Lenta Limited and subsidiaries

Unaudited interim condensed consolidated financial statements

For the six months ended 30 June 2015

Contents

Statement of management's responsibilities for the preparation and approval of the interim condensed consolidated financial statements for the six months ended 30 June 2015

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 2015, 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 2015 were approved by management on 25 August 2015:

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

Jan Dunning
(CEO of Lenta Ltd)

Jago Lemmens
(CFO 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 2015 and the related interim consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of 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

25 August 2015

Saint-Petersburg, Russia

Interim consolidated statement of financial position as at 30 June 2015

(in thousands of Russian Roubles)

	Note	30 June 2015, unaudited	31 December 2014
Assets			
Non-current assets			
Property, plant and equipment	6	85,759,779	81,218,207
Prepayments for construction	7	7,490,194	4,780,350
Leasehold rights	8	2,954,702	3,271,544
Intangible assets other than leasehold rights	9	985,678	870,531
Long-term portion of cash flow hedging instruments	27	717,386	765,257
Total non-current assets		**97,907,739**	**90,905,889**
Current assets			
Inventories	10	17,608,584	19,629,381
Trade and other receivable	11	9,326,298	11,371,248
Advances paid	12	2,085,441	2,750,726
Taxes recoverable		–	2,416,605
Advance payments for income tax		837,065	30,858
Prepaid expenses		210,722	134,863
Short-term portion of cash flow hedging instruments	27	550,284	1,969,920
Cash and cash equivalents	13	12,142,518	12,035,785
Total current assets		**42,760,912**	**50,339,386**
Total assets		**140,668,651**	**141,245,275**
Equity and liabilities			
Equity			
Share capital	14, 16	284	284
Additional paid-in capital	14	17,022,916	4,427,554
Share Options	14, 24	205,411	153,892
Hedging reserve	14	1,062,961	2,585,857
Retained earnings		12,528,343	9,562,789
Total equity		**30,819,915**	**16,730,376**
Liabilities			
Non-current liabilities			
Long-term borrowings	17	55,275,053	58,519,948
Deferred tax liabilities	18	4,161,537	3,750,189
Long-term portion of cash flow hedging instruments	27	17,487	28,357
Long-term obligations under finance leases		27,301	35,465
Total non-current liabilities		**59,481,378**	**62,333,959**
Current liabilities			
Trade and other payables	19	32,666,958	48,373,389
Advances received		145,025	213,951
Other taxes payable	20	1,061,318	898,178
Short-term portion of cash flow hedging instruments	27	156,947	–
Short-term borrowings and short-term portion of long-term borrowings	17	16,337,110	12,695,422
Total current liabilities		**50,367,358**	**62,180,940**
Total liabilities		**109,848,736**	**124,514,899**
Total equity and liabilities		**140,668,651**	**141,245,275**

The accompanying notes on pages 7-28 are an integral part of these unaudited interim condensed consolidated financial statements.

Interim consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2015

(in thousands of Russian Roubles)

	Note	Six months ended 30 June 2015, unaudited	Six months ended 30 June 2014, unaudited
Sales		114,897,154	85,899,056
Cost of sales	21	(89,920,735)	(67,514,816)
Gross profit		**24,976,419**	**18,384,240**
Selling, general and administrative expenses	22	(16,852,102)	(12,942,931)
Other operating income	23	1,179,341	1,234,487
Other operating expense		(288,833)	(85,882)
Operating profit		**9,014,825**	**6,589,914**
Interest expense		(5,352,540)	(2,934,157)
Interest income		254,672	38,075
Other expenses		–	(42,882)
Ineffective portion of change in fair value of cash flow hedging instruments		6,308	–
Foreign exchange losses		(134,042)	(8,156)
Profit before income tax		**3,789,223**	**3,642,794**
Income tax expense	18	(823,669)	(964,117)
Profit for the period		**2,965,554**	**2,678,677**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Net movement of cash flow hedges	15	(1,903,620)	905,158
Income tax relating to the components of OCI	18	380,724	(181,031)
Other comprehensive (loss)/gain for the period, net of tax		**(1,522,896)**	**724,127**
Total comprehensive income for the period, net of tax		**1,442,658**	**3,402,804**
Earnings per share (in thousands of Russian Roubles per share)			
- basic and diluted, for profit for the period attributable to equity holders of the parent		0.033	0.031

The accompanying notes on pages 7-28 are an integral part of these unaudited interim condensed consolidated financial statements.

