Lenta Limited and Subsidiaries

Unaudited interim condensed

consolidated financial statements

30 June 2013

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Statement of management's responsibilities for the preparation and approval of the interim condensed consolidated financial statements for the six months ended 30 June 2013

The following statement is made with a view to the respective responsibilities of management in relation to the interim condensed consolidated financial statements of Lenta Limited and its subsidiaries ('the Group').

Management is responsible for the preparation of the interim condensed consolidated financial statements that present fairly the financial position of Lenta Limited and its subsidiaries (the "Group") as of 30 June 2013, and the results of its operations, cash flows and changes in shareholders' equity for the six months then ended, in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* ("IAS 34").

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

- Applying consistently the accounting principles prescribed by IAS 34;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IAS 34 has been followed, subject to any material departures disclosed and explained in the interim condensed consolidated financial statements; and
- Preparing the interim condensed consolidated financial information on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the interim condensed consolidated financial statements of the Group comply with IAS 34;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2013 were approved by management on 24 September 2013:

On behalf of management as authorized by the Board of Directors:

Jan Dunning
(CEO of Lenta Ltd)

Jago Lemmens
(Chief Financial Officer/Financial Director of Lenta Ltd)

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Report on review of interim condensed consolidated financial statements

To the Shareholders of Lenta Ltd

Introduction

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial statements 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLC

24 September 2013

Interim consolidated statement of financial position
(in thousands of Russian Roubles (RR))

	Note	30 June 2013, unaudited	31 December 2012
ASSETS			
Non-current assets:			
Property, plant and equipment	6	35,890,601	30,582,875
Prepayments for construction	7	3,041,922	1,459,501
Leasehold rights	8	2,400,326	2,214,195
Intangible assets other than leasehold rights	9	519,570	446,200
Total non-current assets		**41,852,419**	**34,702,771**
Current assets:			
Inventories	10	8,762,651	9,373,700
Trade and other receivable	11	4,291,609	5,448,429
Advances paid	12	1,036,826	808,090
Taxes recoverable	13	1,235,548	1,121,760
Advance payments for income tax		219,749	–
Prepaid expenses		205,122	50,904
Cash and cash equivalents	14	3,377,710	3,536,464
Total current assets		**19,129,215**	**20,339,347**
TOTAL ASSETS		**60,981,634**	**55,042,118**
EQUITY AND LIABILITIES			
Equity			
Share capital		284	284
Additional paid-in capital		4,288,654	3,972,544
Share Options	23	1,002,940	978,698
Treasury shares		(15,345,751)	(15,724,392)
Retained earnings		12,338,906	9,809,527
Total equity		**2,285,033**	**(963,339)**
Liabilities			
Non-current liabilities:			
Long-term borrowings	16	34,902,652	24,978,988
Deferred tax liabilities	17	1,537,172	705,323
Long-term portion of financial instruments at fair value through profit and loss	16,25	326,138	130,089
Long-term obligations under finance leases		56,819	65,420
Total non-current liabilities		**36,822,781**	**25,879,820**
Current liabilities:			
Trade and other payables	18	18,088,113	25,044,300
Advances received		199,016	156,671
Other taxes payable	19	586,673	547,509
Current income tax payable		–	402,595
Short-term portion of financial instruments at fair value through profit and loss		141,558	141,558
Short-term borrowings and short-term portion of long-term borrowings	16,25	2,858,460	3,833,004
Total current liabilities		**21,873,820**	**30,125,637**
Total liabilities		**58,696,601**	**56,005,457**
TOTAL EQUITY AND LIABILITIES		**60,981,634**	**55,042,118**

Interim consolidated statement of comprehensive income
(in thousands of Russian Roubles (RR))

	Note	Six months ended 30 June 2013, unaudited	Six months ended 30 June 2012, unaudited
			(restated)*
Sales		62,131,119	49,053,895
Cost of goods sold	20	(48,960,014)	(39,598,317)
Gross profit		**13,171,105**	**9,455,578**
Selling, general and administrative expenses	21	(8,188,401)	(5,588,480)
Other operating income	22	594,000	523,656
Other operating expense		(107,509)	(49,220)
Operating profit		**5,469,195**	**4,341,534**
Interest expense		(2,001,150)	(1,583,314)
Interest income		50,243	56,940
Change in fair value of financial instruments at fair value through profit and loss	5,16,25	(196,049)	243,488
Other expenses		(40,642)	(36,394)
Foreign exchange (loss) / gain		(8,216)	63,967
Profit before income tax		**3,273,381**	**3,086,221**
Income tax expense	17	(744,002)	(652,701)
Profit for the year		**2,529,379**	**2,433,520**
Other comprehensive income for the year, net of tax		**–**	**–**
Total comprehensive income for the year, net of tax		**2,529,379**	**2,433,520**
Earnings per share (in RR per share)			
- basic and diluted, for profit for the period attributable to equity holders of the parent	15	0.030	0.029

* Certain amounts shown here do not correspond to the financial statements for the six months ended 30 June 2012 and reflect adjustments made as detailed in Note 2.

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

Interim consolidated statement of cash flows
(in thousands of Russian Roubles (RR))

