OJSC "Magnit"

Interim condensed consolidated financial statements

for the six months ended 30 June 2014

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for the six months ended 30 June 2014

Contents

Совершенствуя бизнес,
улучшаем мир

Ernst & Young LLC
Sadovnicheskaya Nab., 77, bld. 1
Moscow, 115035, Russia
Tel: +7 (495) 705 9700
+7 (495) 755 9700
Fax: +7 (495) 755 9701
www.ey.com/ru

ООО «Эрнст энд Янг»
Россия, 115035, Москва
Садовническая наб., 77, стр. 1
Тел.: +7 (495) 705 9700
+7 (495) 755 9700
Факс: +7 (495) 755 9701
ОКПО: 59002827

Report on review of interim condensed consolidated financial statements

To the shareholders of Open Joint Stock Company "Magnit"

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Open Joint Stock Company "Magnit" and its subsidiaries (the "Group"), comprising the interim consolidated statement of financial position as at 30 June 2014 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 the 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 2014

OJSC "Magnit"

Interim consolidated statement of financial position

as at 30 June 2014

(In thousands of US Dollars)

	Notes	30 June 2014 (unaudited)	31 December 2013
Assets			
Non-current assets			
Property, plant and equipment	6	6,144,471	5,962,817
Investment property		9,674	9,941
Land lease rights	7	93,801	99,573
Intangible assets	8	22,756	22,619
Goodwill		40,662	41,782
Long-term financial assets		2,635	2,148
		6,313,999	6,138,880
Current assets			
Inventories	9	1,769,412	1,713,925
Trade and other receivables		16,046	19,296
Advances paid	10	70,456	96,888
Taxes receivable		2,526	855
Prepaid expenses		6,496	7,704
Short-term financial assets	11	41,873	35,156
Cash and cash equivalents	12	110,905	181,218
		2,017,714	2,055,042
Total assets		8,331,713	8,193,922
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	13	34	34
Share premium	13	1,501,825	1,497,515
Treasury shares	13	(20,794)	(3,800)
Foreign currency translation reserve		(503,179)	(414,393)
Retained earnings		3,092,189	2,775,370
Total equity		4,070,075	3,854,726
Non-current liabilities			
Long-term borrowings and loans	15	1,618,363	1,143,981
Long-term advances received		7,319	8,846
Deferred tax liability		263,203	249,707
		1,888,885	1,402,534
Current liabilities			
Trade and other payables	16	1,489,866	1,471,797
Accrued expenses	17	215,239	202,032
Taxes payable	18	230,415	141,426
Income tax payable		39,831	9,024
Short-term advances received		2,606	2,678
Short-term borrowings and loans	19	394,796	1,109,705
		2,372,753	2,936,662
Total liabilities		4,261,638	4,339,196
Total equity and liabilities		8,331,713	8,193,922

The accompanying notes on pages 6-40 are an integral part of these interim condensed consolidated financial statements.

OJSC "Magnit"

Interim consolidated statement of comprehensive income

for the six months ended 30 June 2014

(In thousands of US Dollars)

	Notes	For the six months ended 30 June 2014 (unaudited)	For the six months ended 30 June 2013 (unaudited)
Revenue	20	9,978,591	8,796,432
Cost of sales	21	(7,201,700)	(6,398,474)
Gross profit		**2,776,891**	**2,397,958**
Selling expenses	22	(113,107)	(81,916)
General and administrative expenses	23	(1,888,911)	(1,654,687)
Investment income		4,898	3,896
Finance costs	24	(85,586)	(76,047)
Other income	25	39,457	23,858
Other expenses		(8,975)	(5,407)
Foreign exchange loss		(3,166)	(7,590)
Profit before income tax		**721,501**	**600,065**
Income tax expense	26	(161,516)	(131,152)
Profit for the period		**559,985**	**468,913**
Other comprehensive loss			
Loss on translation to presentation currency		(87,525)	(252,006)
Other comprehensive loss for the period, net of tax		**(87,525)**	**(252,006)**
Total comprehensive income for the period, net of tax		**472,460**	**216,907**
Profit for the period			
Attributable to:			
Equity holders of the Parent		559,985	468,913
Non-controlling interest		-	-
		559,985	**468,913**
Total comprehensive income for the period, net of tax			
Attributable to:			
Equity holders of the Parent		472,460	216,907
Non-controlling interest		-	-
		472,460	**216,907**
Earnings per share (in US Dollars per share)			
▸ basic and diluted, for profit for the period attributable to equity holders of the parent	27	5.92	4.96

The accompanying notes on pages 6-40 are an integral part of these interim condensed consolidated financial statements.

OJSC "Magnit"

Interim consolidated cash flow statement

for the six months ended 30 June 2014

(In thousands of US Dollars)

	Notes	For the six months ended 30 June 2014 (unaudited)	2013 (unaudited)
Cash flows from operating activities			
Profit before income tax		**721,501**	**600,065**
Adjustments for:			
Depreciation	6	238,055	212,451
Amortization	23	4,640	5,271
Loss from disposal of property, plant and equipment		6,871	3,148
Loss on disposal of investment property		-	107
Provision for doubtful receivables	23	1,463	685
Foreign exchange loss		3,166	7,590
Finance costs	24	85,586	76,047
Investment income		(4,898)	(3,896)
Operating cash flows before working capital changes		**1,056,384**	**901,468**
Decrease/(increase) in trade and other receivables		1,088	(966)
Decrease in advances paid		26,432	40,584
Decrease in advances received		(1,599)	-
Increase in taxes receivable		(1,671)	(958)
Decrease in prepaid expenses		1,208	313
(Increase)/decrease in inventories		(55,487)	74,340
Increase/(decrease) in trade and other payables		14,803	(204,863)
Increase in accrued expenses		13,207	14,732
Increase in taxes payable		88,989	94,038
Cash generated from operations		**1,143,354**	**918,688**
Income tax paid		(111,298)	(99,912)
Interest received		4,808	2,511
Interest paid		(92,206)	(65,680)
Net cash from operating activities		**944,658**	**755,607**
Cash flows from investing activities			
Purchase of property, plant and equipment		(580,337)	(654,744)
Proceeds from disposal of subsidiaries		2,855	4,026
Proceeds from disposal of land lease rights		86	-
Purchase of intangible assets		(4,693)	(6,589)
Purchase of land lease rights		(1,058)	(11,375)
Proceeds from sale of property, plant and equipment		10,411	2,224
Loans provided		(199,099)	(67,806)
Loans repaid		191,300	81,359
Net cash used in investing activities		**(580,535)**	**(652,905)**
Cash flows from financing activities			
Proceeds from loans and borrowings		4,341,021	3,259,430
Repayment of loans and borrowings		(4,510,318)	(3,345,406)
Dividends paid	14	(245,107)	(157,983)
Repayment of obligations under finance leases		(18)	(404)
Sale of treasury shares	13	202,555	13,803
Share buy-back		(216,500)	(2,870)
Net cash used in financing activities		**(428,367)**	**(233,430)**
Effect of foreign exchange rates on cash and cash equivalents		(6,069)	(13,157)
Net decrease in cash and cash equivalents		**(70,313)**	**(143,885)**
Cash and cash equivalents at the beginning of the period	12	**181,218**	**409,993**
Cash and cash equivalents at the end of the period	12	**110,905**	**266,108**

