O'Key Group S.A.

Condensed Consolidated Interim Financial Statements
for the six months ended 30 June 2012

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To the Shareholders of
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Report of the Réviseur d'Entreprises agree on the review of condensed consolidated interim financial information

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of O'Key Group S.A. ("the Company") as at 30 June 2012, the condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the 6 month period then ended, and notes to the condensed consolidated interim financial statements ("the condensed consolidated interim financial statements"). Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as adopted, for Luxembourg, by the Institut des Réviseurs d'Entreprises. 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 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 June 2012 are not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union.

Luxembourg, 23 August 2012

KPMG Audit S.à r.l.
Cabinet de révision agréé

Thierry Ravasio

ENT.001

'000 RUB	Note	30 June 2012	31 December 2011
ASSETS			
Non-current assets			
Investment property	13	580 812	573 000
Property, plant and equipment	11	21 497 112	20 435 107
Construction in progress	11	3 554 562	3 136 848
Intangible assets	12	458 644	518 099
Deferred tax assets	15	296 112	356 034
Other non-current assets	14	6 241 450	5 530 502
Total non-current assets		**32 628 692**	**30 549 590**
Current assets			
Inventories	16	6 658 397	7 917 657
Trade and other receivables	17	1 827 675	1 924 108
Prepayments for current assets		741 290	398 595
Cash and cash equivalents		1 560 588	2 941 947
Total current assets		**10 787 950**	**13 182 307**
Total assets		**43 416 642**	**43 731 897**

The condensed consolidated interim statement of financial position is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 10 to 31.

'000 RUB	Note	30 June 2012	31 December 2011
EQUITY AND LIABILITIES			
Equity	18	**14 880 891**	**14 303 743**
Non-current liabilities			
Loans and borrowings	20	4 914 616	6 768 282
Deferred tax liabilities	15	493 927	470 839
Other non-current liabilities		1 162 973	1 137 192
Total non-current liabilities		**6 571 516**	**8 376 313**
Current liabilities			
Loans and borrowings	20	9 104 375	5 302 948
Trade and other payables	21	12 747 945	15 337 559
Current income tax payable		111 915	411 334
Total current liabilities		**21 964 235**	**21 051 841**
Total liabilities		**28 535 751**	**29 428 154**
Total equity and liabilities		**43 416 642**	**43 731 897**

The condensed consolidated interim statement of financial position is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 10 to 31.

For the six months ended 30 June '000 RUB	Note	2012	2011 Restated*
Revenue	6	**54 121 609**	**42 797 643**
Cost of goods sold		(41 946 202)	(33 713 467)
Gross profit		**12 175 407**	**9 084 176**
General, selling and administrative expenses	7	(9 515 849)	(7 171 501)
Other operating income and expenses	8	62 641	3 555
Operating profit		**2 722 199**	**1 916 230**
Finance income		8 598	22 334
Finance costs		(502 762)	(365 302)
Foreign exchange gains		20 327	106 133
Profit before income tax		**2 248 362**	**1 679 395**
Income tax expense	10	(778 559)	(598 307)
Profit for the period		**1 469 803**	**1 081 088**
Other comprehensive income			
Foreign currency translation differences for foreign operations		(32 819)	28 804
Change in fair value of hedges and reclassification from hedging reserve		(32 903)	(89 519)
Income tax on other comprehensive income	10	6 581	17 904
Other comprehensive income for the period, net of income tax		**(59 141)**	**(42 811)**
Total comprehensive income for the period		**1 410 662**	**1 038 277**
Earnings per share			
Basic and diluted earnings per share (RUB) - restated	19	**5.5**	**4.0**

*-See note 3

The condensed consolidated interim statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 10 to 31.

'000 RUB	Note	Share capital	Legal reserve	Additional paid-in capital	Hedging reserve	Retained earnings	Revaluation reserve	Translation reserve	Total equity
Balance at 1 January 2011, as previously reported		**119 440**	**111**	**8 903 606**	**7 485**	**(168 606)**	**3 362 660**	**256 755**	**12 481 451**
Impact of change in accounting policy	3	-	-	-	-	**2 615 401**	**(3 362 660)**	-	**(747 259)**
Balance at 1 January 2011 (restated)		**119 440**	**111**	**8 903 606**	**7 485**	**2 446 795**	-	**256 755**	**11 734 192**
Total comprehensive income for the period									
Profit for the period (restated)	3	-	-	-	-	1 081 088	-	-	**1 081 088**
Other comprehensive income									
Foreign currency translation differences		-	-	-	-	-	-	28 804	**28 804**
Change in fair value of hedges and reclassification from hedging reserve		-	-	-	(89 519)	-	-	-	**(89 519)**
Income tax on other comprehensive income	10	-	-	-	17 904	-	-	-	**17 904**
Total other comprehensive income		-	-	-	**(71 615)**	-	-	**28 804**	**(42 811)**
Total comprehensive income for the period (restated)		-	-	-	**(71 615)**	**1 081 088**	-	**28 804**	**1 038 277**
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Increase of legal reserve		-	10 486	-	-	(10 486)	-	-	-
Total contributions by and distributions to owners		-	**10 486**	-	-	**(10 486)**	-	-	-
Balance at 30 June 2011 (restated)		**119 440**	**10 597**	**8 903 606**	**(64 130)**	**3 517 397**	-	**285 559**	**12 772 469**

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 10 to 31.