Interim consolidated statement of cash flows for the six months ended 30 June 2015

(in thousands of Russian Roubles)

	Note	Six months ended 30 June 2015, unaudited	Six months ended 30 June 2014, unaudited
Cash flows from operating activities			
Profit before income tax		**3,789,223**	**3,642,794**
Adjustments for:			
Loss from disposal of property, plant and equipment		10,584	22,244
Interest expense		5,352,540	2,934,157
Interest income		(254,672)	(38,075)
Inventory write-down to NRV		139,103	159,306
Change in bad debt allowance		192,204	37,350
Depreciation and amortization	6, 22	2,689,606	1,695,354
Share options expense	24	51,519	43,224
Ineffective portion of change in fair value of cash flow hedging instruments	27	(6,308)	–
		11,963,799	**8,496,354**
Movements in working capital:			
Decrease in trade and other receivables		1,984,009	1,534,360
Decrease/(Increase) in advances paid	12	665,381	(410,453)
(Increase)/Decrease in prepaid expenses		(43,350)	45,249
Decrease in inventories	10	1,881,694	116,452
Decrease in trade and other payables	19	(13,827,787)	(6,790,866)
Decrease in advances received		(68,926)	(9,585)
Increase in net other taxes payable	20	2,579,745	1,515,509
Cash from operating activities		**5,134,565**	**4,497,020**
Income taxes paid		(837,804)	(918,775)
Interest paid		(5,582,257)	(2,866,748)
Interest received		270,090	37,751
Net cash (used in)/generated from operating activities		**(1,015,406)**	**749,248**
Cash flows from investing activities			
Purchases of property, plant and equipment		(11,554,043)	(11,124,426)
Purchases of intangible assets other than leasehold rights	9	(234,054)	(165,778)
Purchases of leasehold rights		–	(501,831)
Proceeds from sale of property, plant and equipment		12,765	–
Net cash used in investing activities		**(11,775,332)**	**(11,792,035)**
Cash flows from financing activities			
Proceeds from borrowings		73,434,523	31,356,500
Repayments of borrowings		(73,065,000)	(23,570,000)
Repayments of obligations under financial lease		(8,164)	(7,656)
Proceeds from issue of new shares	14	12,595,362	–
Payment of loan commission		(59,250)	(70,868)
Net cash generated from financing activities		**12,897,471**	**7,707,976**
Net increase/(decrease) in cash and cash equivalents		**106,733**	**(3,334,811)**
Cash and cash equivalents at the beginning of the period	13	12,035,785	6,211,965
Cash and cash equivalents at the end of the period	13	**12,142,518**	**2,877,154**

The accompanying notes on pages 7-28 are an integral part of these unaudited interim condensed consolidated financial statements.

Interim consolidated statement of changes in equity for the six months ended 30 June 2015

(in thousands of Russian Roubles)

	Share capital	Additional paid-in capital	Hedging reserve	Share options reserve	Retained earnings/ (accumulated deficit)	Total equity
Balance at 1 January 2015	**284**	**4,427,554**	**2,585,857**	**153,892**	**9,562,789**	**16,730,376**
Profit for the period	–	–	–	–	2,965,554	**2,965,554**
Other comprehensive income	–	–	(1,522,896)	–	–	**(1,522,896)**
Total comprehensive income	**–**	**–**	**(1,522,896)**	**–**	**2,965,554**	**1,442,658**
Share–based payments (Note 24)	–	–	–	51,519	–	**51,519**
Issue of shares (Note 14, 24)	–	12,595,362	–	–	–	**12,595,362**
Balance at 30 June 2015 (unaudited)	**284**	**17,022,916**	**1,062,961**	**205,411**	**12,528,343**	**30,819,915**

	Share capital	Additional paid–in capital	Hedging reserve	Share options reserve	Retained earnings/ (accumulated deficit)	Total equity
Balance at 1 January 2014	**284**	**4,407,154**	**(42,959)**	**65,510**	**484,669**	**4,914,658**
Profit for the period	–	–	–	–	2,678,677	**2,678,677**
Other comprehensive income	–	–	724,127	–	–	**724,127**
Total comprehensive income	**–**	**–**	**724,127**	**–**	**2,678,677**	**3,402,804**
Share option expired worthless (Note 24)	–	–	–	(3,013)	3,013	**–**
Share–based payments (Note 24)	–	–	–	43,224	–	**43,224**
Issue of shares (Note 14, 24)	–	20,400	–	(20,400)	–	**–**
Balance at 30 June 2014 (unaudited)	**284**	**4,427,554**	**681,168**	**85,321**	**3,166,359**	**8,360,686**

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.

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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 hypermarket and supermarket 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.

Starting from March 2015 the Company’s shares are listed on the London Stock Exchange and Moscow Stock Exchange in the form of Global Depositary Receipts (GDR).

At 30 June 2015 and 31 December 2014 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

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2015 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 2014, which includes a full description of the Group’s accounting policies, and critical accounting estimates and judgments in applying accounting policies.

Management has considered the Group's cash flow forecasts for the period ending 31 December 2016 which takes into account the current and expected economic situation in Russia, the Group's financial position, available borrowing facilities, loan covenant compliance, planned store opening program and the anticipated cash flows and related expenditures from retail stores.

Accordingly, management is satisfied that it is appropriate to adopt the going concern basis of accounting in preparing the interim financial information for these condensed consolidated financial statements.

Changes in accounting policies and estimates

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 2014, except for the adoption of new or revised standards and interpretations effective as of 1 January 2015, noted below:

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

Changes in accounting policies and estimates (continued)

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual Improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

The above definitions are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods, and thus these amendments do not impact the Group's accounting policies.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.