The accompanying notes on pages 6-40 are an integral part of these interim condensed consolidated financial statements.

OJSC "Magnit"

Interim consolidated statement of changes in equity

for the six months ended 30 June 2014

(In thousands of US Dollars)

	Attributable to equity holders of the Parent					
	Share capital	**Share premium**	**Treasury shares**	**Foreign currency translation reserve**	**Retained earnings**	**Total**
Balance at 1 January 2013	**34**	**1,484,255**	**(18,852)**	**(156,537)**	**1,958,364**	**3,267,264**
Profit for the period	-	-	-	-	468,913	**468,913**
Other comprehensive income	-	-	-	(252,006)	-	**(252,006)**
Total comprehensive income for the period	**-**	**-**	**-**	**(252,006)**	**468,913**	**216,907**
Dividends declared (Note 14)	-	-	-	-	(165,149)	**(165,149)**
Share-buyback	-	-	(2,870)	-	-	**(2,870)**
Sale of treasury shares (Note 13)	-	4,013	10,280	(490)	-	**13,803**
Balance at 30 June 2013 (unaudited)	**34**	**1,488,268**	**(11,442)**	**(409,033)**	**2,262,128**	**3,329,955**
Balance at 1 January 2014	**34**	**1,497,515**	**(3,800)**	**(414,393)**	**2,775,370**	**3,854,726**
Profit for the period	-	-	-	-	559,985	**559,985**
Other comprehensive income	-	-	-	(87,525)	-	**(87,525)**
Total comprehensive income for the period	**-**	**-**	**-**	(87,525)	559,985	**472,460**
Dividends declared (Note 14)	-	-	-	-	(243,166)	**(243,166)**
Share-buyback	-	-	(216,500)	-	-	**(216,500)**
Sale of treasury shares (Note 13)	-	4,310	199,506	(1,261)	-	**202,555**
Balance at 30 June 2014 (unaudited)	**34**	**1,501,825**	**(20,794)**	**(503,179)**	**3,092,189**	**4,070,075**

The accompanying notes on pages 6-40 are an integral part of these interim condensed consolidated financial statements.

(All amounts are in thousands of US Dollars if not otherwise indicated)

1. Corporate information

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2014 were authorised for release by the Chief Executive Officer of OJSC "Magnit" on 25 August 2014.

Close Joint Stock Company "Magnit" ("Magnit") was incorporated in Krasnodar, the Russian Federation, in November 2003.

In January 2006, Magnit changed its legal form to Open Joint Stock Company "Magnit" (the "Company" or OJSC "Magnit"). There was no change in the principal activities or shareholders as a result of the change to an Open Joint Stock Company.

OJSC "Magnit" and its subsidiaries (the "Group") operate in the retail and distribution of consumer goods under the "Magnit" name. The Group's retail operations are operated through convenience stores, cosmetic stores, hypermarkets and other.

All of the Group's operational activities are conducted in the Russian Federation. The principal operating office of the Group is situated at 15/5 Solnechnaya St., 350072 Krasnodar, the Russian Federation.

The principal activities of the Group's subsidiaries all of which are incorporated in the Russian Federation, and the effective ownership percentages are as follows:

Company name	Principal activity	Ownership interest 30 June 2014	Ownership interest 31 December 2013
CJSC "Tander"	Food retail and wholesale	100%	100%
LLC "Retail Import"	Import operations	100%	100%
LLC "BestTorg"	Food retail in the city of Moscow and the Moscow region	100%	100%
LLC "Tander-Magnit"	Food retail in the Moscow region	100%	100%
LLC "Selta"	Transportation services for the Group	100%	100%
LLC "TK Zelenaya Liniya"	Greenhouse complex	100%	100%
LLC "Tandem"	Rent operations	100%	100%
LLC "Alkotrading"	Other operations	100%	100%
LLC "ITM"	IT operations	100%	-
LLC "UK Premier-Liga"	Managing company of the employee`s pension fund	-	100%
LLC "Logistica Alternativa"	Import operations	100%	100%
"TD-holding" company limited	Production and processing of food for the Group	100%	100%
LLC "MagnitEnergo"	Buyer of electric power for the Group	100%	100%

The 100% ownership in LLC "UK Premier-Liga" was sold to a third party.

In February 2014, the Group established LLC "ITM" with 100% ownership. The company provides IT services for the Group.

(All amounts are in thousands of US Dollars if not otherwise indicated)

1. Corporate information (continued)

At 30 June 2014 and 31 December 2013, the shareholding structure of the Company was as follows:

	30 June 2014		31 December 2013	
Shareholder	**Number of shares**	**Ownership interest, %**	**Number of shares**	**Ownership interest, %**
Galitskiy S.N.	36,563,000	38.67%	36,563,000	38.67%
Shares controlled by Lavreno Ltd. (Cyprus)	3,251,466	3.44%	3,251,466	3.44%
Gordeichuk V.E.	2,622,677	2.77%	2,622,677	2.77%
Shares controlled by the Group's Management	459,987	0.49%	533,503	0.56%
Treasury shares	83,073	0.09%	16,141	0.02%
Free float	51,581,152	54.55%	51,574,568	54.54%
	94,561,355	**100%**	**94,561,355**	**100%**

2. Basis of preparation of the financial statements

Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

Basis of accounting

The Group's entities maintain their accounting records in Russian Roubles ("RUB") and prepare their statutory financial statements in accordance with the Regulations on Accounting and Reporting of the Russian Federation. The statutory financial statements have been adjusted to present these interim condensed consolidated financial statements in accordance with IFRS.