'000 RUB	Note	Share capital	Legal reserve	Additional paid-in capital	Hedging reserve	Retained earnings	Translation reserve	Total equity
Balance at 1 January 2012		**119 440**	**10 597**	**8 903 606**	**168 622**	**4 903 359**	**198 119**	**14 303 743**
Total comprehensive income for the period								
Profit for the period		-	-	-	-	1 469 803	-	**1 469 803**
Other comprehensive income								
Foreign currency translation differences		-	-	-	-	-	(32 819)	**(32 819)**
Change in fair value of hedges and reclassification from hedging reserve		-	-	-	(32 903)	-	-	**(32 903)**
Income tax on other comprehensive income	10	-	-	-	6 581	-	-	**6 581**
Total other comprehensive income		-	-	-	**(26 322)**	-	**(32 819)**	**(59 141)**
Total comprehensive income for the period		-	-	-	**(26 322)**	**1 469 803**	**(32 819)**	**1 410 662**
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Interim dividends paid	18	-	-	-	-	(833 514)	-	**(833 514)**
Total contributions by and distributions to owners		-	-	-	-	**(833 514)**	-	**(833 514)**
Balance at 30 June 2012		**119 440**	**10 597**	**8 903 606**	**142 300**	**5 539 648**	**165 300**	**14 880 891**

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 10 to 31.

For the six months ended 30 June '000 RUB	Note	2012	2011 Restated*
Cash flows from operating activities			
Profit before income tax		2 248 362	1 679 395
Adjustments for:			
Depreciation and amortisation	11, 12, 14	1 040 959	896 738
Loss on disposal of non-current assets	8	12 810	15 540
Finance income		(8 598)	(22 334)
Finance costs		502 762	365 302
Foreign exchange gains		(20 327)	(106 133)
Cash from operating activities before changes in working capital and provisions		**3 775 968**	**2 828 508**
Change in trade and other receivables		(166 758)	145 095
Change in inventories		1 259 260	664 702
Change in trade and other payables		(3 140 523)	(2 583 218)
Cash flows from operations before income taxes and interest paid		**1 727 947**	**1 055 087**
Interest paid		(571 604)	(388 169)
Income tax paid		(1 085 133)	(702 136)
Net cash from/(used in) operating activities		**71 210**	**(35 218)**

*-See note 3

The condensed consolidated interim statement of cash flows is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 10 to 31.

For the six months ended 30 June '000 RUB	Note	2012	2011 Restated*
Cash flows from investing activities			
Purchase of property, plant and equipment and initial cost of land lease		(2 527 741)	(1 969 255)
Purchase of other intangible assets		(14 417)	(31 726)
Proceeds from sales of property, plant and equipment		34 236	16 181
Interest received		8 598	22 365
Net cash used in investing activities		**(2 499 324)**	**(1 962 435)**
Cash flows from financing activities			
Proceeds from borrowings		5 351 706	3 050 240
Repayment of borrowings		(3 479 216)	(6 173 551)
Proceeds from IPO		-	152 568
Interim dividends paid		(833 514)	-
Net cash from/(used in) financing activities		**1 038 976**	**(2 970 743)**
Net decrease in cash and cash equivalents		**(1 389 138)**	**(4 968 396)**
Cash and cash equivalents at beginning of the period		2 941 947	5 707 185
Effect of exchange rate fluctuations on cash and cash equivalents		7 779	(2 394)
Cash and cash equivalents at end of the period		**1 560 588**	**736 395**

*-See note 3

The condensed consolidated interim statement of cash flows is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 10 to 31.

1 Background

(a) Organisation and operations

The O'Key Group S. A. (the "Company") is incorporated and domiciled in Luxembourg. The Company was set up in accordance with Luxembourg regulations. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the "Group"). The main part of the Group is located and conducts its business in the Russian Federation.

The major shareholders of the Group are four individuals, Mr. Korzhev, Mr. Troitsky, Mr. Volchek and Mr. Teder ("the shareholder group"), who have the power to direct the transactions of the Group at their own discretion and for their own benefits. They also have a number of other business interests outside of the Group.

As at 30 June 2012 the Company's shares are listed on the London Stock Exchange in the form of Global Depositary Receipts (GDRs).

Related party transactions are detailed in Note 25.

The Group's principal business activity is operation of retail chain in Russia under brand name "O'Key". At 30 June 2012 the Group operated 75 stores (31 December 2011: 71 stores, 30 June 2011: 59 stores).

The Company's registered address is: Luxembourg 23, rue Beaumont, L-1219 Luxembourg.

(b) Business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. These condensed consolidated interim financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

(c) Seasonality

The Group experiences seasonal fluctuations in its operations, such as an increase in sales during December, prior to Christmas and the New Year period, and May holidays and a decrease in sales in August, September and February, which follow the summer and winter holiday seasons, respectively. The sale of seasonal products, such as school-related non-food products in August, New Year decorations and gifts in December, household appliances for summer houses from April to September affects the Group's interim results.

In the middle of the year Group's stock levels and payables to suppliers decrease compared to year-end.