	Note	Six months ended 30 June 2013, unaudited	Six months ended 30 June 2012, unaudited
			(restated)*
Cash flows from operating activities			
Profit before income tax		3,273,381	3,086,221
Adjustments for:			
Loss from disposal of property, plant and equipment		25,700	7,716
Interest expense		2,001,150	1,583,314
Interest income		(50,243)	(56,940)
Inventory write-down to NRV		67,469	68,271
Change in bad debt allowance		62,720	1,209
Depreciation and amortization	6,21	1,076,913	740,976
Share options expense	23	24,242	–
Change in fair value of financial instruments at fair value through profit and loss	5, 16, 25	196,049	(243,488)
		6,677,381	**5,187,279**
Movements in working capital:			
Decrease in trade and other receivables		1,106,580	109,920
Increase in advances paid	12	(228,736)	(25,442)
Increase in prepaid expenses		(41,718)	(23,436)
Decrease in inventories		543,580	1,251,115
Decrease in trade and other payables		(6,922,621)	(3,823,441)
Increase in advances received		42,345	10,156
(Decrease)/increase in net other taxes payable		(105,640)	163,992
Cash from operating activities		**1,071,171**	**2,850,143**
Income taxes paid		(503,481)	(439,480)
Interest paid		(1,681,259)	(1,519,366)
Interest received		37,764	58,281
Net cash (used in) / generated from operating activities		**(1,075,805)**	**949,578**
Cash flows from investing activities			
Purchases of property, plant and equipment		(7,842,129)	(3,610,320)
Purchases of intangible assets other than leasehold rights		(117,941)	(92,101)
Purchases of leasehold rights		(316,025)	(316,604)
Proceeds from sale of property, plant and equipment		1,017	12
Net cash used in investing activities		**(8,275,078)**	**(4,019,013)**
Cash flows from financing activities			
Proceeds from borrowings		35,995,678	2,280,000
Repayments of borrowings		(27,377,200)	(2,280,000)
Repayments of obligations under financial lease		(8,600)	(5,164)
Proceeds from sale of treasury shares		694,751	–
Payment of loan commission		(112,500)	–
Net cash generated from / (used in) financing activities		**9,192,129**	**(5,164)**
Net decrease in cash and cash equivalents		(158,754)	(3,074,599)
Cash and cash equivalents at the beginning of the period	14	3,536,464	5,136,419
Cash and cash equivalents at the end of the period	14	**3,377,710**	**2,061,820**

* Certain amounts shown here do not correspond to the financial statements for the six months ended 30 June 2012 and reflect adjustments made as detailed in Note 2.

Interim consolidated statement of changes in equity

(in thousands of Russian Roubles (RR))

	Share capital	Additional paid-in capital	Revaluation reserve	Treasury shares	Share options reserve	Retained earnings/ (accumulated deficit)	Total equity
Balance at 1 January 2013	**284**	**3,972,544**	**–**	**(15,724,392)**	**978,698**	**9,809,527**	**(963,339)**
Profit for the period	–	–	–	–	–	2,529,379	**2,529,379**
Other comprehensive income	–	–	–	–	–		**–**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**2,529,379**	**2,529,379**
Share-based payment transaction	–	–	–	–	24,242		**24,242**
Sale of treasury shares*	–	316,110	–	378,641	–	–	**694,751**
Balance at 30 June 2013 (unaudited)	**284**	**4,288,654**	**–**	**(15,345,751)**	**1,002,940**	**12,338,906**	**2,285,033**

	Share capital	Additional paid−in capital	Revaluation reserve	Treasury shares	Share options reserve	Retained earnings/ (accumulated deficit)	Total equity
Balance at 1 January 2012	**284**	**3,693,595**	**13,601,539**	**(15,724,392)**	**978,698**	**1,489,443**	**4,039,167**
Change in accounting policy (Note 2)	–	–	(13,601,539)	–	–	3,184,286	**(10,417,253)**
Balance at 1 January 2012 (restated)**	**284**	**3,693,595**	**–**	**(15,724,392)**	**978,698**	**4,673,729**	**(6,378,086)**
Profit for the period (restated**)	–	–	–	–	–	2,433,520	**2,433,520**
Total comprehensive income (restated)**	**–**	**–**	**–**	**–**	**–**	**2,433,520**	**2,433,520**
Balance at 30 June 2012 (unaudited) (restated)**	**284**	**3,693,595**	**–**	**(15,724,392)**	**978,698**	**7,107,249**	**(3,944,566)**

Notes

Additional paid-in capital: Additional paid-in capital is the difference between the fair value of consideration received and nominal value of the issued shares.

Treasury shares: Treasury shares are own equity instruments that are reacquired by the Group.

* During the reporting period Lakatomo Holdings Ltd sold 506,207 shares of Lenta Ltd to the top management of the Group.
**Certain amounts shown here do not correspond to the financial statements for the six months ended 30 June 2012 and reflect adjustments made as detailed in Note 2.

(in thousands of Russian Roubles (RR)

1. The Lenta Group and its operations

The Lenta Group (the "Group") comprises Lenta Limited (the "Company") and its subsidiaries. The Group's principal business activity is the development and operation of "cash & carry" retail stores in Russia.

The Company was incorporated as a company limited by shares under the laws of the British Virgin Islands (BVI) on 16 July 2003. The Company's registered address is at Road Town, Tortola, BVI. The registered office of the Group's main operating entity, LLC Lenta, is located at 112, Savushkina Street, 197374, Saint Petersburg, Russia.

At 30 June 2013 and 31 December 2012 the Group had one main operational fully owned subsidiary, LLC Lenta, a legal entity registered under the laws of the Russian Federation. The principal activity of LLC Lenta is retail trade.

2. Basis of preparation and significant accounting policies

General

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial statements for the year ended 31 December 2012, which includes a full description of the Group's accounting policies, and critical accounting estimates and judgments in applying accounting policies.

Reclassifications

Certain reclassifications have been made to the financial statements for the six months ended 30 June 2012 to conform to the presentation for the six months ended 30 June 2013. Such presentation is considered to be more appropriate and relevant. The reclassification resulted in the following changes in the consolidated statement of comprehensive income for the six months ended 30 June 2012:

	Amount previously reported	Reclassification	Adjustment due to change in policy (see below)	Amount after change in policy
Six months ended 30 June 2012				
Sales	49,330,043	(276,148)	–	49,053,895
Cost of goods sold	(38,929,044)	(669,273)	–	(39,598,317)
Selling, general and administrative expenses	(6,521,132)	704,451	228,201	(5,588,480)
Other operating income	347,196	176,460	–	523,656
Other operating expense	(56,790)	7,570	–	(49,220)
Interest income	–	56,940	–	56,940
Income tax expense	(607,061)	–	(45,640)	(652,701)

2. Basis of preparation and significant accounting policies (continued)

Changes in accounting policies and estimates

IAS 21 The Effects of Changes in Foreign Exchange Rates

Starting from 2012 financial year the Group changed its presentation currency from the US dollar to the Russian Rouble as the Russian Ruble is the prime economic environment in which substantially all of the Group's operations are conducted.