The financial statements have been prepared on a historical cost basis except for the use of fair value as deemed cost for certain property, plant and equipment as of the date of transition to IFRS and investment property at fair value.

The functional currency of each of the Group's entities is the Russian Rouble ("RUB").

The presentation currency of the interim condensed consolidated financial statements is the United States of America Dollar ("USD") as it is considered by management a more relevant presentation currency for international users of the interim condensed consolidated financial statements of the Group.

2. Basis of preparation of the financial statements (continued)

Basis of accounting (continued)

The translation from functional currency into presentation currency is made as follows:

- Assets and liabilities for each interim consolidated statement of financial position presented are translated at the closing rate at the date of that interim consolidated statement of financial position;
- Income and expenses for each interim consolidated statement of comprehensive income presented are translated at the average exchange rates for the periods presented (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
- All resulting exchange differences are recognized in other comprehensive income;
- All items included in the interim consolidated statement of changes in equity, other than net profit for the period, are translated at historical exchange rates;
- In the interim consolidated cash flow statement, cash balances at the beginning and end of each period presented are translated at exchange rates at the respective dates of the beginning and end of each period. All cash flows are translated at the average exchange rates for the periods presented.

The RUB is not a freely convertible currency outside the Russian Federation and, accordingly, any translation of RUB denominated assets and liabilities into USD for the purpose of these interim condensed consolidated financial statements does not imply that the Group could or will in the future realise or settle in USD the translated values of these assets and liabilities.

The following USD/RUB ex-rates were used during preparation of the interim condenced consolidated financial statements:

	2014	2013
As of 30 June / 31 December	33.6306	32.7292
Average for the six month ended	34.9796	31.0169

3. Summary of significant accounting policies

Basis of consolidation

The interim condensed consolidated financial statements incorporate the financial statements of the Company and other entities controlled by the Company (its subsidiaries). Control is achieved when the Group 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. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and;
- The ability to use its power over the investee to affect its returns.

3. Summary of significant accounting policies (continued)

Basis of consolidation (continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The financial statements of subsidiaries are prepared for the same reporting period as those of the holding company; where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used by them into line with those of the Group.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences, recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

All intra-group balances, transactions, and any unrealised profits or losses arising from intra-group transactions, are eliminated on consolidation.

3. Summary of significant accounting policies (continued)

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3. Summary of significant accounting policies (continued)

Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or;
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or;
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Fair value measurement

The Group measures non-financial assets such as investment properties, at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in Note 29.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or;
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. Summary of significant accounting policies (continued)

Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

Revenue recognition

The Group generates and recognizes sales to retail customers at the point of sale in its stores and to wholesale customers at the point of sale in its distribution centers. Retail sales are in cash and through bank cards. Revenues are measured at the fair value of the consideration received or receivable, recognized net of value added tax and are reduced for estimated customer returns. Historical information in relation to the timing and frequency of customer returns is used to estimate and provide for such returns at the time of sale.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment.

Historical cost information was not available in relation to buildings purchased prior to transition date to IFRS (1 January 2004). Therefore, management has used valuations performed by independent professionally qualified appraisers to arrive at the fair value as of the date of transition to IFRS and deemed those values as cost.

Cost includes major expenditures for improvements and replacements, which extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance are charged to the statement of comprehensive income as incurred.

3. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful economic lives of the related assets are as follows:

	Useful life in years
Buildings	30
Machinery and equipment	3-14
Other fixed assets	3-10

Other fixed assets consist of vehicles and other relatively small groups of fixed assets.

Construction in progress comprises costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Construction in progress is reviewed regularly to determine whether its carrying value is recoverable and whether appropriate provision for impairment is made.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive income.

Investment property

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property are included in the income statement in the period in which they arise. Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

Investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

3. Summary of significant accounting policies (continued)

Land lease rights

Land lease rights acquired as part of hypermarket development projects are separately reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The useful life is estimated to be 49 years.

When the Group constructs a building on land that is leased under an operating lease, the operating lease costs (including amortization of land lease rights) that are incurred during the construction are capitalised as part of the construction cost of the building.

Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives.

Lease rights and other intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, lease rights and other intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The following useful lives are used in the calculation of amortization:

Description	Useful life in years
Licenses	1-25
Lease rights (convenience stores)	1-21
Software	1-25
Trade marks	1-10
Other	1-7

Impairment of non-current assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

3. Summary of significant accounting policies (continued)

Impairment of non-current assets (continued)

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss. Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss.

The following asset has specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. Summary of significant accounting policies (continued)

Inventory

Inventory is stated at the lower of cost and net realizable value. Cost comprises the direct cost of goods, transportation and handling costs. Cost of goods for resale is calculated using the weighted average method, cost of materials and supplies is calculated using cost per unit method. Net realizable value represents the estimated selling price less all estimated costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Vendor allowances

The Group receives various types of allowances from vendors in the form of volume discounts and other forms of payments that effectively reduce the cost of goods purchased from the vendor. Volume-related rebates and other payments received from suppliers are recorded as a reduction in the price paid for the products and reduce cost of goods sold in the period the products are sold. Where a rebate agreement with a supplier covers more than one year, the rebates are recognised in the period in which they are earned.

Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. Income taxes are computed in accordance with Russian law.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the interim consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Current income tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases, used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

3. Summary of significant accounting policies (continued)

Income taxes (continued)

Deferred tax liabilities are generally recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred taxes are recognised as an expense or income in the consolidated profit and loss, except when they relate to items credited or debited outside profit or loss, either in other comprehensive income or directly in equity, in which case the tax is also recognised outside profit or loss, either in other comprehensive income or directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

3. Summary of significant accounting policies (continued)

Retirement benefit costs

The operating entities of the Group contribute to the state pension, medical and social insurance funds on behalf of all its current employees. Any related expenses are recognized in the profit and loss as incurred.

Bonus plan

Under the bonus program the Group has agreed to pay, at its discretion, cash bonuses to key management personnel. The amount of the cash bonus, if paid, will be based on the market price of the Group's shares on that date times a fixed number of shares as indicated in the employment contract of each individual. The compensation expense is recognized over the one-year service period based on its assessment that it is probable the amounts will be paid. The liability will be remeasured at the date of settlement, with any changes recognised in profit or loss.