2 Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim financial reporting*. They do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2011 which have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on 23 August 2012.

(b) Use of estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2011.

3 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are consistent with those applied by the Group in its annual consolidated financial statements as at and for the year ended 31 December 2011.

New or amended IFRS standards and interpretations that are effective for the 2012 reporting year are either not applicable to the Group, or do not have a material impact on the condensed consolidated interim financial statements.

At the end of 2011 the Group changed its accounting policies in relation to accounting for land and buildings. The Group decided to account for land and buildings using the Cost model as described in IAS 16 *Property, Plant and Equipment*. Previously land and buildings were accounted for using the Revaluation model. The consolidated financial statements as at and for the year ended 31 December 2011 were prepared in accordance with the new accounting policy.

Management believes that such change should result in the consolidated financial statements providing more reliable and relevant information about the Group's operations. Before such change Group's net profit showed significant fluctuations depending on changes in Russia's real estate market rather than reflecting the Group's operational performance as a retailer. It also caused incomparability of the Group's net profit to competitors on the market as retailers usually do not apply revaluation model in accounting for property, plant and equipment.

Comparative information has been restated so that it is also in conformity with the revised accounting policy. The effect on the consolidated statement of financial position was as follows:

'000 RUB	**1 January 2011 as previously reported**	**Effect of change in accounting policy**	**1 January 2011 restated**
ASSETS			
Property, plant and equipment	17 533 638	(934 073)	16 599 565
EQUITY AND LIABILITIES			
Retained earnings	(168 606)	2 615 401	2 446 795
Revaluation reserve	3 362 660	(3 362 660)	-
Deferred tax liabilities	496 164	(186 814)	309 350

Change of accounting policy resulted in decrease of property, plant and equipment as at 1 January 2011 by RUB 934 073 thousand with corresponding decrease of deferred income tax liability as at 1 January 2011 by RUB 186 814 thousand.

Revaluation reserve as at 1 January 2011 was decreased down to Nil.

Change of accounting policy resulted in increase of depreciation expense for six months ended 30 June 2011 by RUB 9 527 thousand which was recorded in profit and loss as an increase of general, selling and administrative expenses. The tax effect of the restatement was recorded in profit and loss for six months ended 30 June 2011 in the amount of RUB 1 905 thousand.

The change of accounting policy had an immaterial impact on earnings per share for the comparative period.

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. In these condensed consolidated interim financial statements the fair values have been determined based on principles which are consistent with those applied in the consolidated financial statements for the year ended 31 December 2011.

5 Operating segments

The Group is engaged in management of retail stores located in Russia and has identified retail operations as a single reportable segment. Although the Group is not exposed to concentration of sales to individual customers, all the Group's sales are in the Russian Federation. As such, the Group is exposed to the economic development in Russia, including the development of the Russian retail industry. The Group has no significant non-current assets outside the Russian Federation.

The Group identified the segment in accordance with the criteria set in IFRS 8 *Operating Segments* and based on the way the operations of the Group are regularly reviewed by the chief operating decision maker to analyze performance and allocate resources within the Group.

The Group's chief operating decision maker has been determined as the CEO.

The Group operating segments represent individual retail stores. Due to similar economic characteristics (refer below) they were aggregated in one reportable segment.

Within the reportable segment all business components demonstrate similar characteristics:

- the products and customers;
- the business processes are integrated and uniform: the Group manages its operations centrally. Purchasing, logistics, finance, HR and IT functions are centralized;
- the Group's activities are mainly limited to Russia which has a uniform regulatory environment.

The CEO assesses the performance of the operating segment based on adjusted earnings before interest, tax, depreciation and amortization (EBITDA). EBITDA is a non-GAAP measure. Other information provided to the CEO is measured in a manner consistent with that in the condensed consolidated interim financial statements.

The accounting policies used for the segment are the same as accounting policies applied for the consolidated financial statements.

The segment information for the six months ended 30 June is as follows:

'000 RUB	**2012**	**2011**
Revenue	54 121 609	42 797 643
EBITDA	3 704 783	2 770 659

A reconciliation of EBITDA to profit for the period is as follows:

For six months ended 30 June **'000 RUB**	**2012**	**2011**
		Restated*
EBITDA	**3 704 783**	**2 770 659**
Loss from disposal of non-current assets	(12 810)	(15 540)
Loss from write-off of receivables	-	(10 712)
Reversal of impairment of receivables	71 185	68 562
Depreciation and amortisation	(1 040 959)	(896 738)
Finance income	8 598	22 334
Finance costs	(502 762)	(365 302)
Foreign exchange gains	20 327	106 133
Profit before income tax	2 248 362	1 679 395
Income tax expense	(778 559)	(598 307)
Profit for the period	**1 469 803**	**1 081 088**

* - see note 3

6 Revenue

For six months ended 30 June **'000 RUB**	**2012**	**2011**
Sales of trading stock	50 932 429	40 344 514
Sales of self-produced catering products	2 594 155	2 033 078
Subtotal of retail revenue	53 526 584	42 377 592
Rental income	474 732	317 587
Revenue from advertising services	120 293	102 464
	54 121 609	**42 797 643**

Total revenues comprise sale of goods, rental income from tenants which rent trade area in the Group stores and income from placing advertising in the Group stores.

