PJSC Cherkizovo Group

Unaudited Condensed Consolidated Interim Financial Statements
For the Six Months Ended 30 June 2015

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PJSC CHERKIZOVO GROUP

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

Management is responsible for the preparation of condensed consolidated interim financial statements that present fairly the financial position of Public Joint-Stock Company Cherkizovo Group and its subsidiaries (together "the Group") as of 30 June 2015, and the results of the Group's operations, cash flows and changes in equity for the six months then ended, in compliance with accounting principles generally accepted in the United States of America ("US GAAP").

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

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in US GAAP are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position, financial performance and cash flows; and,
- Making an assessment of the Group's ability to continue as a going concern.

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 consolidated financial statements of the Group comply with US GAAP;
- Maintaining statutory accounting records in compliance with Russian legislation and accounting standards;
- 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 condensed consolidated interim financial statements of the Group for the six months ended 30 June 2015 were approved by management on 20 August 2015.

On behalf of the Management:

Sergei Mikhailov
Chief Executive Officer

20 August 2015

Ludmila Mikhailova
Chief Financial Officer

20 August 2015

Deloitte.

ZAO Deloitte & Touche CIS
5 Lesnaya Street
Moscow, 125047
Russia

Tel: +7 (495) 787 06 00
Fax: +7 (495) 787 06 01
www.deloitte.ru

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Board of Directors and Shareholders of PJSC Cherkizovo Group:

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of PJSC Cherkizovo Group and it's subsidiaries (together "the Group") as of 30 June 2015 and the related condensed consolidated interim income statement, cash flow statement, and statement of changes in equity for the six months then ended, and a summary of significant accounting policies and other explanatory information (together, the "Interim Financial Statements"). Management is responsible for the preparation and presentation of these Interim Financial Statements in accordance with accounting principles generally accepted in the United States of America. Our responsibility is to express a conclusion on these Interim Financial Statements based on our review.

Scope of Review

We conducted our review in accordance with International Standards 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 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

20 August 2015

Deloitte Touche

Moscow, Russia

Unaudited condensed consolidated interim balance sheet

As of 30 June 2015

	Note	30 June 2015 RUR'000	31 December 2014 RUR'000
ASSETS			
Current assets:			
Cash and cash equivalents		666 672	1 007 554
Trade receivables, net of allowance for doubtful accounts of 84 809 and of 99 071 as of 30 June 2015 and 31 December 2014, respectively		4 033 633	3 953 085
Advances paid, net of allowance for doubtful accounts of 100 550 and of 77 862 as of 30 June 2015 and 31 December 2014, respectively		2 578 764	2 246 624
Inventory	3	14 391 292	12 387 623
Deferred tax assets		150 234	150 235
Other receivables, net of allowance for doubtful accounts of 36 750 and of 8 270 as of 30 June 2015 and 31 December 2014, respectively		1 462 026	1 186 673
Other current assets		3 674 814	2 667 374
Total current assets		**26 957 435**	**23 599 168**
Non-current assets:			
Property, plant and equipment, net	4	55 407 511	53 156 568
Goodwill		557 191	557 191
Other intangible assets, net		1 534 888	1 493 939
Deferred tax assets		68 232	68 232
Notes receivable, net		730 700	555 700
Investments in joint venture	11	295 963	295 963
Long-term deposits in banks		641 365	671 365
Other non-current assets		134 621	90 904
Total non-current assets		**59 370 471**	**56 889 862**
Total assets		**86 327 906**	**80 489 030**

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

Unaudited condensed consolidated interim balance sheet continued

As of 30 June 2015

	Note	30 June 2015 RUR'000	31 December 2014 RUR'000
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Trade accounts payable		5 480 624	4 315 188
Short-term borrowings	5	20 634 961	13 467 709
Tax related liabilities		1 047 905	844 935
Deferred tax liabilities		64 343	64 343
Payroll related liabilities		1 284 556	1 217 693
Advances received		965 917	1 099 337
Payables for non-current assets		771 731	574 073
Interest payable		162 332	90 200
Other payables and accruals		352 619	222 293
Total current liabilities		**30 764 988**	**21 895 771**
Non-current liabilities:			
Long-term borrowings	5	9 639 092	14 284 784
Deferred tax liabilities		48 985	111 373
Tax related liabilities		67 487	67 487
Other liabilities		86 092	177 787
Total non-current liabilities		**9 841 656**	**14 641 431**
Equity:			
Share capital		440	440
Additional paid-in capital		5 591 204	5 591 204
Treasury shares		(78 033)	(78 033)
Retained earnings		39 122 865	37 422 831
Total shareholders' equity		**44 636 476**	**42 936 442**
Non-controlling interests		1 084 786	1 015 386
Total equity		**45 721 262**	**43 951 828**
Total liabilities and equity		**86 327 906**	**80 489 030**

