Current income tax charge	730,556	489,726
Deferred income tax credit charge	(50,685)	(78,026)
Income tax expense	**679,871**	**411,700**

12. Contingencies, commitments and operating risks

Operating environment of the Group

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. In 2012 the Russian Government continued to take measures to support the economy in order to overcome the consequences of the global financial crisis. Despite some indications of recovery there continues to be uncertainty regarding further economic growth, access to capital and cost of capital, which could negatively affect the Group's future financial position, results of operations and business prospects. While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

Tax legislation

The Group's main subsidiaries, from which the Group's income is derived, operates in Russia. Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group's subsidiary may be challenged by the relevant regional and federal authorities.

Because of the uncertainties associated with the Russian tax and legal systems, the ultimate amount of taxes, penalties and interest assessed, if any, may be in excess of the amount expensed to date and accrued as of 30 June 2012 and 31 December 2011. It is not practical to determine the amount of unasserted claims that may manifest, if any, or the likelihood of any unfavourable outcome. Should the Russian tax authorities decide to issue a claim and prove successful in the court, they would be entitled to recover the amount claimed, together with fines amounting to 20% of such amount and interest at the rate of 1/300 of the Central Bank of the Russian Federation rate for each day of delay for late payment of such amount. Fiscal periods remain open to review by the authorities in respect of taxes for the three calendar years preceeding the year of review. Under certain circumstances reviews may cover longer periods.

12. Contingencies, commitments and operating risks (continued)

Tax legislation (continued)

As at 31 December 2011 provision for income tax liabilities and provision for taxes other than income comprised 83,122 and 18,354, respectively.

During the six months ended 30 June 2012 and 2011 the Group did not accrue or release any additional tax provisions for unsustainable tax positions related to income tax liabilities and taxes other than income tax.

Management believes that these provisions will be sufficient to cover any additional tax payments it may need to make in the future. The balances at 30 June 2012 are expected to be either utilized or released within three years.

Although historically there have been no significant liabilities arising from tax assessments, the potential for assessments over amounts provided or accrued remains. Management estimates that the order of magnitude as at 30 June 2012 of potential liabilities that have not been provided for because management believes they are less than probable amounts to 1,123,895 (31 December 2011: 591,805).

Litigation

During the six months ended 30 June 2012 the Group was involved in litigation with tax authorities in respect of tax claims arisen as a result of tax audits. The Group believes that the risk that they would not be able to defend their position in court is possible and the amount of related tax risks not recognised in these consolidated statements amounted to 17,322 as at 30 June 2012 (31 December 2011: 22,613).

13. Events after the reporting date

There were no significant events after the reporting date.