7 General, selling and administrative expenses

For six months ended 30 June **'000 RUB**	**Note**	**2012**	**2011**
			Restated*
Personnel costs	9	(4 833 285)	(3 342 124)
Depreciation and amortization		(1 040 959)	(896 738)
Operating leases		(1 090 267)	(811 595)
Communication and utilities		(869 307)	(767 212)
Security expenses		(342 024)	(294 612)
Advertising and marketing		(340 150)	(213 014)
Operating taxes		(249 181)	(196 033)
Insurance and bank commission		(227 626)	(181 730)
Repairs and maintenance costs		(201 572)	(141 199)
Materials and supplies		(110 557)	(140 526)
Legal and professional expenses		(151 961)	(101 808)
Other costs		(58 960)	(84 910)
		(9 515 849)	**(7 171 501)**

* - See note 3

8 Other operating income and expenses

For six months ended 30 June **'000 RUB**	**2012**	**2011**
Loss from disposal of non-current assets	(12 810)	(15 540)
Loss from write-off of receivables	-	(10 712)
Reversal of impairment of receivables	71 185	68 562
Sundry income/(expenses)	4 266	(38 755)
	62 641	3 555

9 Personnel costs

For six months ended 30 June **'000 RUB**	**2012**	**2011**
Wages and salaries	(3 028 138)	(2 171 058)
Social security contributions	(1 021 755)	(798 566)
Employee benefits	(716 781)	(347 400)
Share-based payments	(22 307)	-
Other	(44 304)	(25 100)
Total personnel costs	**(4 833 285)**	**(3 342 124)**

10 Income tax expense

The Group's applicable tax rate is the income tax rate of 20% for Russian companies.

Income tax recognised in profit and loss

For six months ended 30 June **'000 RUB**	**2012**	**2011** **Restated***
Current tax expense	(688 968)	(678 678)
Deferred tax (expense)/income	(89 591)	80 371
Total income tax expense	**(778 559)**	**(598 307)**

* - See note 3

Income tax recognised directly in other comprehensive income

For six months ended 30 June

'000 RUB	**2012**			**2011**		
	Before tax	**Tax**	**Net of tax**	**Before tax**	**Tax**	**Net of tax**
Foreign currency translation differences for foreign operations	(32 819)	-	(32 819)	28 804	-	28 804
Change in fair value of hedges	(32 903)	6 581	(26 322)	(89 519)	17 904	(71 615)
	(65 722)	**6 581**	**(59 141)**	**(60 715)**	**17 904**	**(42 811)**

Reconciliation of effective tax rate:

For six months ended 30 June

'000 RUB	**2012**	**2011**
		Restated*
Profit before income tax	**2 248 362**	**1 679 395**
Income tax at applicable tax rate (20%)	(449 672)	(335 879)
Effect of income taxed at different rates	1 171	(14 121)
Inventory shrinkage expenses	(205 280)	(129 200)
Other non-deductible expenses	(18 308)	(27 903)
Tax withheld on dividends received from subsidiaries	(106 470)	(91 204)
Income tax expense for the period	**(778 559)**	**(598 307)**

* - See note 3

11 Property, plant and equipment

'000 RUB	Land	Buildings	Leasehold improve-ments	Auxiliary facilities	Machinery and equipment	Other fixed assets	Construction in progress	Total
Cost or deemed cost	**Restated***	**Restated***						**Restated***
Balance at 1 January 2011	**2 025 851**	**11 891 015**	**1 642 159**	**35 395**	**4 020 975**	**1 582 462**	**1 204 602**	**22 402 459**
Additions	34 049	17 766	172 548	1 022	139 192	91 820	880 262	1 336 659
Transfers	-	-	56 589	-	73 934	36 188	(166 711)	-
Disposals	-	-	-	(371)	(18 144)	(9 967)	(15 080)	(43 562)
Balance at 30 June 2011	**2 059 900**	**11 908 781**	**1 871 296**	**36 046**	**4 215 957**	**1 700 503**	**1 903 073**	**23 695 556**
Balance at 1 January 2012	**2 864 870**	**14 193 167**	**2 526 726**	**36 046**	**5 031 450**	**2 054 624**	**3 136 848**	**29 843 731**
Additions	323 693	247 996	94 405	2 884	145 746	118 646	1 528 959	2 462 329
Transfers	-	638 927	110 292	445	308 036	2 821	(1 060 521)	-
Transfers to investment property	-	-	-	-	-	-	(6 616)	(6 616)
Disposals	-	-	(2 698)	-	(25 682)	(8 982)	(44 108)	(81 470)
Balance at 30 June 2012	**3 188 563**	**15 080 090**	**2 728 725**	**39 375**	**5 459 550**	**2 167 109**	**3 554 562**	**32 217 974**