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

Unaudited condensed consolidated interim income statement

For the six months ended 30 June 2015

	Note	Six months ended 30 June 2015 RUR'000	Six months ended 30 June 2014 RUR'000 (as adjusted)*	Year ended 31 December 2014 RUR'000
Sales	7	36 211 140	30 513 508	68 668 409
Cost of sales	8	(26 203 390)	(21 629 749)	(45 719 342)
Gross profit		**10 007 750**	**8 883 759**	**22 949 067**
Selling, general and administrative expense	9	(5 547 253)	(4 568 379)	(9 903 786)
Other operating income, net		183 861	218 330	446 905
Operating income		**4 644 358**	**4 533 710**	**13 492 186**
Other income (expense), net		149 353	64 459	(457 924)
Financial expense, net		(608 332)	(476 141)	(964 119)
Gain from bargain purchase		-	1 378 394	1 378 394
Income before income tax		**4 185 379**	**5 500 422**	**13 448 537**
Income tax		(20 611)	(56 475)	7 654
Net income		**4 164 768**	**5 443 947**	**13 456 191**
Less: Net income attributable to non-controlling interests		(69 400)	(78 285)	(138 400)
Net income attributable to Cherkizovo Group		**4 095 368**	**5 365 662**	**13 317 791**

Weighted average number of shares outstanding – basic		43 855 590	43 846 590	43 851 090
Net income attributable to Cherkizovo Group per share – basic (in Russian rubles):		93.4	122.4	303.7

Weighted average number of shares outstanding – diluted	6	43 855 590	43 855 590	43 851 090
Net income attributable to Cherkizovo Group per share – diluted (in Russian rubles):		93.4	122.3	303.7

* As required by US GAAP comparative information for the six months ended 30 June 2014 has been retrospectively adjusted for the finalisation of the allocation of the purchase price of LISKO Broiler (Note 13).

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

Unaudited condensed consolidated interim cash flow statement

For the six months ended 30 June 2015

	Six months ended 30 June 2015 RUR'000	Six months ended 30 June 2014 RUR'000 (as adjusted)*	Year ended 31 December 2014 RUR'000
Cash flows from (used in) operating activities:			
Net income	4 164 768	5 443 947	13 456 191
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortisation	1 799 795	1 611 624	3 481 944
Bad debt expense	37 937	65 216	121 804
Foreign exchange (gain) loss	(13 940)	52 805	739 117
Deferred tax benefit	(62 387)	(4 393)	(72 125)
Gain on disposal of property, plant and equipment	(127 436)	(218 332)	(446 969)
Gain from bargain purchase	-	(1 378 394)	(1 378 394)
Other adjustments, net	(14 059)	1 901	(361)
Changes in operating assets and liabilities			
Increase in trade receivables	(30 929)	(675 273)	(1 328 884)
Increase in advances paid	(354 768)	(352 794)	(1 113 979)
(Increase) decrease in inventory	(1 926 583)	331 790	(1 994 150)
(Increase) decrease in other receivables and other current assets	(1 359 085)	136 115	(343 925)
(Increase) decrease in other non-current receivables	(43 716)	3 138	2 294
Increase (decrease) in trade accounts payable	1 195 050	(94 089)	(493 525)
Increase in tax related liabilities	250 222	252 837	124 745
(Decrease) increase in other current payables	(37 219)	(380 172)	619 093
Total net cash from operating activities	**3 477 650**	**4 795 926**	**11 372 876**
Cash flows from (used in) investing activities:			
Purchases of long-lived assets	(4 162 862)	(2 695 781)	(6 729 844)
Proceeds from sale of property, plant and equipment	336 959	376 426	1 066 769
Acquisitions of subsidiaries, net of cash acquired (Note 13)	-	(2 176 263)	(3 048 288)
Investments in joint venture	-	129 700	129 700
Issuance of long-term loans and placing of long term deposits	(175 000)	(355 700)	(555 700)
Placing of deposits and issuance of short-term loans	(12 714)	(127 338)	(239 210)
Repayment of short-term loans issued and redemption of deposits	30 000	64 488	105 198
Total net cash used in investing activities	**(3 983 617)**	**(4 784 468)**	**(9 271 375)**

* As required by US GAAP comparative information for the six months ended 30 June 2014 has been retrospectively adjusted for the finalisation of the allocation of the purchase price of LISKO Broiler (Note 13).