The fair value of the liability is determined based on the market value of shares at the end of each reporting period adjusted for expected employee turnover.

Segment reporting

The Group's business operations are located in the Russian Federation and relate primarily to retail sales of consumer goods. Although the Group operates through different types of stores and in various states within the Russian Federation, the Group's chief operating decision maker reviews the Group's operations and allocates resources on an individual store-by-store basis. The Group has assessed the economic characteristics of the individual stores, including both convenience stores, cosmetic stores, hypermarkets and others, and determined that the stores have similar margins, similar products, similar types of customers and similar methods of distributing such products. Therefore, the Group considers that it only has one reportable segment under IFRS 8. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the interim consolidated financial statements.

Seasonality

The Group's business operations are not influenced by seasonality factors, except for the increase of business activities before the New Year holidays.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of that asset, other borrowing costs are recognised in profit or loss in the period in which they are incurred. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

3. Summary of significant accounting policies (continued)

Borrowing costs (continued)

To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity determines the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are expensed in the period they occur.

Financial assets

General description

Financial assets are classified into the following specified categories: at fair value through profit or loss ("FVTPL"); held-to-maturity investments, "available-for-sale" ("AFS") financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount of the financial asset.

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income is recorded using the effective interest rate. Interest income is included in investment income in the statement of comprehensive income.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest rate method.

3. Summary of significant accounting policies (continued)

Financial assets (continued)

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the profit and loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit and loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

3. Summary of significant accounting policies (continued)

Derecognition of financial assets (continued)

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities and equity instruments issued by the Group

Treasury shares

If the Group reacquires its own equity instruments, those instruments ("treasury shares") are recognised as a deduction to equity at cost, being the consideration paid to reacquire the shares. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. On disposal the cost of treasury shares is written off using weighted average method. Such treasury shares may be acquired and held by the Company or by other subsidiaries of the Group.

Share premium

Share premium represents the difference between the fair value of consideration received and nominal value of the issued shares.

Earnings per share

Earnings per share have been determined using the weighted average number of the Group's shares outstanding during the six months ended 30 June 2014 and 2013. The Group does not have any potentially dilutive equity instruments.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

3. Summary of significant accounting policies (continued)

Financial liabilities

Financial liabilities of the Group, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised using an effective interest rate method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the interim consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

Changes in accounting policies

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013, except for the adoption of the following new and amended IFRS and IFRIC interpretations as of 1 January 2014:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements*. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

3. Summary of significant accounting policies (continued)

Changes in accounting policies (continued)

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact on the Group as the Group has no derivatives during the current or prior periods.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

These amendments remove the unintended consequences of IFRS 13 *Fair Value Measurement* on the disclosures required under IAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. These amendments have no impact on the Group.

IFRIC 21 Levies

IFRIC 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 *Income Taxes*) and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in interim financial statements. These amendments have no impact on the Group.

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

4. Significant accounting judgments and estimates

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

4. Significant accounting judgments and estimates (continued)

Estimates and assumptions

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The most significant areas requiring the use of management estimates and assumptions relate to useful economic lives of property, plant and equipment; impairment of assets and taxation.

Impairment of assets

The Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate CGU.

Management necessarily applies its judgment in allocating assets that do not generate independent cash flows to appropriate cash-generating units and also in estimating the timing and value of underlying cash flows within the value in use calculation. In determining the value in use calculation, future cash flows are estimated from each store based on cash flows projection utilising the latest budget information available.

The discounted cash flow model requires numerous estimates and assumptions regarding the future rates of market growth, market demand for the products and the future profitability of products.

Due to their subjective nature, these estimates will likely differ from future actual results of operations and cash flows, and it is possible that these differences could be material.

Useful life of property, plant and equipment

The Group's property, plant and equipment are depreciated using the straight-line method over their estimated useful lives which are determined based on the Group's management business plans and operational estimates, related to those assets.

The Group's management periodically reviews the appropriateness of the useful economic lives. The review is based on the current condition of the assets, the estimated period during which they will continue to bring economic benefit to the Group, historic information on similar assets and industry trends.

Useful life of leasehold improvements

The Group's leasehold improvements in convenience stores used under operating leases are depreciated using the straight-line method over their estimated useful life beyond the legal expiry dates of operating lease agreements assuming leases will be renewed. Based on the history of the renewals of these agreements and pre-emptive rights for the prolongation of the lease agreements, the Group's management assumes a thirty year depreciation period for these leasehold improvements.

(All amounts are in thousands of US Dollars if not otherwise indicated)

4. Significant accounting judgments and estimates (continued)

Taxation

The Group is subject to income tax and other taxes. Significant judgment is required in determining the provision for income tax and other taxes due to the complexity of the Russian Federation tax legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether it is probable additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the amount of tax and tax provisions in the period in which such determination is made.

5. Balances and transactions with related parties

The Group enters into transactions with related parties in the ordinary course of business. The Group purchases food products, materials for construction and equipment from related parties, provides loans and acquires construction services. Related parties of the Group are represented by shareholders and counterparties that are affiliated with the Group through key management and relatives (other related parties). Transactions with related parties are made on terms not necessarily available to third parties.

No guarantees have been given or received.

No expense has been recognized in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Related party balances as at 30 June 2014 and 31 December 2013 consisted of the following:

	Other related parties	
	30 June 2014	31 December 2013
Short-term loans receivable (Note 11)	40,802	35,125
Advances paid	15	18
Other receivables	605	1,414
Trade payables	2,668	759
Other payables	1,105	1,263

(All amounts are in thousands of US Dollars if not otherwise indicated)

5. Balances and transactions with related parties (continued)

The Group's transactions with related parties for the six months ended 30 June 2014 and 30 June 2013 consisted of the following:

	Shareholders		Other related parties	
	For the six months ended 30 June		For the six months ended 30 June	
	2014	2013	2014	2013
Wholesale	-	-	114	-
Rent income	-	-	587	49
Rent expense	-	-	22	8
Other income	-	-	1,925	1,982
Investment income	10	54	2,973	2,273
Interest expense	4	-	-	-
Purchases of property, plant and equipment	-	-	-	125
Purchases of inventory	-	-	95,956	153,218
Loans given	4,288	9,445	145,310	53,171
Loans given repayment	4,288	9,499	141,930	67,613
Loans obtained	7,668	-	-	-
Loans obtained repayment	7,672	-	-	-

Short-term employee benefits of Group management and members of the Board of Directors of the Group for the six months ended 30 June 2014 were USD 4,285 thousand (for the six months ended 30 June 2013: USD 4,382 thousand).