IAS 16 Property, Plant and Equipment

Starting from 2012 financial year the Group reassessed its accounting for property, plant and equipment with respect to measurement of certain classes of property, plant and equipment after initial recognition. The Group's land, land improvements and buildings had previously been carried at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Starting from 2012 financial year the Group elected to change the accounting policy for real estate from revaluation to cost model, whereby after initial recognition land, land improvements and buildings are to be carried at cost less accumulated depreciation and accumulated impairment losses.

Management believes that the change would result in the financial statements providing more relevant and reliable information about the effects of Group's operations on the entity's financial position and financial performance. The Group's net performance result will no longer be the subject to Russian real estate market fluctuations. The change will also contribute to competitive benchmarking, by enhancing comparability of the Group's performance indicators to those of competitors, the majority of which used to apply cost rather than revaluation model of property, plant and equipment measurement.

The Group applied change in accounting policy retrospectively, by adjusting opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.

2. Basis of preparation and significant accounting policies (continued)

Changes in accounting policies and estimates (continued)

Adoption of new or revised standards and interpretations

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

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

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment had no impact on the Group's financial position or performance.

IAS 1 Clarification of the requirement for comparative information (Amendment)

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

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

IAS 32 Tax effects of distributions to holders of equity instruments (Amendment)

The amendment to IAS 32 Financial Instruments: Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the interim condensed consolidated financial statements for the Group, as there is no tax consequences attached to cash or non-cash distribution.

2. Basis of preparation and significant accounting policies (continued)

Changes in accounting policies and estimates (continued)

Adoption of new or revised standards and interpretations (continued)

IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 *Operating Segments*. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker. The amendment did not have an impact on the interim condensed consolidated financial statements for the Group, as total assets and liabilities are not regularly reported to the chief operating decision maker.

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

IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognized in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognized in profit or loss, instead, there is a requirement to recognize interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognized in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognized. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. IAS 19R had no impact on the Group’s financial position or performance.

IAS 16 Property, Plant and Equipment (Amendment)

The amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. The amendment did not have an impact on the interim condensed consolidated financial statements for the Group, as the Group does not hold such equipment.

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

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

2. Basis of preparation and significant accounting policies (continued)

Changes in accounting policies and estimates (continued)

Adoption of new or revised standards and interpretations (continued)

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

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

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

IFRS 11 replaces IAS 31 *Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. IFRS 11 is effective for annual periods beginning on or after 1 January 2013. IFRS 11 has no impact on the Group's financial position or performance.

IFRS 12 Disclosure of Interests in Other Entities

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

IFRS 13 Fair Value Measurement

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

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period. The amendment does not have an impact on the Group as fair value disclosures relevant and significant for the users are already presented in the interim condensed consolidated financial statements.

(in thousands of Russian Roubles (RR)

2. Basis of preparation and significant accounting policies (continued)

Changes in accounting policies and estimates (continued)

Adoption of new or revised standards and interpretations (continued)

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

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

3. Operating segments

The Group's principal business activity is the development and operation of food retail stores located in Russia. Risks and returns are affected primarily by economic development in Russia and by the development of Russian food retail industry. The Group has no significant assets outside the Russian Federation (excluding investments in its foreign subsidiaries Lakatomo Holdings and Lenta Luxemburg, which are eliminated on consolidation). Due to the similar economic characteristics of food retail stores, the Group's management has aggregated its operating segment represented by stores into one reportable segment. Within the segment all business components are similar in respect of:

- the products;
- the customers;
- centralized Group structure (commercial, operational, logistic, finance, HR and IT functions are centralized).

The Group's operations are regularly reviewed by the chief operating decision maker, represented by the CEO, to analyze performance and allocate resources within the Group. The CEO assesses the performance of operating segments based on the dynamics of revenue and earnings before interest, tax, depreciation, amortization (EBITDA).

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

The segment information for the six months ended 30 June 2013 and 2012, respectively, is as follows:

	Six months ended 30 June 2013, unaudited	Six months ended 30 June 2012, unaudited
Sales	62,131,119	49,053,895
EBITDA (restated*)	6,546,108	5,082,510

(in thousands of Russian Roubles (RR)

3. Operating segments (continued)

Reconciliation of EBITDA to IFRS profit for the year is as follows:

	Six months ended 30 June 2013, unaudited	Six months ended 30 June 2012, unaudited
EBITDA (restated*)	6,546,108	5,082,510
Interest expense	(2,001,150)	(1,583,314)
Interest income	50,243	56,940
Income tax expense (restated*) (see Note 17)	(744,002)	(652,701)
Depreciation / amortization (restated*) (see Note 6,21)	(1,076,913)	(740,976)
Change in fair value of financial instruments at fair value through profit or loss (see Note 5,25)	(196,049)	243,488
Other expenses	(40,642)	(36,394)
Foreign exchange (loss) / gain	(8,216)	63,967
Profit for the year (restated*)	**2,529,379**	**2,433,520**

* Certain amounts shown here do not correspond to the financial statements for the six months ended 30 June 2012 and reflect adjustments made as detailed in Note 2.

4. Seasonality of operations

The retail sales are subject to seasonal fluctuations with higher demand on the eve of holidays. Particularly, relatively higher revenues are usually expected on New Year's Eve in relation to the whole assortment of goods. This information is provided to allow for a proper appreciation of the results, however management have concluded that this does not constitute "highly seasonal" as considered by IAS 34 *Interim Financial Reporting*.