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

Changes in accounting policies and estimates (continued)

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are similar.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

This is consistent with how the Group has disclosed the judggements made in applying the aggregation criteria, and thus this amendment does not impact the Group's accounting policy.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value.

In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

This amendment to IAS 16 has no impact on the Group, as the revaluation model is not implemented.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. These amendments had no impact on the Group's financial statements.

Annual Improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that: Joint arrangements, not just joint ventures, are outside the scope of IFRS 3. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself, the Company is not a joint arrangement, and thus this amendment is not relevant for the Group.

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

Changes in accounting policies and estimates (continued)

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Group does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment does not impact the accounting policy of 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 wholly owned intermediate holding subsidiaries Zoronvo Holdings Limited 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 management purposes are the same as accounting policies applied for the consolidated financial statements.

(in thousands of Russian Roubles)

3. Operating segments (continued)

The segment information for the six months ended 30 June 2015 and 2014, respectively, is as follows:

	Six months ended 30 June 2015	Six months ended 30 June 2014
Sales	114,897,154	85,899,056
EBITDA	11,704,431	8,285,268

Reconciliation of EBITDA to IFRS profit for the six months ended 30 June 2015 and 2014 is as follows:

	Six months ended 30 June 2015	Six months ended 30 June 2014
EBITDA	**11,704,431**	**8,285,268**
Interest expense	(5,352,540)	(2,934,157)
Interest income	254,672	38,075
Income tax expense (see Note 18)	(823,669)	(964,117)
Depreciation/amortization (see Note 6, 22)	(2,689,606)	(1,695,354)
Other expenses	–	(42,882)
Foreign exchange losses	(134,042)	(8,156)
Ineffective portion of the change in fair value of cash flow hedging instruments	6,308	–
Profit for the year	**2,965,554**	**2,678,677**

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

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions.

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

Entities with significant influence over the Group:

	30 June 2015	31 December 2014
TPG Capital		
Accrued liabilities	2,244	4,644
EBRD		
Long-term loans payable	4,517,872	4,519,663
Accrued liabilities	4,997	5,063
Interest accrued	1,808	3,325

(in thousands of Russian Roubles)

5. Balances and transactions with related parties (continued)

The following transactions were carried out with related parties:

Entities with significant influence over the Group:

	Six months ended 30 June 2015	Six months ended 30 June 2014
EBRD		
Proceeds from borrowings	4,554,240	–
Interest expense	506,450	8,110
Directors fee	15,019	6,054
Business trip expenses	–	443
Monitoring fee	–	108
TPG Capital		
Monitoring fee	–	42,723
Consulting services	2,807	11,652
Directors fee	12,038	7,498
Business trip expenses	–	1,645
Luna Holdings Inc.		
Monitoring fee	–	51
VTB Capital*		
Proceeds from borrowings	–	5,000,000
Repayment of borrowings	–	3,150,000
Interest expense and commission on loans	–	618,719
Finance leasing charge	–	1,225
Interest income on deposits	–	(3,511)

* Management of the Group concluded that starting from March 2014 year VTB Capital not to be a related party due to lack of influence on operational activity of the Group following the reduction of its share in equity capital as the result of sale of shares during IPO.

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

	Six months ended 30 June 2015	Six months ended 30 June 2014
Short-term benefits	245,224	163,891
Long-term benefits (share-based payments, Note 24)	40,510	43,224
Total remuneration	**285,734**	**207,115**

6. Property, plant and equipment

During the six months ended 30 June 2015, the Group acquired assets with a cost of RUB 6,858,787 thousand (six month ended 30 June 2014: RUB 8,403,560 thousand). These assets exclude prepayments for construction.

Land and buildings with a carrying amount of RUB 25,344,207 thousand (31 December 2014: RUB 26,015,987 thousand) are pledged under secured loan agreements (see Note 17).

During the six months ended 30 June 2015 and six months ended 30 June 2014 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.

(in thousands of Russian Roubles)

6. Property, plant and equipment (continued)

The carrying amount of property, plant and equipment held under finance leases at 30 June 2015 was RUB 43,811 thousand (31 December 2014: RUB 50,091 thousand). Additions during the six months ended 30 June 2015 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 2015 and six months ended 30 June 2014 is presented within Depreciation and amortization in the Group's interim consolidated statement of profit or loss and other comprehensive income and interim consolidated statement of cash flows as follows:

	Six months ended 30 June 2015	Six months ended 30 June 2014
Depreciation of property, plant and equipment	2,535,247	1,588,323
Amortization of intangible assets	118,907	74,510
Leasehold rights amortization (Note 8)	35,452	32,521
Total depreciation and amortization	**2,689,606**	**1,695,354**

See note 25 for capital commitments.