* - See note 3

'000 RUB	Land	Buildings	Leasehold improve-ments	Auxiliary facilities	Machinery and equipment	Other fixed assets	Construction in progress	Total
Depreciation and impairment losses		**Restated***					-	**Restated***
Balance at 1 January 2011	-	**(1 344 602)**	**(128 930)**	**(17 164)**	**(2 016 807)**	**(1 090 789)**	-	**(4 598 292)**
Depreciation for the period	-	(199 334)	(91 301)	(1 325)	(346 853)	(155 048)	-	(793 861)
Disposals	-	-	-	348	14 689	8 530	-	23 567
Balance at 30 June 2011	-	**(1 543 936)**	**(220 231)**	**(18 141)**	**(2 348 971)**	**(1 237 307)**	-	**(5 368 586)**
Balance at 1 January 2012	-	**(1 752 894)**	**(319 155)**	**(19 606)**	**(2 660 933)**	**(1 519 188)**	-	**(6 271 776)**
Depreciation for the period	-	(246 286)	(131 574)	(2 348)	(411 742)	(137 002)	-	(928 952)
Disposals	-	-	476	-	25 423	8 529	-	34 428
Balance at 30 June 2012	-	**(1 999 180)**	**(450 253)**	**(21 954)**	**(3 047 252)**	**(1 647 661)**	-	**(7 166 300)**
Net book value								
At 1 January 2011 (restated*)	**2 025 851**	**10 546 413**	**1 513 229**	**18 231**	**2 004 168**	**491 673**	**1 204 602**	**17 804 167**
At 30 June 2011 (restated*)	**2 059 900**	**10 364 845**	**1 651 065**	**17 905**	**1 866 986**	**463 196**	**1 903 073**	**18 326 970**
At 1 January 2012	**2 864 870**	**12 440 273**	**2 207 571**	**16 440**	**2 370 517**	**535 436**	**3 136 848**	**23 571 955**
At 30 June 2012	**3 188 563**	**13 080 910**	**2 278 472**	**17 421**	**2 412 298**	**519 448**	**3 554 562**	**25 051 674**

* - See note 3

Depreciation expense of RUB 928 952 thousand has been charged to selling, general and administrative expenses (six months ended 30 June 2011: RUB 793 861 thousand).

12 Intangible assets

'000 RUB	Software	Lease rights	Other Intangible assets	Total
Cost				
Balance at 1 January 2011	416 206	491 475	-	907 681
Additions	31 726	-	-	31 726
Balance at 30 June 2011	**447 932**	**491 475**	-	**939 407**
Balance at 1 January 2012	517 425	491 475	14 030	1 022 930
Additions	14 417	-	-	14 417
Transfers	(277)	-	277	-
Disposals	(5)	-	-	(5)
Balance at 30 June 2012	**531 560**	**491 475**	**14 307**	**1 037 342**
Amortisation and impairment losses				
Balance at 1 January 2011	(192 744)	(155 685)	-	(348 429)
Amortisation for the period	(43 006)	(31 270)	-	(74 276)
Balance at 30 June 2011	**(235 750)**	**(186 955)**	-	**(422 705)**
Balance at 1 January 2012	(284 522)	(219 615)	(694)	(504 831)
Amortisation for the period	(40 310)	(32 154)	(1 403)	(73 867)
Balance at 30 June 2012	**(324 832)**	**(251 769)**	**(2 097)**	**(578 698)**
Carrying amounts				
At 1 January 2011	**223 462**	**335 790**	-	**559 252**
At 30 June 2011	**212 182**	**304 520**	-	**516 702**
At 1 January 2012	**232 903**	**271 860**	**13 336**	**518 099**
At 30 June 2012	**206 728**	**239 706**	**12 210**	**458 644**

Amortisation and impairment charge

Amortisation of RUB 73 867 thousand has been charged to selling, general and administrative expenses (6 months ended 30 June 2011: RUB 74 276 thousand).

13 Investment property

'000 RUB	Investment property
Investment properties at fair value as at 1 January 2011	**517 000**
Expenditure on subsequent improvements	36 579
Investment properties at fair value as at 30 June 2011	**553 579**
Investment properties at fair value as at 1 January 2012	**573 000**
Expenditure on subsequent improvements	1 196
Transfers from property, plant and equipment	6 616
Investment properties at fair value as at 30 June 2012	**580 812**

As at 1 January 2011 and 2012 the fair value of investment property has been determined by independent appraisers. The fair value of investment property as at 30 June 2012 and 30 June 2011 was updated by the Group applying income approach.

There were no significant changes in assumptions used for determination of fair value of investment property as at 30 June 2012 compared to 1 January 2012.

Fair value of investment property as at 30 June 2012 and 30 June 2011 did not significantly change as compared to 1 January 2012 and 1 January 2011, respectively. Therefore, no fair value gain/(loss) was recognised as at 30 June 2012 (30 June 2011: Nil).

14 Other non-current assets

'000 RUB	30 June 2012	31 December 2011
Prepayments for non-current assets	1 025 356	978 490
Initial cost of land lease	3 982 215	3 369 934
Long-term deposits to lessors	171 873	125 406
Long-term prepayments to entities under control of shareholder group	1 056 559	1 045 171
Deferred bank commissions	5 447	11 501
	6 241 450	**5 530 502**

Initial cost of land lease includes purchase price and the costs directly attributable to acquisition of lease rights and is amortised over the period of the lease (49-51 years).

Long-term prepayments to entities under control of shareholder group represent prepayments for rent of hypermarkets for the period until 2017. Related party transactions are detailed in note 25.