5. Balances and transactions with related parties

Related parties may enter into transactions, which unrelated parties might not. Transactions between related parties might not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

As at 30 June 2013 the Group's ownership structure is as follows:

Shareholders	**Percentage of shares held, 30 June 2013, unaudited**	**Percentage of shares held, 31 December 2012**
Luna Inc.*****	40.17%	40.17%
Lakatomo Holdings Limited (subsidiary of Lenta Ltd)	19.41%	19.89%
European Bank for Reconstruction and Development	17.32%	17.32%
Luna Holdings Inc. **	9.45%	9.45%
Others	13.65%	13.17%
Total shareholders' equity	**100.00%**	**100.00%**

* An investment vehicle for TPG Capital alone
** An investment vehicle for VTB Capital

(in thousands of Russian Roubles (RR)

5. Balances and transactions with related parties (continued)

The interim condensed consolidated financial statements include the following balances with related parties:

Entities with significant influence over the Group:

	30 June 2013, unaudited	31 December 2012
VTB Capital		
Cash and cash equivalents	2,162,533	2,564,946
Long-term loans payable	24,947,698	24,978,988
Short-term loans payable	46,389	2,833,004
Finance lease liability	55,444	63,511
Liability on swaps and caps at fair value through profit or loss	467,696	271,647
Interest accrued	–	7,975
Loan commission prepayments	112,500	–
TPG Capital		
Accrued liabilities	685	–
Prepayments	–	39,451
Luna Holdings Inc.		
Accrued liabilities	–	4,591

The following transactions were carried out with related parties:

Entities with significant influence over the Group:

	Six months ended 30 June 2013, unaudited	Six months ended 30 June 2012, unaudited
VTB Capital		
Interest expense and commission on loans	1,623,267	1,489,762
Finance leasing charge	4,591	5,477
Financial charges on swaps and caps (see Note 16)	64,865	84,135
Loss / (income) on financial instruments at fair value through profit or loss (swaps and caps)	196,049	(243,488)
Interest income on deposits	(43,873)	(46,346)
EBRD		
Selling, general and administrative expenses	2,134	171
TPG Capital		
Selling, general and administrative expenses	6,109	–
Other expenses	40,642	32,084
Luna Holdings Inc.		
Selling, general and administrative expenses	5,316	–

Remuneration to the members of the Board of Directors and key management personnel was as follows:

	Six months ended 30 June 2013, unaudited	Six months ended 30 June 2012, unaudited
Short-term benefits	162,457	155,675
Termination benefits	–	667
Total remuneration	**162,457**	**156,342**

(in thousands of Russian Roubles (RR)

6. Property, plant and equipment

	30 June 2013, unaudited	31 December 2012
Gross book value		
Land	3,902,766	3,541,686
Land improvements	3,101,871	2,858,739
Buildings	26,088,419	22,737,745
Machinery and equipment	10,434,134	9,328,833
Total gross book value	**43,527,190**	**38,467,003**
Accumulated depreciation		
Land improvements	667,056	623,388
Buildings	4,841,682	4,476,616
Machinery and equipment	4,941,938	4,384,988
Total accumulated depreciation	**10,450,676**	**9,484,992**
Construction in process	**2,814,087**	**1,600,864**
Net book value	**35,890,601**	**30,582,875**

During the six months ended 30 June 2013, the Group acquired assets with a cost of RR 6,342,961 (six months ended 30 June 2012: RR 3,605,451) net of prepayments for construction.

Land and buildings with a carrying amount of RR 17,035,479 (31 December 2012: RR 3,605,451) are pledged under loan agreement with VTB Capital Plc (see Note 16).

During the six months ended 30 June 2013 and six months ended 30 June 2012 the Group was not involved in acquisition of any assets that would satisfy the definition of qualifying assets for the purposes of borrowing costs capitalization. Thus, no borrowings costs were capitalized during those periods.

The carrying amount of property, plant and equipment held under finance leases at 30 June 2013 was RR 69,721 (31 December 2012: RR 79,251). Additions during the six months ended 30 June 2013 include no property, plant and equipment under finance leases. Leased assets are pledged as security for the related finance lease.

The amount of depreciation charged during the six months ended 30 June 2013 and six months ended 30 June 2012 is presented within Depreciation and amortization in the Group's condensed consolidated interim statement of comprehensive income and interim statement of cash flows as follows:

	Six months ended 30 June 2013, unaudited	Six months ended 30 June 2012, unaudited
Depreciation of property, plant and equipment (restated*)	1,008,518	696,701
Amortization of intangible assets	44,572	24,885
Leasehold rights amortization (Note 8)	23,823	19,390
Total depreciation and amortization (restated*)	**1,076,913**	**740,976**

* Certain amounts shown here do not correspond to the financial statements for the six months ended 30 June 2012 and reflect adjustments made as detailed in Note 2.

(in thousands of Russian Roubles (RR)

7. Prepayments for construction

Prepayments for construction are represented by advances given to the constructors for the building of the stores and to suppliers.

8. Leasehold rights

	Leasehold rights
Cost	
At 1 January 2013	**2,443,067**
Additions	316,025
Transfer to PPE	(110,000)
At 30 June 2013 (unaudited)	**2,649,092**
Accumulated amortization and impairment	
At 1 January 2013	**228,872**
Charge for the year	23,823
Transfer to PPE	(3,929)
At 30 June 2013 (unaudited)	**248,766**
Net book value	
At 1 January 2013	**2,214,195**
At 30 June 2013 (unaudited)	**2,400,326**

During the six months ended 30 June 2012 the Group acquired leasehold rights with a cost of RR 297,266; during that period no transfer of leasehold rights to property, plant and equipment took place.

9. Intangible assets other than leasehold rights

Intangible assets other than leasehold rights consisted of the following:

	30 June 2013, unaudited	31 December 2012
Cost		
Software	1,028,412	910,470
Trade marks	549	549
Total cost	**1,028,961**	**911,019**
Accumulated amortization		
Software	508,918	464,385
Trade marks	473	434
Total accumulated amortization	**509,391**	**464,819**
Net book value		
Software	519,494	446,085
Trade marks	76	115
Total net book value	**519,570**	**446,200**

During the six months ended 30 June 2013 the Group acquired intangible assets with a cost of RR 117,941 (six months ended 30 June 2012: RR 92,101).

Amortization expense is included in selling, general and administrative expenses (Note 21).

(in thousands of Russian Roubles (RR)

10. Inventories

	30 June 2013, unaudited	31 December 2012
Goods for resale	8,445,828	8,985,132
Raw materials	316,823	388,568
Total inventories	**8,762,651**	**9,373,700**

Raw materials are represented by inventories used in the production of own meal products.