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 as at 30 June 2015 consisted of the following:

	Leasehold rights
Cost	
At 1 January 2015	**3,486,162**
Transfer to PPE	(307,184)
At 30 June 2015	**3,178,978**
Accumulated amortization	
At 1 January 2015	**214,618**
Charge for the period	35,452
Transfer to PPE	(25,794)
At 30 June 2015	**224,276**
Net book value	
At 1 January 2015	**3,271,544**
At 30 June 2015	**2,954,702**

During the six months ended 30 June 2014 the Group acquired leasehold rights with a cost of RUB 501,831 thousand.

Amortization expense for six months ended 30 June 2014 comprised RUB 32,521 thousand.

Amortization expense is included in selling, general and administrative expenses (Note 22).

(in thousands of Russian Roubles)

9. Intangible assets other than leasehold rights

Intangible assets other than leasehold rights consisted of the following:

	30 June 2015	31 December 2014
Cost		
Software	1,837,439	1,603,385
Trade marks	549	549
Total cost	**1,837,988**	**1,603,934**
Accumulated amortization		
Software	851,768	732,870
Trade marks	542	533
Total accumulated amortization	**852,310**	**733,403**
Net book value		
Software	985,671	870,515
Trade marks	7	16
Total net book value	**985,678**	**870,531**

During the six months ended 30 June 2015 the Group acquired intangible assets with a cost of RUB 234,054 thousand (six months ended 30 June 2014: RUB 165,778 thousand).

Amortization expense for six month ended 30 June 2015 comprised RUB 118,907 thousand (six months ended 30 June 2014: RUB 74,510 thousand).

Amortization expense is included in selling, general and administrative expenses (Note 22).

10. Inventories

	30 June 2015	31 December 2014
Goods for resale	16,834,463	18,729,075
Raw materials	774,121	900,306
Total inventories	**17,608,584**	**19,629,381**

Raw materials are represented by inventories used in own production process in butchery, bakery and culinary.

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 interim consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2015 in the amount of RUB 139,103 thousand (six months ended 30 June 2014: RUB 159,306 thousand).

(in thousands of Russian Roubles)

11. Trade and other receivables

	30 June 2015	31 December 2014
Accounts receivable on rental and other services and on suppliers' advertising	6,548,199	7,857,515
Suppliers' rebates receivable	2,619,417	3,333,612
Other receivables	214,958	190,874
Bad debt allowance	(56,276)	(10,753)
Total trade and other receivables	**9,326,298**	**11,371,248**

Receivables are due normally within 25 days according to the terms of standard contracts. Outstanding receivables are regularly monitored. An impairment analysis is performed at each reporting date on an individual basis for counterparties. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Usually for receivables over 365 days the allowance for doubtful debts is 100%, unless there are strong indications from the nature of the agreement underlying the debt that no allowance is needed as the long term of the receivable is in line with the agreement. 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 each particular counterparty and an analysis of the counterparty's current financial position.

12. Advances paid

	30 June 2015	31 December 2014
Advances to suppliers of goods	526,413	821,958
Advances for services	1,294,185	1,607,285
Guarantee payments under lease contracts	264,843	321,483
Total advances paid	**2,085,441**	**2,750,726**

13. Cash and cash equivalents

	30 June 2015	31 December 2014
Rouble short-term deposits	10,815,000	8,954,088
Rouble denominated cash in transit	597,981	1,802,739
Rouble denominated cash on hand and balances with banks	652,528	1,258,676
Foreign currency denominated cash on hand and balances with banks	77,009	20,282
Total cash and cash equivalents	**12,142,518**	**12,035,785**

Cash in transit represents cash receipts made during the last days of the reporting period (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.

13. Cash and cash equivalents (continued)

Significant Rouble denominated cash in transit results 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.

14. Issued capital and reserves

As at 30 June 2015 the Company's share capital was comprised of 93,093,394 authorized and issued ordinary shares (as at 31 December 2014, 86,053,394) with equal voting rights. The shares have no par value.

All outstanding ordinary shares are entitled to an equal share in any dividend declared by the Company. According to the BVI Business Companies Act No. 16 of 2004, no dividends can be declared and paid unless the Board of Directors determines that immediately after the payment of the dividend the Group will be able to satisfy its liabilities as they become due in the ordinary course of its business and the realizable value of the assets of the Group will not be less than the sum of its total liabilities, other than deferred taxes, as shown in the books of account, and its capital. In accordance with Russian legislation, Lenta LLC, the Company's primary operating subsidiary registered under the laws of the Russian Federation, may distribute profits as dividends in the amount limited to the retained earnings recorded in its financial statements prepared in accordance with Russian Accounting Rules. No dividends to holders of ordinary shares were declared for the six months ended 30 June 2015 and for the year ended 31 December 2014.

In year 2015 7,040,000 ordinary shares were issued by the Group for a cash consideration of RUB 12,595,362 thousand net of directly attributable issuance costs. The whole amount of the consideration received was recorded as increase in additional paid-in capital, as the shares have no par value.

Share options reserve

The share options reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 24 for further details of these plans.

Hedging reserve

The hedging reserve is used to recognise the effective portion of the gain or loss on the hedging instrument and later reclassified to profit or loss when the hedge item affects profit or loss.