6. Property, plant and equipment

Property, plant and equipment (PPE) as at 30 June 2014 and 31 December 2013 consisted of the following:

	Land	Buildings	Machinery and equipment	Other assets	Assets under construction	Total
Cost						
At 1 January 2014	**264,963**	**3,951,997**	**1,480,759**	**938,088**	**613,175**	**7,248,982**
Additions	26,563	-	121,977	33,104	398,996	**580,640**
Transfers	-	344,244	-	-	(344,244)	**-**
Disposals	(627)	(9,335)	(7,762)	(7,394)	(2,227)	**(27,345)**
Transfer from land lease rights	3,003	-	-	-	-	**3,003**
Translation difference	(5,941)	(92,492)	(35,108)	(24,112)	(14,328)	**(171,981)**
At 30 June 2014	**287,961**	**4,194,414**	**1,559,866**	**939,686**	**651,372**	**7,633,299**
Accumulated depreciation and impairment						
At 1 January 2014	**-**	**(364,081)**	**(662,943)**	**(259,141)**	**-**	**(1,286,165)**
Charge for the period	-	(71,883)	(122,167)	(44,005)	-	**(238,055)**
Disposals	-	484	4,349	5,230	-	**10,063**
Translation difference	-	6,894	13,042	5,393	-	**25,329**
At 30 June 2014	**-**	**(428,586)**	**(767,719)**	**(292,523)**	**-**	**(1,488,828)**
Net book value						
At 1 January 2014	**264,963**	**3,587,916**	**817,816**	**678,947**	**613,175**	**5,962,817**
At 30 June 2014	**287,961**	**3,765,828**	**792,147**	**647,163**	**651,372**	**6,144,471**

(All amounts are in thousands of US Dollars if not otherwise indicated)

6. Property, plant and equipment (continued)

Property, plant and equipment as at 30 June 2013 and 31 December 2012 consisted of the following:

	Land	Buildings	Machinery and equipment	Other assets	Assets under construction	Total
Cost						
At 1 January 2013	**223,323**	**3,314,397**	**1,246,233**	**746,893**	**669,176**	**6,200,022**
Additions	20,447	-	147,012	60,994	426,720	**655,173**
Transfers	-	369,676	-	-	(369,676)	-
Disposals	(133)	(2,286)	(14,732)	(1,797)	(1,822)	**(20,770)**
Transfer from land lease rights	2,760	-	-	-	-	**2,760**
Translation difference	(17,144)	(255,743)	(95,858)	(56,411)	(50,653)	**(475,809)**
At 30 June 2013	**229,253**	**3,426,044**	**1,282,655**	**749,679**	**673,745**	**6,361,376**
Accumulated depreciation and impairment						
At 1 January 2013	**-**	**(255,928)**	**(512,137)**	**(205,139)**	**-**	**(973,204)**
Charge for the period	-	(64,997)	(111,814)	(35,640)	-	**(212,451)**
Disposals	-	372	13,781	1,245	-	**15,398**
Translation difference	-	21,625	41,652	16,432	-	**79,709**
At 30 June 2013	**-**	**(298,928)**	**(568,518)**	**(223,102)**	**-**	**(1,090,548)**
Net book value						
At 1 January 2013	**223,323**	**3,058,469**	**734,096**	**541,754**	**669,176**	**5,226,818**
At 30 June 2013	**229,253**	**3,127,116**	**714,137**	**526,577**	**673,745**	**5,270,828**

During the six months ended 30 June 2014, the weighted average capitalisation rate on funds borrowed is 8.26% per annum (during the six months ended 30 June 2013: 8.71%).

7. Land lease rights

Land lease rights as at 30 June 2014 and 31 December 2013 consisted of the following:

	Land lease rights
Cost	
At 1 January 2014	**105,920**
Additions	1,058
Disposals	(86)
Transfer to PPE	(3,003)
Translation difference	(2,920)
At 30 June 2014	**100,969**
Accumulated amortization and impairment	
At 1 January 2014	**(6,347)**
Charge for the period	(965)
Eliminated on disposals	12
Translation difference	132
At 30 June 2014	**(7,168)**
Net book value	
At 1 January 2014	**99,573**
At 30 June 2014	**93,801**

(All amounts are in thousands of US Dollars if not otherwise indicated)

7. Land lease rights (continued)

Land lease rights as at 30 June 2013 and 31 December 2012 consisted of the following:

	Land lease rights
Cost	
At 1 January 2013	**100,383**
Additions	11,375
Transfer to PPE	(2,760)
Translation difference	(7,617)
At 30 June 2013	**101,381**
Accumulated amortization and impairment	
At 1 January 2013	**(4,650)**
Charge for the period	(1,043)
Translation difference	386
At 30 June 2013	**(5,307)**
Net book value	
At 1 January 2013	**95,733**
At 30 June 2013	**96,074**

During the six months ended 30 June 2014, amortization charge of land lease rights was capitalised to cost of property, plant and equipment in the amount of USD 303 thousand (during the six months ended 30 June 2013: USD 429 thousand).

8. Intangible assets

Intangible assets as at 30 June 2014 and 31 December 2013 consisted of the following:

	Licenses	Lease rights	Software	Trade marks	Other	Total
Cost						
At 1 January 2014	**2,954**	**4,804**	**20,878**	**674**	**1,569**	**30,879**
Additions	799	36	3,007	17	834	**4,693**
Disposals	(203)	(74)	(1,167)	(14)	(325)	**(1,783)**
Translation difference	(55)	(130)	(485)	(17)	(24)	**(711)**
At 30 June 2014	**3,495**	**4,636**	**22,233**	**660**	**2,054**	**33,078**
Accumulated amortization and impairment						
At 1 January 2014	**(1,042)**	**(717)**	**(5,578)**	**(298)**	**(625)**	**(8,260)**
Charge for the period	(413)	(296)	(2,620)	(67)	(582)	**(3,978)**
Disposals	203	74	1,166	14	325	**1,782**
Translation difference	19	11	91	6	7	**134**
At 30 June 2014	**(1,233)**	**(928)**	**(6,941)**	**(345)**	**(875)**	**(10,322)**
Net book value						
At 1 January 2014	**1,912**	**4,087**	**15,300**	**376**	**944**	**22,619**
At 30 June 2014	**2,262**	**3,708**	**15,292**	**315**	**1,179**	**22,756**