During the reporting period the Group wrote down inventories to their net realizable value, which resulted in recognition of expenses within cost of sales in the consolidated statement of comprehensive income for the six months ended 30 June 2013 in the amount of RR 948,593 (six months ended 30 June 2012: RR 622,455).

11. Trade and other receivables

	30 June 2013, unaudited	31 December 2012
Accounts receivable on rental and other services and on suppliers' advertising	2,930,282	3,538,067
Suppliers' rebates receivable	1,211,961	1,733,039
Receivables for construction of stores on behalf of third parties	110,913	129,886
Other receivables	70,110	54,307
Bad debt allowance	(31,657)	(6,870)
Total trade and other receivables	**4,291,609**	**5,448,429**

Receivables for construction represent expenditure on construction of stores on behalf of third parties, advance payments from which have been included in advances received in the amount of RR 94,826 as at 30 June 2013 (31 December 2012: RR 106,131).

Most amounts are receivable within 25 days. The Group has recognized an allowance for doubtful debts of 100% against all receivables over 365 days because historical experience has been that receivables that are past due beyond 365 days are not recoverable. Allowances for doubtful debts are recognized against receivables of under 365 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

(in thousands of Russian Roubles (RR)

12. Advances paid

	30 June 2013, unaudited	31 December 2012
Advances to suppliers of goods	440,856	406,532
Advances for services	434,050	289,529
Guarantee payments under lease contracts	161,920	112,029
Total advances paid	**1,036,826**	**808,090**

13. Taxes recoverable

Taxes recoverable as at 30 June 2013 are represented by a VAT receivable of RR 1,009,888 (31 December 2012: RR 918,963) and input VAT that has not been claimed for reimbursement from tax authorities of RR 225,660 (31 December 2012: RR 202,797).

14. Cash and cash equivalents

	30 June 2013, unaudited	31 December 2012
RR short-term deposits	1,559,402	35,057
RR denominated cash in transit	1,572,055	3,303,108
RR denominated cash on hand and balances with banks	244,327	196,265
Foreign currency denominated cash on hand and balances with banks	1,926	2,034
Total cash and cash equivalents	**3,377,710**	**3,536,464**

Cash in transit represents cash receipts made during the last days of the reporting period (28-30 of June or 29-31 of December), which were sent to banks but not deposited into the respective bank accounts until the next reporting period.

Significant RR denominated cash in transit result from the business seasonality, indicating higher levels of retail sales in holiday periods such as the New Year eve as well as the closing day in relation to the official banking days in Russia. If the closing day is on non-banking days, the amount of cash in transit increases.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

(in thousands of Russian Roubles (RR)

15. Earnings per share

	Six months ended 30 June 2013, unaudited	Six months ended 30 June 2012, unaudited
Earnings per share (in RR per share)		
- basic and diluted, for profit for the period attributable to equity holders of the parent	0.030	0.029

The calculation of basic earnings per share for reporting periods was based on the profit attributable to shareholders (for the six months ended 30 June 2013: RR 2,529,379, for the six months ended 30 June 2012: RR 2,433,520) and a weighted average number of ordinary shares outstanding during the respective periods, calculated as shown below.

	Six months ended 30 June 2013, unaudited	Six months ended 30 June 2012, unaudited
Number of issued shares at the beginning of period	85,466,788	85,106,557
Number of treasury shares sold in June 2013	506,207	–
Number of shares at the end of reporting period	85,972,995	85,106,557
Weighted average number of shares	**85,466,788**	**85,106,557**

The Group has not issued any share options that would result in issuing shares at below fair value, so there are no any dilutive options.

16. Borrowings

Short-term borrowings:

	Due date	Currency	Weighted average interest rate for the six months ended 30 June 2013, %	Weighted average interest rate for the year ended 31 December 2012, %	30 June 2013 unaudited	31 December 2012
Short-term portion of long-term borrowings						
Bonds	2013	RR	10	–	309,041	–
VTB Capital Plc	2013	RR	11.28	11.05	46,389	–
Sberbank 0162-102612	2013	RR	9.27	9.27	–	500,000
TransCreditBank 11-27	2013	RR	7.97	7.97	–	1,203,000
TransCreditBank 11-28	2013	RR	7.99	7.99	–	1,630,004
Raiffeisen Bank	2013	RR	7.07	–	2,503,030	–
Total short-term portion of long-term borrowings					**2,858,460**	**3,333, 004**
Short-term borrowings						
Bank Saint-Petersburg	2013	RR	–	7.6	–	500,000
Total short-term borrowings					**–**	**500,000**
Total short-term borrowings and short-term portion of long-term borrowings					**2,858,460**	**3,833,004**

(in thousands of Russian Roubles (RR)

16. Borrowings (continued)

Long-term borrowings:

	Due date	Currency	Weighted average interest rate for the six months ended 30 June 2013, %	Weighted average interest rate for the year ended 31 December 2012, %	30 June 2013 unaudited	31 December 2012
VTB Capital Plc	2018	RR	11.28	11.05	24,947,698	24,978,988
Bonds	2016	RR	10	–	9,954,954	–
Total long-term borrowings					**34,902,652**	**24,978,988**

In September 2011, LLC Lenta entered into a secured loan agreement with VTB Capital Plc. Under the agreement the Group is entitled to borrow RR 40,375,000. At the reporting date the Group received two loan tranches amounting to RR 25,375,000 with redemption date 12 April 2018 secured by, inter alia, immovable property of the Group, pledge of LLC Lenta-2 participatory interest in LLC Lenta as well as guarantee of Lenta Ltd, Zorovno Holdings Ltd and LLC Lenta-2.

Loan facility related to the third tranche (RR 15,000,000) is available for drawdown by the Group within 540 days from 12 April 2013.

Borrowed funds of RR 15,724,392 were utilized in 2011 in funding the purchase of 19.96% of the Company's shares by its subsidiary Lakatomo Holdings Limited, wholly owned through Lenta Luxemburg S.a.r.L. The remaining part has been used on market expansion and on current corporate activities.

The loan has covenants with respect to the Debt/EBITDA ratio and interest coverage, which were observed as at 30 June 2013 and 31 December 2012.