15. Components of other comprehensive income (OCI)

	Six months ended 30 June 2015	Six months ended 30 June 2014
Cash flow hedges		
Reclassification during the year to profit or loss	(1,518,462)	(6,538)
Related tax effect	303,692	1,308
(Gain)/loss arising during the year	(385,158)	911,696
Related tax effect	77,032	(182,339)
Net (loss)/gain during the six months	**(1,522,896)**	**724,127**

16. Earnings per share

	Six months ended 30 June 2015	Six months ended 30 June 2014
Earnings per share (in thousands of Russian Roubles per share) - basic and diluted, for profit for the period attributable to equity holders of the parent	0.033	0.031

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 2015: RUB 2,965,554 thousand, for the six months ended 30 June 2014: RUB 2,678,677 thousand) and a weighted average number of ordinary shares outstanding during the respective periods, calculated as shown below.

	Six months ended 30 June 2015	Six months ended 30 June 2014
Number of issued shares at the beginning of period	86,053,394	86,052,995
Number of shares issued in March 2015	7,040,000	–
Number of shares issued in April 2014	–	399
Number of shares at the end of reporting period	93,093,394	86,053,394
Weighted average number of shares	**89,787,317**	**86,053,095**

The Group has issued share-based payments (Note 24) instruments that could potentially dilute basic earnings per share in the future. These instruments have no material dilutive effect on earnings per share for the periods presented.

17. Borrowings

Short-term borrowings:

	Currency	30 June 2015	31 December 2014
Fixed rate bonds (liability for interests)	RUB	314,641	317,351
Fixed rate long-term bank loans (liability for interests)	RUB	27,397	30,069
Floating rate long-term bank loans (liability for interests)	RUB	6,339	33,128
Short-term portion of fixed rate long-term bank loans	RUB	4,767,453	5,798,205
Fixed rate short-term bank loans	RUB	1,255,792	6,516,669
Fixed rate bonds	RUB	9,965,488	–
Total short-term borrowings and short-term portion of long-term borrowings		**16,337,110**	**12,695,422**

(in thousands of Russian Roubles)

17. Borrowings (continued)

Long-term borrowings:

	Currency	30 June 2015	31 December 2014
Fixed rate long-term bank loans	RUB	9,933,880	9,915,884
Floating rate long-term bank loans	RUB	45,341,173	38,641,409
Fixed rate bonds	RUB	–	9,962,655
Total long-term borrowings		**55,275,053**	**58,519,948**

In March 2015 the Group signed revolving credit line of RUB 15,000,000 thousand with VTB Bank OJSC. The credit line has covenants with respect to the Debt/EBITDA and EBITDA/interest coverage ratios.

On 25 June 2015 the Group entered into 7 year loan agreement of RUB 37,300,000 thousand with VTB Bank OJSC. At the reporting date the Group draw downed RUB 30,000,000 thousand. Borrowed funds were utilized on early repayment of loan from VTB Capital Plc. The loan has covenants with respect to the Debt/EBITDA and EBITDA/interest coverage ratios.

During six month ended 30 June 2015 the Group received RUB 37,700,000 thousand under credit agreements concluded before 1 January 2015 and repaid RUB 67,015,000 thousand.

As at 30 June 2015 the Group had RUB 32,800,000 thousand of unused credit facilities (as at 31 December 2014: RUB 36,260,000 thousand).

As at 30 June 2015 the Group was in compliance with all financial covenants of loan agreements.

18. Income taxes

The Group's income tax expense for the six months ended 30 June 2015 and 30 June 2014 is as follows:

	Six months ended 30 June 2015	Six months ended 30 June 2014
Current tax expense	31,597	147,144
Deferred tax expense	792,072	816,973
Income tax expense recognized in profit or loss	**823,669**	**964,117**
Effective portion of change in the fair value of cash flow hedging instruments	(380,724)	181,031
Income tax expense recognized in OCI	**(380,724)**	**181,031**

19. Trade and other payables

	30 June 2015	31 December 2014
Trade payables	27,727,901	41,081,087
Accrued liabilities and other creditors	3,001,603	3,138,048
Payables for purchases of property, plant and equipment	1,937,454	4,154,254
Total trade and other payables	**32,666,958**	**48,373,389**

(in thousands of Russian Roubles)

20. Other taxes payable

	30 June 2015	31 December 2014
Social taxes	332,324	332,956
Property tax	213,760	241,299
Personal income tax	101,015	120,691
VAT payable	183,066	–
Other taxes	231,153	203,232
Total other taxes payable	**1,061,318**	**898,178**

21. Cost of sales

Cost of sales for the six months ended 30 June 2015 and 30 June 2014 consisted of the following:

	Six months ended 30 June 2015	Six months ended 30 June 2014
Cost of goods sold	76,392,671	56,849,795
Cost of own production	9,962,833	7,656,965
Supply chain cost	1,430,019	1,394,981
Losses due to inventory shortages and write down to net realizable value	2,135,212	1,613,075
Total cost of sales	**89,920,735**	**67,514,816**

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

Cost of sales for the six months ended 30 June 2015 included employee benefits expense of RUB 1,882,413 thousand (six months ended 30 June 2014: RUB 1,554,229 thousand) of which contributions to state pension fund comprised RUB 306,665 thousand (six months ended 30 June 2014: RUB 250,990 thousand).