(All amounts are in thousands of US Dollars if not otherwise indicated)

8. Intangible assets (continued)

Intangible assets as at 30 June 2013 and 31 December 2012 consisted of the following:

	Licenses	Lease rights	Software	Trade marks	Other	Total
Cost						
At 1 January 2013	**2,281**	**4,356**	**17,355**	**711**	**902**	**25,605**
Additions	381	1,795	3,873	22	518	**6,589**
Disposals	(149)	(334)	(4,055)	(33)	(152)	**(4,723)**
Translation difference	(175)	(386)	(1,230)	(50)	(83)	**(1,924)**
At 30 June 2013	**2,338**	**5,431**	**15,943**	**650**	**1,185**	**25,547**
Accumulated amortization and impairment						
At 1 January 2013	**(775)**	**(829)**	**(6,247)**	**(205)**	**(326)**	**(8,382)**
Charge for the period	(353)	(1,028)	(2,868)	(72)	(336)	**(4,657)**
Disposals	149	334	4,055	31	152	**4,721**
Translation difference	66	94	385	17	33	**595**
At 30 June 2013	**(913)**	**(1,429)**	**(4,675)**	**(229)**	**(477)**	**(7,723)**
Net book value						
At 1 January 2013	**1,506**	**3,527**	**11,108**	**506**	**576**	**17,223**
At 30 June 2013	**1,425**	**4,002**	**11,268**	**421**	**708**	**17,824**

Amortization expense is included in general and administrative expenses (Note 23).

9. Inventories

Inventory as at 30 June 2014 and 31 December 2013 consisted of the following:

	30 June 2014	31 December 2013
Goods for resale	1,667,560	1,627,700
Materials and supplies	101,852	86,225
	1,769,412	1,713,925

Materials and supplies are represented by spare parts, packaging materials and other materials used in hypermarkets, stores and warehouses.

10. Advances paid

Advances paid as at 30 June 2014 and 31 December 2013 consisted of the following:

	30 June 2014	31 December 2013
Advances to third party suppliers	57,181	68,307
Advances for customs duties	10,617	26,941
Advances to employees	2,643	1,622
Advances to related party suppliers	15	18
	70,456	96,888

(All amounts are in thousands of US Dollars if not otherwise indicated)

11. Short-term financial assets

Short-term financial assets as at 30 June 2014 and 31 December 2013 consisted of the following:

	Weighted average interest rate	30 June 2014	Weighted average interest rate	31 December 2013
Short-term loans to related parties	10.07%	40,802	9.23%	35,032
Short-term loans to third parties	11.99%	1,071	9.63%	31
Other short-term loans to related parties	–	–	9.85%	93
		41,873		**35,156**

During the six months ended 30 June 2014 the Group issued short-term loans to a number of related parties in amount of RUB 1,367,625 thousand (USD 40,666 thousand). Interest outstanding as at 30 June 2014 is RUB 4,570 thousand (USD 136 thousand). Loans maturing in May 2015 bear fixed interest rate of 9.00 -12% (2013: 9.20-9.25%) per annum. Loans are unsecured as at 30 June 2014.

12. Cash and cash equivalents

Cash and cash equivalents as at 30 June 2014 and 31 December 2013 consisted of the following:

	30 June 2014	31 December 2013
Petty cash, in RUB	37,930	43,836
Cash in banks, in RUB	2,801	11,671
Cash in banks, in foreign currency	263	113
Cash in transit, in RUB	69,911	125,598
	110,905	**181,218**

Cash in transit represents cash collected by banks from the Group's stores and not deposited in bank accounts as at 30 June 2014 and 31 December 2013.

13. Share capital, share premium and treasury shares

Share capital as at 30 June 2014 amounted to USD 34 thousand. There were no changes compared to 31 December 2013.

During the six months ended 30 June 2014, 879,467 treasury shares were sold by the Group for total cash consideration of RUB 7,146,608 thousand (USD 199,506 thousand at exchange rate at the date of transaction). The difference between cash received and the carrying value of shares was recorded as increase of share premium in amount of USD 4,310 thousand and decrease of foreign currency translation reserve in amount of USD 1,261 thousand.

During the six months ended 30 June 2014 the Group purchased 946,399 of own ordinary shares from the open market.

(All amounts are in thousands of US Dollars if not otherwise indicated)

14. Dividends declared

During the six months ended 30 June 2014 the Group declared dividends to shareholders relating to 2013:

	30 June 2014
Dividends declared for 2013 (2.57 USD for 1 share)	243,166

During the six months ended 30 June 2013 the Group declared dividends to shareholders relating to 2012:

	30 June 2013
Dividends declared for 2012 (1.75 USD for 1 share)	165,149

During the six months ended 30 June 2014 the Group paid dividends in amount of USD 245,107 thousand (for the six months ended 30 June 2013: USD 157,983 thousand). At 30 June 2014 the amount of liability for unpaid dividends is USD 1 thousand (at 31 December 2013: USD 1 thousand, at 30 June 2013: USD 22 thousand).

Dividends proposed for the six months 2014 (not recognised as a liability as at 30 June 2014):

Dividends proposed for the six months 2014 (2.19 USD for 1 share)	207,242

The dividends for the six months 2014 were proposed by the Board of Directors on 31 July 2014, subject to approval by shareholders.

15. Long-term borrowings and loans

	30 June 2014		31 December 2013	
	Weighted average interest rate	Amount	Weighted average interest rate	Amount
Sberbank of Russia	8.02%	1,024,273	7.92%	884,779
Bonds issued in April 2013	8.41%	303,269	8.41%	311,623
Bonds issued in February 2013	8.52%	152,790	8.52%	156,968
Bonds issued in 2012	8.93%	152,070	8.93%	156,230
Other	-	-	-	-
Less: current portion (Note 19)	-	(14,039)	-	(365,619)
		1,618,363		1,143,981

(All amounts are in thousands of US Dollars if not otherwise indicated)

15. Long-term borrowings and loans (continued)

Sberbank of Russia: The Group entered into a number of credit line agreements allowing borrowings of up to RUB 34,500,000 thousand (USD 1,025,851 thousand) maturing in July 2015 – March 2017. The amount outstanding as at 30 June 2014 is RUB 34,446,928 thousand (USD 1,024,273 thousand). The credit lines were unsecured as at 30 June 2014.