Movements in the carrying amount of initial cost of land lease were as follows:

'000 RUB	2012	2011
Cost		
Balance at 1 January	**3 946 624**	**2 950 601**
Additions	650 421	347 928
Disposals	-	(12 679)
Balance at 30 June	**4 597 045**	**3 285 850**
Amortisation and impairment losses		
Balance at 1 January	**(576 690)**	**(516 907)**
Amortisation charge	(38 140)	(28 601)
Disposals	-	953
Balance at 30 June	**(614 830)**	**(544 555)**
Net book value at 30 June	**3 982 215**	**2 741 295**

15 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
'000 RUB	**30 June 2012**	**31 December 2011**	**30 June 2012**	**31 December 2011**	**30 June 2012**	**31 December 2011**
Investment property	1 241	9 391	-	-	1 241	9 391
Property, plant and equipment	44 539	33 711	(502 843)	(520 773)	(458 304)	(487 062)
Construction in progress	1 844	-	(18 257)	(20 325)	(16 413)	(20 325)
Intangible assets	11 286	-	(3 255)	(2 667)	8 031	(2 667)
Other non-current assets	-	88 621	(31 876)	(104 065)	(31 876)	(15 444)
Inventories	211 768	257 552	(1 374)	-	210 394	257 552
Trade and other receivables	-	110 865	(73 656)	(49 493)	(73 656)	61 372
Trade and other payables	162 768	82 378	-	-	162 768	82 378
Tax assets/(liabilities)	**433 446**	**582 518**	**(631 261)**	**(697 323)**	**(197 815)**	**(114 805)**
Set off of tax	(137 334)	(226 484)	137 334	226 484	-	-
Net tax assets/(liabilities)	**296 112**	**356 034**	**(493 927)**	**(470 839)**	**(197 815)**	**(114 805)**

(b) Unrecognised deferred tax liability

As at 30 June 2012 a temporary difference of RUB 13 238 466 thousand (31 December 2011: RUB 14 104 538 thousand) relating to investments in subsidiaries has not been recognised as the Group is able to control the timing of reversal of the difference, and reversal is not expected in the foreseeable future. If the temporary difference were reversed in form of distributions remitted to the Company, then an enacted tax rate of 10-15% would apply.

16 Inventories

'000 RUB	**30 June 2012**	**31 December 2011**
Goods for resale	6 850 164	7 955 952
Raw materials and consumables	220 321	344 634
Write-down to net realisable value	(412 088)	(382 929)
	6 658 397	**7 917 657**

Due to write-off and discount given for obsolete and slow moving goods for resale the Group tested the related stock for write-off and also wrote down the related inventories to their net realisable value, which resulted in a cumulated decrease of carrying value of stock by RUB 412 088 thousand as at 30 June 2012 (31 December 2011: RUB 382 929 thousand). The write down to net realisable value was determined applying the percentages of discount on sales and write-offs of slow moving goods to the appropriate ageing of the goods. The percentages of discount were based on the best management estimate following the experience of the discount sales.

The write-down is included in cost of goods sold.

17 Trade and other receivables

'000 RUB	30 June 2012	31 December 2011
Trade receivables	71 543	45 883
VAT receivable	722 446	936 920
Prepaid taxes	281 024	183 433
Foreign exchange and interest rate swap receivables	356 698	320 167
Other receivables	395 964	437 705
	1 827 675	**1 924 108**

Taxes prepaid include RUB 277 613 thousand of prepaid Income tax (31 December 2011: RUB 176 783 thousand).

Other receivables include RUB 294 659 thousand of bonuses receivable from suppliers (31 December 2011: RUB 336 279 thousand).

18 Equity

As at 30 June 2012 the Group's subscribed share capital of RUB 119 440 thousand (EUR 2 691 thousand, 31 December 2011: EUR 2 691 thousand) is represented by 269 074 000 shares (31 December 2011: 269 074 000 shares) with a par value of 0.01 EUR each.

The Rouble value of the subscribed capital is determined with application of RUB/EUR historical exchange rate as at the date of each equity transaction.

In accordance with Luxembourg Company Law, the Company is required to transfer a minimum of 5% of its net profits for each financial year to a legal reserve. This requirement ceases to be necessary once the balance of the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders. During six months ended 30 June 2012 there were no transfers to legal reserve from net profits.

There were no movements in additional paid-in capital during six months ended 30 June 2012.

In February 2012 the Group paid interim dividends for the year ending 31 December 2012 to shareholders in the amount of RUB 833 514 thousand. Interim dividends paid were recognised as

distribution to shareholders in the Condensed Consolidated Interim Statement of Changes in Equity.

Dividends per share recognised as distribution to shareholders for six months ended 30 June 2012 amounted to RUB 3.1.

In June 2012 shareholders of the Company approved annual dividends for the year ended 31 December 2011. The amount of annual dividends for 2011 was paid by the Group to shareholders as interim dividends in 2011 in the amount of RUB 772 830 thousand.

19 Earnings per share

The calculation of basic earnings per share for six months ended 30 June 2012 was based on the profit attributable to ordinary shareholders of RUB 1 469 803 thousand (six months ended 30 June 2011: RUB 1 081 088 thousand), and a weighted average number of ordinary shares outstanding of 269 074 000 (six months ended 30 June 2011: 269 074 000). The Company has no dilutive potential ordinary shares.