22. Selling, general and administrative expenses

	Six months ended 30 June 2015	Six months ended 30 June 2014
Employee benefits	6,978,213	5,713,586
Depreciation and amortization (Note 6)	2,681,967	1,695,352
Premises lease	1,103,052	432,724
Advertising	945,798	834,977
Utilities and communal payments	909,011	643,214
Professional fees	849,505	1,021,652
Repairs and maintenance	760,421	515,448
Cleaning	723,173	530,023
Taxes other than income tax	532,073	403,090
Security services	467,699	356,014
Pre-opening costs	216,270	257,562
Land and equipment lease	180,852	151,918
Other	504,068	387,371
Total selling, general and administrative expenses	**16,852,102**	**12,942,931**

(in thousands of Russian Roubles)

22. Selling, general and administrative expenses (continued)

Employee benefits for the six months ended 30 June 2015 included contributions to state pension fund of RUB 966,242 thousand (the six months ended 30 June 2014: RUB 795,160 thousand).

Pre-opening costs for the six months ended 30 June 2015 included employee benefits of RUB 100,299 (the six months ended 30 June 2014: RUB 156,972) of which contributions to state pension fund comprised RUB 12,183 thousand (the six months ended 30 June 2014: RUB 20,624 thousand).

Pre-opening costs for the six months ended 30 June 2015 included depreciation expense of RUB 7,639 thousand (the six months ended 30 June 2014: RUB 2 thousand)

23. Other operating income

	Six months ended 30 June 2015	Six months ended 30 June 2014
Penalties due by suppliers	451,379	325,866
Rental income	351,886	213,800
Advertising income	172,415	180,027
Gain on PPE disposal	27,546	509
Income from IPO	–	420,111
Other	176,115	94,174
Total other operating income	**1,179,341**	**1,234,487**

IPO income is represented by the Group's share of stabilization profit made by the Stabilizing Manager on buying back shares subject to overallotment option and a one off payment to the Group as an income share in Depositary's fees charged to GDR holders.

24. Share-based payments

Share value appreciation rights

During the 2014 year the Group granted share value appreciation rights (SVARs) to certain members of top management as part of management long-term incentive plan.

Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, SVARs:

	Number	WAEP, USD
Outstanding at 1 January 2015	594,211	49.84
Granted during the six month	–	–
Forfeited during the six months	–	–
Exercised during the six months	–	–
Expired during the six months	–	–
Outstanding at 30 June 2015	**594,211**	**49.84**
Exercisable at 30 June 2015	–	–

24. Share-based payments (continued)

Movements during the year (continued)

During six month ended 30 June 2014 the Group issued 399 shares with respect to SVARs that were exercised during the period and credited additional paid-in capital with the amount of RUB 20,400 thousand.

With respect to vested 24,579 SVARs that expired during six month ended 30 June 2014 the Group credited retained earnings in the amount of RUB 3,013 thousand.

In March 2015 modifications to the SVARs were agreed including deferral of exercise date of SVARs that are to be vested in April 2015 by one year. In consequence of modification weighted average fair value of options granted increased up to RUB 0.40 thousand (31 December 2014: RUB 0.36 thousand).

The weighted average remaining contractual life for the SVARs outstanding as at 30 June 2015 was 2.8 years (31 December 2014: 3.3 years).

The exercise prices for options outstanding as at 30 June 2015 and 31 December 2014 were USD 49.84 (30 June 2015: RUB 2.8 thousand; 31 December 2014: RUB 2.8 thousand).

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.

Long-term incentive plan

In the beginning of 2014 year the Group approved a long-term incentive plan (LTIP) to certain members of middle management (not including top management), whereunder the Company granted award shares on 1 April 2014 along with communication of the terms of award to participants.

The monetary amount of the award to be granted to the participants of the plan was calculated based on the annual base salary on the grant date (1 April 2014), target award interest, business results co-efficient and individual performance rating co-efficient.

The business results co-efficient was based on 2013 year business performance. The key metrics were EBITDA and company sales, and the outcomes against these measures were determined in the same way as for the annual bonus. Based on business performance during 2013 a co-efficient of 1.0 was approved for the award of 2014 year.

Individual performance rating co-efficient varied from 0 to 1.15 depending on the way the participants met their performance targets.

To determine the number of ordinary shares subject to award the monetary amount of the award was divided by the Company's share price calculated based on the price of GDR at IPO on LSE (10$) translated to RUB using ex-change rate as at the date for offering, i.e. 27 February 2014.