The Group's short-term portion of long-term loans represents amounts borrowed under revolving credit lines and interest liability accrued on bonds.

There were no breaches of the loan agreements during the six months ended 30 June 2013 and the year ended 31 December 2012.

The Group entered into interest rate swaps and caps provided by VTB Bank OJSC in December 2011 and April 2013 to mitigate the risk of a rising MosPrime interest rate. As at period end the Group had the following interest rate financial instruments:

Type of instrument	Notional amount, 2013	Notional amount, 2012	Fixed interest rate	Fixed commission	Expiry date
Interest rate swap	6,250,000	6,250,000	7.33%	n/a	31 March 2015
Interest rate swap	3,000,000	3,000,000	8.00%	n/a	31 March 2015
Interest rate swap	3,250,000	3,250,000	8.15%	n/a	31 March 2015
Interest rate swap	12,500,000	-	7.64%	n/a	12 April 2018
Interest rate cap	5,000,000	5,000,000	12.00%	0.79%	31 December 2014
Interest rate cap	5,000,000	5,000,000	12.00%	0.78%	31 December 2014
Interest rate cap	10,000,000	-	12.00%	0.54%	12 April 2018

(in thousands of Russian Roubles (RR)

16. Borrowings (continued)

Derivative financial instruments are classified in the statement of financial position as follows:

	30 June 2013, unaudited	31 December 2012
Non-current liability	326,138	130,089
Current liability	141,558	141,558
Total	**467,696**	**271,647**

The following charges were accrued in respect to swaps and caps:

	Six months ended 30 June 2013, unaudited	Six months ended 30 June 2012, unaudited
Finance charges on swaps and caps	64,865	84,135
Total finance charges on financial instruments	**64,865**	**84,135**

Swaps and caps are stated at fair value, with any resultant gain or loss recognized in profit or loss immediately. The Group engaged services of VTB Capital Plc for fair value determination and used their valuation in considering its assessment of the fair values of swaps and caps.

	30 June 2013, unaudited	31 December 2012
Swaps at fair value through profit and loss (liability)	296,109	134,645
Caps at fair value through profit and loss (liability)	171,587	137,002
Net debt	**467,696**	**271,647**

In October 2012 the Group signed a Sole Shareholder Decision on the Issuance of LLC Lenta bonds. On 7 February 2013 Federal Financial Markets Service registered the bond issue. In March 2013 the public floatation of certified non-convertible bearer bonds was placed in three tranches of RR 3,000,000, 3,000,000 and 4,000,000, with a nominal value of RR 1 each, a 10% coupon rate, 2,548 days to maturity and put option right on early redemption after 1,092 days.

In April 2013, the Group entered into a loan agreement with OAO Bank Saint-Petersburg, with a limit of indebtedness of RR 2,000,000, validity of the contract to 15 April 2016. The interest rate is specified in each separate case and may not be less than 2/5 (two - fifths) of the refinancing interest rate (discount rate), established by the Central Bank of the Russian Federation as of the date of signing the respective loan agreement.

In April 2013 the Group negotiated a revolving credit line of RR 3,000,000 with Raiffeisen Bank, which is available until October 2014. The interest rate is specified at each drawdown of credit and may not be higher than 6m Mosprime on the grant date plus 5%.

The Groups' borrowings as at 30 June 2013 and 31 December 2012 are denominated in Russian Roubles.

As at 30 June 2013, the Group had RR 31,652,000 of unused credit facilities (as at 31 December 2012: RR 11,817,000). All other available borrowing facilities were fully utilized.

(in thousands of Russian Roubles (RR)

17. Income taxes

Income tax expense is comprised of:

	Six months ended 30 June 2013, unaudited	Six months ended 30 June 2012, unaudited
Current tax expense	11,653	461,352
Deferred tax expense (restated*)	831,849	191,349
Income tax credit	(99,500)	–
Income tax expense	**744,002**	**652,701**

	Six months ended 30 June 2013, unaudited	Six months ended 30 June 2012, unaudited
Profit before tax (restated*)	**3,273,381**	**3,086,221**
Theoretical tax charge (restated*)	(654,676)	(617,244)
Add tax effect of non-deductible expenses	**(192,581)**	**(96,256)**
- expenses on inventory shrinkage and surpluses	(101,294)	(64,969)
- swaps and caps at fair value through profit and loss	(39,210)	–
- share option expenses	(4,848)	–
- others	(47,229)	(31,287)
Add tax effect of non-taxable gains	**3,755**	**60,799**
- swaps and caps at fair value through profit and loss	–	48,698
- gains related to fixed assets	3,755	
- others	–	12,101
Current income tax credit	**99,500**	**–**
Income tax expense (restated*)	**744,002**	**652,701**

* Certain amounts shown here do not correspond to the financial statements for the six months ended 30 June 2012 and reflect adjustments made as detailed in Note 2.

Differences between IFRS and Russian statutory tax regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences, recorded at the rate of 20% is detailed below.

	31 December 2012	Differences in recognition and reversals recognised in profit or loss	30 June 2013, unaudited
Tax effect of (taxable)/deductible temporary differences			
Property, plant and equipment	(1,006,404)	(397,344)	(1,403,748)
Leasehold rights	(198,772)	(37,257)	(236,029)
Unused vacation and employee bonuses accrual	212,005	(91,941)	120,064
Suppliers' bonuses	(182,088)	(88,762)	(270,850)
Interest on borrowings	(79,202)	(29,972)	(109,174)
Intangible assets other than leasehold rights	3,888	(3,668)	220
Inventory	408,284	(108,017)	300,267
Bad debt provision	15,411	(8,078)	7,333
Finance leasing	14,897	(2,279)	12,618
Consulting provision	19,774	(19,774)	–
Customs duty payable	30,677	–	30,677
Other	56,207	(44,757)	11,450
Total deferred tax (liabilities)/assets	**(705,323)**	**(831,849)**	**(1,537,172)**

(in thousands of Russian Roubles (RR)