For six months ended 30 June

	2012	**2011**
Number of shares		
Issued shares at 1 January	269 074 000	269 074 000
Weighted average number of shares for six months ended 30 June	269 074 000	269 074 000

20 Loans and borrowings

'000 RUB	**30 June 2012**	**31 December 2011**
Non-current liabilities		
Secured bank loans	4 914 616	5 807 982
Unsecured loans from related parties	-	960 300
	4 914 616	**6 768 282**
Current liabilities		
Secured bank loans	1 707 779	1 417 354
Unsecured bank facilities	6 726 508	3 877 808
Unsecured loans from related parties	667 216	-
Unsecured loans from third parties	2 872	7 786
	9 104 375	**5 302 948**

As at 30 June 2012 loans and borrowings with carrying value of RUB 6 622 395 thousand (31 December 2011: RUB 7 225 336 thousand) were secured by property, plant and equipment, investment property and initial cost of land lease.

The Group has a number of loan and revolving credit line agreements with local banks. Net increase of borrowings under these agreements amounted to RUB 5 351 706 thousand for six months ended 30 June 2012.

During six months ended 30 June 2012 the Group also repaid RUB 3 180 430 thousands of secured bank loans, and RUB 298 786 thousands of unsecured bank loans.

Other changes of loans and borrowings for six months ended 30 June 2012 comprised interest charges and the effect of exchange rate fluctuations and resulted in increase of loans and borrowings of RUB 75 271 thousand.

The Group monitors compliance with loan covenants on an ongoing basis. Where incompliance is unavoidable in managements' view, the Group obtains waiver letters from the banks before the period-end, confirming that the banks shall not use its right to demand early redemption.

At 30 June 2012 and for the six months period then ended the Group complied with all loan covenants.

21 Trade and other payables

'000 RUB	30 June 2012	31 December 2011
Trade payables	10 108 546	13 885 863
Advances received	129 652	120 456
Taxes payable (other than income tax)	865 486	395 160
Payables to staff	865 059	791 050
Short-term liabilities incurred in share-based payment transactions	-	33 334
Deferred income	19 725	34 309
Other current payables	759 477	77 387
	12 747 945	**15 337 559**

Other current payables as at 30 June 2012 include the amount payable for the purchase of JSC Start Primorsky in the amount of RUB 693 456 thousand (see note 26).

22 Non-cancellable operating leases

During six months ended 30 June 2012 the Group entered into several non-cancellable operating leases of land plots.

Non-cancellable operating lease rentals are payable as follows:

RUB 000'	30 June 2012	31 December 2011
Less than one year	345 588	222 673
Between one and five years	1 159 327	744 618
More than five years	6 053 067	5 248 576
	7 557 982	**6 215 867**

23 Capital commitments

The Group has capital commitments to acquire property, plant and equipment amounting to RUB 2 805 830 thousand as at 30 June 2012 (31 December 2011: RUB 1 661 253 thousand).

24 Contingencies

(a) Legal proceedings

From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and both internal and external professional advice the management is of the opinion that no material losses will be incurred in respect of claims.

(b) Taxation contingencies

The taxation system in the Russian Federation continues to evolve and is characterised 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 and substance-based 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 condensed consolidated interim financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

The Group companies entered into intragroup transactions which management believed were consistent with applicable tax law. However, based on the uncertainty of legislation, the tax authorities could take a different position and attempt to assess additional tax and interest. The potential amount of such assessment cannot be reasonably estimated based on the uncertainty of transfer pricing rules and practical application of the law, but could be significant. Management has not made any provision because it believes it is not probable that an outflow of funds relating to any such assessment will take place.

The Group has treated bonuses received from suppliers based on clarifications issued by the Russian Ministry of Finance, and management believes that this approach is consistent with applicable tax law. However, based on uncertainty of tax legislation and recent development of court practice, the tax authorities could take a different position and attempt to assess additional tax liabilities.

The potential amount of such assessment cannot be reasonably estimated due to uncertainty of legislation and absence of practise in determining of the amount of additional tax liabilities, but could be significant. Management has not made any provision because it believes it is not probable that an outflow of funds relating to any such assessment will take place.

25 Related party transactions

(a) Control relationships

The major shareholders of the Group are four individuals Mr. Korzhev, Mr. Troitsky, Mr. Volchek and Mr. Teder ("the shareholder group").

(b) Transactions with management

(i) Management remuneration

Key management received the following remuneration during the period, which is included in personnel costs (see note 9):

For the six months ended 30 June **'000 RUB**	**2012**	**2011**
Salaries and bonuses	56 075	52 656
Contributions to State pension fund	2 717	267
Long-service bonus	53 039	9 834
Share-based payments	16 745	-
	128 576	62 757

In addition members of Board of Directors received remuneration of RUB 6 830 thousand (six months ended 30 June 2011: RUB 4 330 thousand), which is included in Legal and professional expenses (see note 7).

(c) Transactions with other related parties

Other related parties are entities which belong to the Group's ultimate shareholders.
The Group's other related party transactions are disclosed below.