Bonds: In April 2013 the Group issued bonds of RUB 10,000,000 thousand net of direct issue costs of RUB 13,680 thousand, maturing in March 2016. The total amount outstanding as at 30 June 2014 is RUB 10,000,000 thousand (USD 297,348 thousand) net of RUB 7,980 thousand (USD 237 thousand) of direct issue costs plus accrued interest of RUB 207,100 thousand (USD 6,158 thousand).

In February 2013 the Group issued bonds of RUB 5,000,000 thousand net of direct issue costs of RUB 12,890 thousand, maturing in February 2016. The total amount outstanding as at 30 June 2014 is RUB 5,000,000 thousand (USD 148,674 thousand) net of RUB 7,122 thousand (USD 212 thousand) of direct issue costs plus accrued interest of RUB 145,550 thousand (USD 4,328 thousand).

In September 2012 the Group issued bonds of RUB 5,000,000 thousand net of direct issue costs of RUB 12,922 thousand, maturing in September 2015. The total amount outstanding as at 30 June 2014 is RUB 5,000,000 thousand (USD 148,674 thousand) net of RUB 5,296 thousand (USD 157 thousand) of direct issue costs plus accrued interest of RUB 119,500 thousand (USD 3,553 thousand).

The bonds are listed at the Moscow Exchange MICEX-RTS.

As of 30 June 2014 and 31 December 2013, current portion of long-term loans and borrowings represents accrued interest on borrowings and loans.

16. Trade and other payables

Trade and other payables as at 30 June 2014 and 31 December 2013 consisted of the following:

	30 June 2014	31 December 2013
Trade payables to third parties	1,464,583	1,451,639
Other payables to third parties	21,510	18,136
Trade payables to related parties (Note 5)	2,668	759
Other payables to related parties (Note 5)	1,105	1,263
	1,489,866	**1,471,797**

(All amounts are in thousands of US Dollars if not otherwise indicated)

17. Accrued expenses

Accrued expenses as at 30 June 2014 and 31 December 2013 consisted of the following:

	30 June 2014	31 December 2013
Accrued salaries and wages	137,592	128,421
Other accrued expenses	77,647	73,611
	215,239	**202,032**

18. Taxes payable

Taxes payable as at 30 June 2014 and 31 December 2013 consisted of the following:

	30 June 2014	31 December 2013
Value added tax	144,469	55,081
Social insurance contributions	45,188	44,377
Property tax	20,085	20,917
Employee income tax withholding	18,911	19,366
Other taxes	1,762	1,685
	230,415	**141,426**

19. Short-term borrowings and loans

Short-term loans as at 30 June 2014 and 31 December 2013 consisted of the following:

	Weighted average interest rate	30 June 2014	Weighted average interest rate	31 December 2013
Rosbank	9.28%	172,462	7.10%	213,876
Sberbank of Russia	7.80%	77,785	7.34%	159,843
Alfa-Bank, Rostovskiy Branch	9.46%	65,417	-	-
Bank of Moscow, Krasnodar Branch	9.32%	34,195	7.12%	61,108
JSCB Avangard	7.50%	30,805	-	-
Other	8.10%	93	-	-
Bonds issued in April 2011	-	-	7.77%	154,998
Bonds issued in March 2011	-	-	8.02%	154,261
Current portion of long-term loans (Note 15)		14,039	-	365,619
		394,796		**1,109,705**

Rosbank: The Group entered into a number of credit line agreements allowing borrowings of up to RUB 7,000,000 thousand (USD 208,144 thousand) effective till June 2015 – February 2016. The amount outstanding as at 30 June 2014 is RUB 5,800,000 thousand (USD 172,462 thousand) maturing in July 2014. The credit lines were unsecured as at 30 June 2014.

(All amounts are in thousands of US Dollars if not otherwise indicated)

19. Short-term borrowings and loans (continued)

Sberbank of Russia: The Group entered into a credit line agreement allowing borrowings of up to RUB 2,500,000 thousand (USD 74,337 thousand) and overdraft agreement allowing borrowings of up to 3,000,000 (USD 89,204 thousand) effective till November 2014. The amount outstanding as at 30 June 2014 is RUB 2,610,500 thousand (USD 77,623 thousand) plus interest accrued of RUB 5 462 thousand (USD 162 thousand) maturing in July 2014 – November 2014. The credit lines were unsecured as at 30 June 2014.

Alfa-Bank, Rostovskiy Branch: The Group entered into a number of credit line agreements allowing borrowings of up to RUB 13,500,000 thousand (USD 401,420 thousand) effective till September 2014 – April 2017. The amount outstanding as at 30 June 2014 is RUB 2,200,000 thousand (USD 65,417 thousand) maturing in July 2014. The credit lines were unsecured as at 30 June 2014.

Bank of Moscow, Krasnodar Branch: The Group entered into a credit line agreement allowing borrowings of up to RUB 7,000,000 thousand (USD 208,144 thousand) maturing in April 2016. The amount outstanding as at 30 June 2014 is RUB 1,150,000 thousand (USD 34,195 thousand) maturing in July 2014. The credit lines were unsecured as at 30 June 2014.

JSCB Avangard: The Group entered into a number of credit agreements allowing borrowings of up to RUB 1,036,000 thousand (USD 30,805 thousand) effective till November 2014 – December 2014. The amount outstanding as at 30 June 2014 is RUB 1,036,000 thousand (USD 30,805 thousand) maturing in November 2014 – December 2014. The credit lines were unsecured as at 30 June 2014.

20. Revenue

Revenue for the six months ended 30 June 2014 and 30 June 2013 consisted of the following:

	For the six months ended 30 June	
	2014	2013
Retail	9,974,492	8,795,224
Wholesale	4,099	1,208
	9,978,591	8,796,432

21. Cost of sales

Cost of sales, classified by function, for the six months ended 30 June 2014 and 30 June 2013 consisted of the following:

	For the six months ended 30 June	
	2014	2013
Retail	7,197,798	6,397,266
Wholesale	3,902	1,208
	7,201,700	6,398,474

(All amounts are in thousands of US Dollars if not otherwise indicated)

21. Cost of sales (continued)

Cost of sales, for the six months ended 30 June 2014 and 30 June 2013 consisted of the following:

	For the six months ended 30 June	
	2014	2013
Cost of goods sold	6,720,021	5,946,819
Transportation expenses	317,955	309,839
Losses due to inventory shortages	163,724	141,816
	7,201,700	**6,398,474**

Cost of sales are reduced by rebates and promotional bonuses received from suppliers.