17. Income taxes (continued)

	31 December 2011 restated*	Differences in recognition and reversals recognised in profit or loss, restated*	30 June 2012 unaudited, restated*
Tax effect of (taxable)/deductible temporary differences			
Property, plant and equipment	(307,657)	(108,959)	(416,616)
Leasehold rights	(125,414)	(59,477)	(184,891)
Unused vacation and employee bonuses accrual	86,894	80,229	167,123
Suppliers' bonuses	(92,514)	5,465	(87,049)
Interest on borrowings	(98,020)	8,887	(89,133)
Intangible assets other than leasehold rights	7,339	(6,748)	591
Inventory	307,923	(28,923)	279,000
Bad debt provision	3,881	(6,627)	(2,746)
Finance leasing	18,925	(1,942)	16,983
Consulting provision	4,662	(4,662)	–
Other	79,340	(68,592)	10,748
Total deferred tax (liabilities)/assets	**(114,641)**	**(191,349)**	**(305,990)**

* Certain amounts shown here do not correspond to the financial statements for the six months ended 30 June 2012 and reflect adjustments made as detailed in Note 2.

As at 30 June 2013 and 31 December 2012 the Group did not recognize a deferred tax liability with respect to taxable temporary differences associated with investments in subsidiaries of RR 2,105,640 and RR 2,037,764 respectively because management believed that it was in a position to control the timing of reversal of such differences and has no intention to reverse them in the foreseeable future.

18. Trade and other payables

	30 June 2013, unaudited	31 December 2012
Trade payables	15,525,570	21,639,226
Accrued liabilities and other creditors	1,666,926	2,482,531
Payables for purchases of property, plant and equipment	895,617	922,543
Total trade and other payables	**18,088,113**	**25,044,300**

19. Other taxes payable

	30 June 2013 unaudited	31 December 2012
Social taxes	206,959	179,885
Property tax	134,381	122,285
Personal income tax	64,087	68,409
Other taxes	181,246	176,930
Total other taxes payable	**586,673**	**547,509**

(in thousands of Russian Roubles (RR)

20. Cost of sales

Cost of sales for the six months ended 30 June 2013 and 30 June 2012 consisted of the following:

	Six months ended 30 June 2013, unaudited	Six months ended 30 June 2012, unaudited
Cost of goods sold	41,538,252	33,870,501
Cost of own production	5,514,094	4,163,729
Supply chain cost	959,075	941,632
Losses due to inventory shortages	948,593	622,455
Total cost of sales	**48,960,014**	**39,598,317**

Cost of goods sold is reduced by rebates and promotional bonuses received from suppliers.

Cost of sales for the six months ended 30 June 2013 included employee benefits expense of RR 974,357 (six months ended 30 June 2012: RR 683,530).

21. Selling, general and administrative expenses

	Six months ended 30 June 2013, unaudited	Six months ended 30 June 2012, unaudited
Labour costs	3,850,414	2,884,937
Depreciation and amortization (restated*) (Note 6)	1,076,913	740,976
Professional fees	604,512	282,950
Advertising	554,565	350,944
Utilities and communal payments	375,843	271,270
Cleaning	324,347	179,744
Repairs and maintenance	316,409	192,232
Taxes other than income tax	266,999	194,747
Security services	223,683	169,586
Premises lease	150,930	28,016
Land and equipment lease	122,252	79,679
Pre-opening costs	83,937	74,625
Other	237,597	138,774
Total selling, general and administrative expenses	**8,188,401**	**5,588,480**

* Certain amounts shown here do not correspond to the financial statements for the six months ended 30 June 2012 and reflect adjustments made as detailed in Note 2.

Labour costs for the six months ended 30 June 2013 included contributions to state pension fund of RR 727,803 (six months ended 30 June 2012: RR 519,068).

22. Other operating income

	Six months ended 30 June 2013 unaudited	Six months ended 30 June 2012 unaudited
Penalties due by suppliers	223,245	239,108
Rental income	167,296	139,088
Advertising income	157,911	107,583
Gain on PPE disposal	915	5
Other	44,633	37,872
Total other operating income	**594,000**	**523,656**

(in thousands of Russian Roubles (RR)

23. Share-based payments

During the six month ending 30 June 2013 the Group granted share value appreciation rights (SVARs) to certain members of top management as part of management long-term incentive plan.

The fair value of the management SVARs is estimated at the grant date using the Black Scholes option pricing model, taking into account the terms and conditions upon which the SVARs were granted.

The contractual conditions of the options are as follows:

- Each SVAR entitles the holder to a quantity of ordinary shares in Lenta Ltd based on an increase in the share price over a predetermined exercise price subject to meeting the performance conditions.
- Vesting is dependent on the performance conditions being met. Should the performance conditions not be met the share value appreciation rights lapse worthless.
- The SVARs were awarded in two waves. The performance conditions of the wave 1 and wave 2 SVARs are both based on achieving certain equity growth targets but are driven off by differing starting hurdle values and are over a different number of ordinary shares in Lenta Ltd:

	Equity growth target	Hurdle values	Hurdle calculation date	Number of ordinary shares
Wave 1	8% p.a., 16% p.a.	$ 25.09	23 September 2011	582,664
Wave 2	8% p.a., 16% p.a.	$ 45.19	1 April 2013	195,364

- In case equity growth is below 16% the amount of settlement is only 50%; in case equity growth is below 8% the number of SVARs that otherwise would be subject to vesting, lapse worthless.
- 50% of the SVARs vest on the 5 year anniversary after the grant date and 50% on the 7 year anniversary after the grant date.
- Vesting of the SVARs is triggered in the event of IPO, change of control transaction or key shareholder sale event. Upon occurrence of such event the number of SVARs that vest is calculated in such way that the cumulative percentage of SVARs that have vested is equal to the total percentage of shares sold in an IPO or the total percentage of shares sold by the key shareholders.
- The settlement of SVARs is performed in the event of IPO, change of control transaction or key shareholder sale event. The Group will settle a percentage of the outstanding SVARs equal to the percentage of shares sold in an IPO or the percentage of shares sold by the key shareholders.