(i) Revenue

'000 RUB	Transaction value	Transaction value	Outstanding balance	Outstanding balance
	Six months ended 30 June 2012	Six months ended 30 June 2011	30 June 2012	31 December 2011
Services provided:				
Other related parties	12 790	10 435	(853)	(3 786)
	12 790	10 435	(853)	(3 786)

All outstanding balances with related parties are to be settled in cash within six months of the reporting date. None of the balances are secured.

(ii) Expenses

'000 RUB	Transaction value	Transaction value	Outstanding balance	Outstanding balance
	Six months ended 30 June 2012	Six months ended 30 June 2011	30 June 2012	31 December 2011
Lease of premises				
Other related parties	(335 855)	(315 423)	1 212 735	1 179 569
Other services received:				
Other related parties	(14 339)	(20 687)	330	9 722
Finance costs:				
Other related parties	(30 998)	(33 747)	-	-
	(381 192)	(369 857)	1 213 065	1 189 291

All outstanding balances with related parties, except for prepayments for operating leases, are to be settled in cash within six months of the reporting date. None of the balances are secured.

Outstanding balance of RUB 1 212 735 thousand represents prepayments for rent of hypermarkets for the period until 2017. Long-term part of prepayments is RUB 1 056 559 thousand, refer to note 14. Terms of the leases are such that the Group pays rentals which include the reimbursement of all operating expenses related to these hypermarkets and nearby leased areas and a certain percentage of the Group's retail revenue from the operation of these hypermarkets.

Interest costs on loans from related parties amounted to RUB 30 998 thousand for six months ended 30 June 2012 (six months ended 30 June 2011: RUB 33 747 thousand) and were recorded as finance costs in profit or loss.

(iii) Loans

'000 RUB	Amount loaned	Amount loaned	Outstanding balance	Outstanding balance
	For six months ended 30 June			
	2012	2011	30 June 2012	31 December 2011
Loans received:				
Other related parties	-	-	(667 216)	(960 300)

During six months ended 30 June 2012 the Group repaid loan from related parties in total amount of RUB 293 872 thousand.

(d) Pricing policies

Related party transactions are not necessarily based on market prices.

26 Subsidiaries

Subsidiary	Country of incorporation	30 June 2012 Ownership/voting	2011 Ownership/voting
LLC O'Key	Russian Federation	100%	100%
JSC Dorinda	Russian Federation	100%	100%
JSC Mir Torgovli	Russian Federation	100%	100%
Axus Financial Ltd	BVI	100%	100%
Starligton Ltd	Cyprus	100%	100%
Batisto Ltd	Cyprus	100%	100%
O'Key Investments (Cyprus) Ltd	Cyprus	100%	100%
Legondia Co. Limited	Cyprus	100%	100%
LLC O'Key Group	Russian Federation	100%	100%
LLC O'Key Logistics	Russian Federation	100%	100%
LLC Vendor	Russian Federation	100%	100%
PLC KSSK	Russian Federation	100%	100%
JSC DRSU-34	Russian Federation	100%	100%
JSC Baltika	Russian Federation	100%	100%
LLC O'Key-Finans	Russian Federation	100%	100%
LLC Vega	Russian Federation	100%	100%
LLC Gradstroytsentr	Russian Federation	100%	100%
LLC Grand	Russian Federation	100%	100%
LLC Invest-Neva	Russian Federation	100%	100%
LLC Krona	Russian Federation	100%	100%
LLC Skladservis	Russian Federation	100%	100%
LLC Sovagro	Russian Federation	100%	100%
LLC Stroyexpert	Russian Federation	100%	100%
LLC Talan	Russian Federation	100%	100%
LLC Tellara	Russian Federation	100%	100%
LLC Triumfalnaya Marka	Russian Federation	100%	100%

Subsidiary	Country of incorporation	30 June 2012 Ownership/voting	2011 Ownership/voting
LLC Donskaya Zvezda	Russian Federation	100%	100%
LLC Taifun	Russian Federation	100%	100%
LLC Photon	Russian Federation	100%	100%
LLC Tagar	Russian Federation	100%	100%
LLC Tagar-City	Russian Federation	100%	100%
JSC Olips D	Russian Federation	100%	100%
LLC Lux Development	Russian Federation	100%	100%
LLC Djemir Invest	Russian Federation	100%	100%
LLC Kbr-Torg	Russian Federation	100%	100%
JSC START Krasnoselsky	Russian Federation	100%	100%
LLC Fresh Market	Russian Federation	100%	100%
JSC START Primorsky	Russian Federation	100%	-
LLC TC Djemir	Russian Federation	100%	-

The Group has 50% share in joint venture LLC Adamant-Diksi which is accounted for using proportionate consolidation method. Contribution of LLC Adamant-Diksi to the Group's profit for the period and effect on Group's assets and liabilities is not significant. LLC Adamant-Diksi is under liquidation now.

During six months ended 30 June 2012 the Group acquired two subsidiaries: LLC TC Djemir and JSC START Primorsky for the purpose of obtaining lease rights on the land plots. The acquisition of subsidiaries was classified as acquisition of assets because acquired entities do not constitute a business.

27 Events subsequent to the reporting date

Subsequent to the reporting date the Group has opened one hypermarket in Ekaterinburg.