During the six months ended 30 June 2014, payroll in the amount of USD 83,615 thousand (during the six months ended 30 June 2013: USD 76,023 thousand) was included in transportation expenses within cost of sales.

During the six months ended 30 June 2014, depreciation of production fixed assets in amount of USD 823 thousand (during the six months ended 30 June 2013: nil) was included in cost of goods sold.

22. Selling expenses

Selling expenses for the six months ended 30 June 2014 and 30 June 2013 consisted of the following:

	For the six months ended 30 June	
	2014	2013
Depreciation	38,004	33,555
Packaging and materials	37,621	36,027
Advertising	37,482	12,334
	113,107	**81,916**

(All amounts are in thousands of US Dollars if not otherwise indicated)

23. General and administrative expenses

General and administrative expenses for the six months ended 30 June 2014 and 30 June 2013 consisted of the following:

	For the six months ended 30 June	
	2014	2013
Payroll	855,112	752,701
Rent and utilities	413,846	347,966
Payroll related taxes	249,602	218,463
Depreciation	199,228	178,896
Taxes, other than income tax	41,880	42,094
Repair and maintenance	35,478	27,863
Bank services	23,853	20,490
Security	9,210	10,093
Accrual for unused vacation	5,836	9,983
Bad debt provision	1,463	685
Other expenses	53,403	45,453
	1,888,911	1,654,687

"Other expenses" line includes amortization charge for the six months ended 30 June 2014 in the amount of USD 4,640 thousand (for the six months ended 30 June 2013: USD 5,271 thousand).

24. Finance costs

Finance costs for the six months ended 30 June 2014 and 30 June 2013 consisted of the following:

	For the six months ended 30 June	
	2014	2013
Interest on loans	59,250	43,392
Interest on bonds	29,651	38,564
Interest on finance leases	–	6
Total interest expense for financial liabilities	**88,901**	**81,962**
Less: amounts included in the cost of qualifying assets	(3,315)	(5,915)
	85,586	76,047

25. Other income

Other income for the six months ended 30 June 2014 and 30 June 2013 consisted of the following:

	For the six months ended 30 June	
	2014	2013
Sale of packing	25,517	13,405
Penalties	5,567	7,831
Advertising income	5,001	2,259
Other	3,372	363
	39,457	**23,858**

26. Income tax

The Group's income tax expense for the six months ended 30 June 2014 and 30 June 2013 is as follows:

	For the six months ended 30 June	
	2014	2013
Interim consolidated statement of comprehensive income:		
Current tax	142,105	107,403
Deferred tax	19,411	23,749
Income tax expense reported in the interim consolidated statement of comprehensive income	**161,516**	**131,152**

27. Earnings per share

Earnings per share for the six months ended 30 June 2014 and 30 June 2013 have been calculated on the basis of the net profit for the period and the weighted average number of common shares outstanding during the period.

The calculation of earnings per common share for the six months ended 30 June 2014 and 30 June 2013 is as follows:

	For the six months ended 30 June	
	2014	2013
Profit for the period attributable to equity holders of the parent	559,985	468,913
Weighted average number of shares (in thousands of shares)	94,561	94,561
Basic and diluted earnings per share (in US Dollars)	**5.92**	**4.96**

The Group does not have any potentially dilutive equity instruments.

28. Contingencies, commitments and operating risks

Operating environment

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.

By the Executive Order of the President of Russia "On Special Economic Measures to Protect the Russian Federation's Security" signed on August 6, 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, nuts and other.

The Group's Management believes that these changes will have no material impact on the Group's operation as the Group plans to replace current suppliers from countries that have fallen under the embargo with suppliers from other countries, as well as to increase purchases from existing suppliers from countries that did not fall under the embargo.

Litigation

The Group has been and continues to be the subject of legal proceedings and adjudications from time to time, none of which has had, individually or in aggregate, a material adverse impact on the Group. Management believes that the resolution of all business matters will not have a material impact on the Group's financial position, operating results and cash flows.

Insurance

The insurance industry in the Russian Federation is in the process of development and many forms of insurance protection common in developed markets are not yet generally available in Russia. The Group does not fully cover many risks that a group of a similar size and nature operating in a more economically developed country would insure. Management understands that until the Group obtains adequate insurance coverage there is a risk that the loss or destruction of certain assets could have an adverse effect on the Group's operations and financial position.

(All amounts are in thousands of US Dollars if not otherwise indicated)

28. Contingencies, commitments and operating risks (continued)

Capital and rent commitments

As at 30 June 2014 and 31 December 2013, the Group entered in a number of agreements related to the acquisition of property, plant and equipment:

	30 June 2014	31 December 2013
Within one year	239,706	295,923
In the second to fifth years inclusive	49,753	18,849
	289,459	**314,772**

The Group entered in a number of cancellable short-term and long-term rental agreements. The Group plans to prolong these agreements in the future. The expected annual lease payments under these agreements amount to approximately USD 650 million (for the six month ended 30 June 2013: USD 487 million).

29. Financial risk management objectives and policies

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity ratios.

Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements.

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

	Carrying amount		Fair value	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Long-term borrowings and loans	1,024,273	533,728	971,063	527,577
Bonds	608,129	934,077	595,916	922,568

The fair value of loans from banks is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. Long-term borrowing and loans are categorized as Level 2 within the fair value hierarchy. For quoted bonds (Level 1) the fair value was determined based on quoted market prices. No transfers occurred between levels in the hierarchy during the reporting period.

29. Financial risk management objectives and policies (continued)

Fair values (continued)

Fair values of financial instruments of the Group other than disclosed above approximate to their carrying amounts as at 30 June 2014 and 31 December 2013.

Foreign currency risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when purchase is denominated in a different currency from the Group's functional currency).

The Group is not exposed to material foreign currency risks because no subsidiaries of the Group are located outside the Russian Federation and transactions and balances in foreign currencies are not significant.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk arises with respect to operating activities (primarily for trade and other receivables) and investing activities (cash, short-term and long-term loans).

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as presented in the statement of financial position.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built a liquidity risk management framework for management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

30. Subsequent events

There were no significant events after the reporting date other than disclosed elsewhere in the interim condensed consolidated financial statements.