(in thousands of Russian Roubles (RR)

23. Share-based payments (continued)

- In the case of an IPO the cumulative percentage of SVARs that have vested and are due to be settled is subject to the IPO Vesting/Settlement Cap:

Maximum % of SVARs that may vest/settle on or before the Applicable Cap Date	Applicable Cap Date
20%	March 31, 2015
40%	March 31, 2016
60%	March 31, 2017
80%	March 31, 2018

- The SVARs will be settled in ordinary shares in Lenta Ltd.

The expense recognized for the services received from the employees during the year is shown in the following table:

	Six months ended 30 June 2013, unaudited	Six months ended 30 June 2012, unaudited
Expense arising from the equity-settled share based payment transaction	24,242	-

The following tables list the inputs to the models used for the option plan as of the grant date:

Dividend yield (%)	0%
Expected volatility (%)	35%
Risk-free interest rate (%)	6.2% - 7.2%
Expected life of share options (years)	5
Spot share price (USD)	45.19
Expected exercise price (USD)	49.84
Model used	Black-Scholes

The expected life of share option is based on current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the option is indicative of future trends, which may not necessarily be the actual outcome.

(in thousands of Russian Roubles (RR)

24. Commitments

Capital expenditure commitments

At 30 June 2013 the Group had contractual capital expenditure commitments in respect of property, plant and equipment and intangible assets totaling RR 7,678,221 (31 December 2012: RR 6 373 203).

Operating lease commitments

Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases were as follows:

	30 June 2013, unaudited	31 December 2012
Not later than 1 year	666,703	456,134
Later than 1 year and not later than 5 years	2,224,668	1,411,931
Later than 5 years	9,113,358	6,455,736
Total operating lease commitments	**12,004,729**	**8,323,801**

25. Financial instruments

Categories of financial instruments

	30 June 2013, unaudited	31 December 2012
Financial assets		
Cash	3,377,710	3,536,464
Trade and other receivables	4,291,609	5,448,429
Financial liabilities		
At fair value through profit or loss	467,696	271,647
At amortised cost:		
Floating rate long-term borrowings	24,947,698	24,978,988
Fixed rate long-term borrowings	9,954,954	–
Fixed rate short-term borrowings and short-term portion of long-term borrowings	2,858,460	3,833,004
Trade and other payables	17,255,368	23,403,407
Long-term obligations under finance leases	56,819	65,420
Total financial liabilities at amortised cost	**55,073,299**	**52,280,819**

Fair values

The fair value of financial liabilities except for derivatives is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments. The fair values of derivative financial instruments are estimated using various valuation techniques, such as option pricing models.

Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the financial statements approximate their fair values.

(in thousands of Russian Roubles (RR)

25. Financial instruments (continued)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As at 30 June 2013, the Group held the following financial instruments carried at fair value in the statement of financial position:

	30 June 2013, unaudited	Level 1	Level 2	Level 3
Financial liabilities at fair value through profit or loss:				
Interest rate swaps - non-hedged	296,109	–	296,109	–
Interest rate caps - non-hedged	171,587	–	171,587	–

As at 31 December 2012, the Group held the following financial instruments carried at fair value in the statement of financial position:

	31 December 2012	Level 1	Level 2	Level 3
Financial liabilities at fair value through profit or loss:				
Interest rate swaps - non-hedged	134,645	–	134,645	–
Interest rate caps - non-hedged	137,002	–	137,002	–

During the reporting periods ending 30 June 2013 and 31 December 2012, there were no transfers between Level 1 and Level 2 fair value measurements.

26. Contingencies

Operating environment of the Group

The Group sells products that are sensitive to changes in general economic conditions that impact consumer spending. Future economic conditions and other factors, including consumer confidence, employment levels, interest rates, consumer debt levels and availability of consumer credit could reduce consumer spending or change consumer purchasing habits. A general slowdown in the Russian economy or in the global economy, or an uncertain economic outlook, could adversely affect consumer spending habits and the Group’s operating results.

26. Contingencies (continued)

Operating environment of the Group (continued)

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. The global financial crisis has resulted in uncertainty regarding further economic growth, availability of financing and cost of capital, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

Legal contingencies

Group companies are involved in a number of lawsuits and disputes that arise in the normal course of business. Management assesses the maximum exposure relating to such lawsuits and disputes to be RR 47,951 as at 30 June 2013 (31 December 2012: RR 76,963). Management believes there is no exceptional event or litigation likely to affect materially the business, financial performance, net assets or financial position of the Group which have not been disclosed in these consolidated financial statements.

Russian Federation tax and regulatory environment. The government of the Russian Federation continues to reform the business and commercial infrastructure in its transition to a market economy. As a result the laws and regulations affecting businesses continue to change rapidly. These changes are characterized by poor drafting, different interpretations and arbitrary application by the authorities. In particular taxes are subject to review and investigation by a number of authorities who are enabled by law to impose fines and penalties. While the Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the above facts may create tax risks for the Group. Management also assesses the maximum exposure from possible tax risks to be RR 886,619 (31 December 2012: RR 639,839). No tax provisions were recorded as at 30 June 2013 and 31 December 2012. Management continues to monitor closely any developments related to these risks and regularly reassesses the risk and related liabilities, provisions and disclosures.

Loan agreement

According to the terms of loan agreement with VTB Capital Plc the Group is liable to pay RR 112,500 of facility fee as of the earliest of the following dates (i) the date of utilization (in proportion to amount of credit limit utilized) or (ii) the final date of tranche C availability period. Borrowed funds are available for drawdown within 540 days after 12 April 2013.

26. Contingencies (continued)

Land leases

Certain lease agreements for land plots contain a 3 year lease term. Some of the 3 year lease agreements expired prior to the date of these financial statements. The Group initiated the process of renewal of the lease agreements for 49 years and believes that the risks relating to the operations of the respective stores are insignificant. No provisions in this respect were accrued as at 30 June 2013 and 31 December 2012.

Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognized immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

27. Events occurring after the reporting period

On 29 July 2013 ZAO FB MMVB (stock exchange) registered the prospectus and decision on issuance of 33,000,000 certificated interest-bearing non-convertible stock exchange bonds with a nominal value of RR 1 each, 3,640 days to maturity and put option right on early redemption.