(in thousands of Russian Roubles)

24. Share-based payments (continued)

Long-term incentive plan (continued)

The shares are to be released in phases:

- 1st 25% on the first anniversary of the award (1 April 2015)
- 2d 25% on the second anniversary of the award (1 April 2016)
- 50 % on the third anniversary of the award (1 April 2017), provided that employment conditions are met

With respect to the first phase no shares were issued in April 2015, the Group plans to release shares till the end of 2015.

The fair value of the award shares was estimated based on the GDR price on LSE on the award grant date.

Total expense recognized for the services received from the employees from share based payment transaction for the six months ended 30 June 2015 and 30 June 2014 is shown in the following table:

	Six months ended 30 June 2015	Six months ended 30 June 2014
Expense arising from the equity-settled share based payment transaction	51,519	43,224

25. Commitments

Capital expenditure commitments

At 30 June 2015 the Group had contractual capital expenditure commitments in respect of property, plant and equipment and intangible assets totaling RUB 15,206,352 thousand (31 December 2014: RUB 12,709,553 thousand).

Operating lease commitments

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

	30 June 2015	31 December 2014
Not later than 1 year	2,872,991	2,800,096
Later than 1 year and not later than 5 years	10,827,806	10,356,566
Later than 5 years	26,691,389	27,394,299
Total operating lease commitments	**40,392,186**	**40,550,961**

(in thousands of Russian Roubles)

26. Financial instruments

Categories of financial instruments

	30 June 2015	31 December 2014
Financial assets		
Cash	12,142,518	12,035,785
Trade and other receivables	9,326,298	11,371,248
At fair value through OCI	1,267,670	2,735,177
Financial liabilities		
At fair value through OCI	174,434	28,357
At amortised cost:		
Floating rate long-term borrowings	45,341,173	38,641,409
Fixed rate long-term borrowings	9,933,880	19,878,539
Fixed rate short-term borrowings and short-term portion of long-term borrowings	15,988,733	12,314,874
Short term liability for interests	348,377	380,548
Trade and other payables	31,333,947	46,979,088
Long-term obligations under finance leases	27,301	35,465
Total financial liabilities at amortised cost	*102,973,411*	*118,229,923*

Fair values

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities. Quantitative disclosures fair value measurement hierarchy for financial assets and financial liabilities as at 30 June 2015:

	30 June 2015	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Cashflow hedging instruments	1,267,670	–	1,267,670	–
Financial liabilities measured at fair value				
Cashflow hedging instruments	174,434	–	174,434	–
Financial liabilities for which fair values are disclosed				
Fixed rate bonds	10,114,641	10,114,641	–	–
Floating rate borrowings	45,581,017	–	45,581,017	–
Fixed rate borrowings	15,171,940	–	15,171,940	–
Obligations under finance leases	27,301	–	27,301	–

(in thousands of Russian Roubles)

26. Financial instruments (continued)

Fair values (continued)

	31 December 2014	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Cashflow hedging instruments	2,735,177	–	2,735,177	–
Financial liabilities measured at fair value				
Cashflow hedging instruments	28,357	–	28,357	–
Financial liabilities for which fair values are disclosed				
Fixed rate bonds	10,322,951	10,322,951	–	–
Floating rate borrowings	54,122,762	–	54,122,762	–
Fixed rate borrowings	21,310,270	–	21,310,270	–
Obligations under finance leases	35,465	–	35,465	–

During the reporting periods ending 30 June 2015, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.
Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts are reasonable approximations of fair values:

	30 June 2015		31 December 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cashflow hedging instruments	1,267,670	1,267,670	2,735,177	2,735,177
Financial liabilities				
Interest-bearing loans and borrowings				
Obligations under finance leases	27,301	27,301	35,465	35,465
Floating rate borrowings	45,347,512	45,581,017	38,674,537	54,122,762
Fixed rate borrowings	26,264,651	25,286,581	32,540,833	31,633,221
Derivatives in effective hedges				
Cashflow hedging instruments	174,434	174,434	28,357	28,357
Total financial liabilities	**71,813,898**	**71,069,333**	**71,279,192**	**85,819,805**

The management assessed that the carrying amounts of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their fair values amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is an amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

(in thousands of Russian Roubles)

26. Financial instruments (continued)

Fair values (continued)

The following methods and assumptions were used to estimate the fair values:

- Fair values of the Group's interest-bearing borrowings and loans are determined by using DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own nonperformance risk as at 30 June 2015 and 31 December 2014 was assessed to be insignificant.
- The fair value of bonds is based on the price quotations at the reporting date at Moscow exchange where transactions with bonds take place with sufficient frequency and volume.
- The Group enters into derivative financial instruments with financial institution with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are interest rate swaps and caps. The most frequently applied valuation techniques include swap models, using present value calculations, and option pricing model for caps. The models incorporate various inputs including the credit quality of counterparties and interest rate curves. As at 30 June 2015 and 31 December 2014, the marked-to-market value of derivative positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

27. Hedge and hedging instruments

The Group entered into interest rate swaps and caps provided by VTB Bank OJSC to mitigate the risk of a rising MosPrime interest rate. Caps provide security for 4 quarters during the full periods of the agreement, so the termination date would the earlier of the expiry date or the fourth settlement date for the floating amounts paid by VTB to the Group.

Type of instrument	Notional amount 2015	Notional amount 2014	Fixed interest rate	Fixed commission	Effective date	Expiry date
Interest rate swap	–	6,250,000	7.33%	n/a	30 September 2011	31 March 2015
Interest rate swap	–	3,000,000	8.00%	n/a	30 September 2011	31 March 2015
Interest rate swap	–	3,250,000	8.15%	n/a	30 September 2011	31 March 2015
Interest rate swap	12,500,000	12,500,000	7.64%	n/a	31 March 2015	12 April 2018
Interest rate swap	900,000	900,000	7.54%	n/a	31 December 2013	12 November 2018
Interest rate swap	1,000,000	1,000,000	15.35%	n/a	31 December 2014	31 December 2016
Interest rate cap	10,000,000	10,000,000	12.00%	0.54%	31 December 2014	12 April 2018
Interest rate cap	900,000	900,000	12.00%	0.45%	31 December 2013	12 November 2018

(in thousands of Russian Roubles)

27. Hedge and hedging instruments (continued)

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

	30 June 2015	31 December 2014
Non-current asset	717,386	765,257
Current assets	550,284	1,969,920
Non-current liability	(17,487)	(28,357)
Current liability	(156,947)	–
Net derivative asset	**1,093,236**	**2,706,820**

The Group performs fair value assessment of the fair values of swaps and caps at the reporting date:

	30 June 2015	31 December 2014
Swaps	1,141,020	2,154,537
Caps	(47,784)	552,283
Net derivative asset	**1,093,236**	**2,706,820**

Starting 1 July 2013 the Group applied cash flow hedge accounting for swaps and caps that meet prescribed criteria, including preparation of all necessary documentation. Hedge accounting was applied prospectively from designation.

Retrospective and prospective effectiveness of cash flow hedges (swaps and caps) was measured by the Group using the “dollar offset” method. The effective portion of the gain or loss on the hedging instrument was recognized in other comprehensive income and accumulated in hedging reserve.

The effect from changes in fair value of financial instruments is recognized as follows:

	Six months ended 30 June 2015	Six months ended 30 June 2014
Profit or loss		
Ineffective portion of change in fair value of cash flow hedging instruments	6,308	–
Reclassification from hedge reserve into interest expense	1,518,462	6,538
	1,524,770	**6,538**
Other comprehensive income		
Effective portion of change in fair value of cash flow hedging instruments	(385,158)	911,696
Reclassification from hedge reserve into interest expense	(1,518,462)	(6,538)
	(1,903,620)	**905,158**

28. 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 sanctions imposed, 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.

By the Executive Order of the President of Russia "On Special Economic Measures to Protect the Russian Federation's Security" signed on 6 August 2014 it was prohibited to import into the territory of the Russian Federation certain agricultural products, raw materials and foodstuffs originating in countries, that have decided to impose economic sanctions on Russian legal entities and (or) individuals, or have joined such decision. The following countries are under embargo: EU countries, USA, Australia, Canada, Norway. A specific list of goods in respect of which the restrictions are imposed, was determined by the Russian Government. The list includes meat and dairy products, fish, vegetables, fruits and nuts.

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.

In 2015, the Russian economy continued to be negatively impacted by a significant drop in crude oil prices and a significant devaluation of the Russian Rouble, as well as sanctions imposed on Russia by several countries in 2014. The Rouble interest rates remained high after the Central Bank of Russia raised its key rate in December 2014, with subsequent gradual decrease in 2015. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth, 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 RUB 11,249 thousand as at 30 June 2015 (31 December 2014: RUB 1,841 thousand). 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.

28. Contingencies (continued)

Legal contingencies (continued)

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 RUB 1,018,090 thousand (31 December 2014: RUB 1,030,479 thousand). No tax provisions were recorded as at 30 June 2015 and 31 December 2014. Management continues to monitor closely any developments related to these risks and regularly reassesses the risk and related liabilities, provisions and disclosures.

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 2015 and 31 December 2014.

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.

29. Events occurring after the reporting period

On 6 August 2015 the public floatation of certified non-convertible bearer bonds was placed in the amount of RUB 5,000,000 thousand with a nominal value of RUB 1 thousand each, a 12,4% coupon rate, 3,640 days to maturity and put option right on early redemption after 2,5 years. Raised funds are expected to be utilized on business expansion.

On 17 July 2015 the Remuneration Committee of Lenta Ltd agreed on certain changes in the management long-term incentive plan, which is based on Share Value Appreciation Rights. Whereas the plan has been set up using financial parameters denominated in USD, all financial parameters are now changed into Russian Roubles using the exchange rate on the date of the grant (1 April 2013). As a result, the Exercise price for the remaining outstanding options will be changed from USD 49.84 to 1,516 Russian Roubles per share. The vesting schedule has been revised and fixed, as a result of which the remaining 80% of the initial grant will now vest in 2 stages: 30% on 1 April 2017 and the remaining 50% on 1 April 2018.