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

Unaudited condensed consolidated interim cash flow statement continued

For the six months ended 30 June 2015

	Six months ended 30 June 2015 RUR'000	Six months ended 30 June 2014 RUR'000 (as adjusted)*	Year ended 31 December 2014 RUR'000
Cash flows from (used in) financing activities:			
Proceeds from long-term loans	884 411	966 175	1 957 281
Repayment of long-term loans	(2 600 625)	(2 133 478)	(4 986 462)
Proceeds from short-term loans	8 790 469	5 382 090	11 222 194
Repayment of short-term loans	(4 513 836)	(4 397 296)	(9 884 073)
Dividends paid	(2 395 334)	-	(1 510 169)
Total net cash from (used in) financing activities	**165 085**	**(182 509)**	**(3 201 229)**
Total cash from (used in) operating, investing and financing activities	**(340 882)**	**(171 051)**	**(1 099 728)**
Cash and cash equivalents at the beginning of the period	1 007 554	2 107 282	2 107 282
Cash and cash equivalents at the end of the period	**666 672**	**1 936 231**	**1 007 554**
Supplemental Information:			
Income taxes paid	99 011	32 952	121 776
Interest paid	1 333 598	1 476 496	3 052 669
Subsidies for compensation of interest expense received	863 860	1 128 634	2 569 774
Non cash transactions:			
Property, plant and equipment acquired through vendor financing	771 731	313 103	574 073

* As required by US GAAP comparative information for the six months ended 30 June 2014 has been retrospectively adjusted for the finalisation of the allocation of the purchase price of LISKO Broiler (Note 13).

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

Unaudited condensed consolidated interim statement of changes in equity

For the six months ended 30 June 2015

	Share capital		Treasury shares		Additional paid-in capital	Retained earnings	Total shareholders' equity	Non-controlling interests	Total equity
	RUR'000	number of shares	RUR'000	number of shares	RUR'000	RUR'000	RUR'000	RUR'000	RUR'000
Balances at 1 January 2014	**440**	**43 963 773**	**(83 920)**	**(117 183)**	**5 599 187**	**25 618 770**	**31 134 477**	**876 987**	**32 011 464**
Net income	-	-	-	-	-	5 365 662	5 365 662	78 285	5 443 947
Share-based compensation	-	-	-	-	2 298	-	2 298	-	2 298
Balances at 30 June 2014 (as adjusted)*	**440**	**43 963 773**	**(83 920)**	**(117 183)**	**5 601 485**	**30 984 432**	**36 502 437**	**955 272**	**37 457 709**
Balances at 1 January 2015	**440**	**43 963 773**	**(78 033)**	**(108 183)**	**5 591 204**	**37 422 831**	**42 936 442**	**1 015 386**	**43 951 828**
Net income	-	-	-	-	-	4 095 368	4 095 368	69 400	4 164 768
Dividends (Note 6)	-	-	-	-	-	(2 395 334)	(2 395 334)	-	(2 395 334)
Balances at 30 June 2015	**440**	**43 963 773**	**(78 033)**	**(108 183)**	**5 591 204**	**39 122 865**	**44 636 476**	**1 084 786**	**45 721 262**

* As required by US GAAP comparative information for the six months ended 30 June 2014 has been retrospectively adjusted for the finalisation of the allocation of the purchase price of LISKO Broiler (Note 13).

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

Notes to the unaudited condensed consolidated interim financial statements

For the six months ended 30 June 2015

(in thousands of Russian rubles, unless noted otherwise)

1 Business and environment

Incorporation and history

PJSC Cherkizovo Group (the "Company") and subsidiaries (together "the Group") operations are spread over the full production cycle from grain and feed production and breeding to meat processing and distribution. The operational facilities of the Group include four meat processing plants, eleven pig production complexes, seven poultry production complexes, three combined fodder production plants and four grain farming complexes and swine nucleus unit. The Group also operates three trading houses with subsidiaries in several major Russian cities. The Group owns locally recognised brands, which include Cherkizovo («Черкизово»), Pyat Zvezd («Пять Звезд»), Petelinka («Петелинка»), Kurinoe Tsarstvo («Куриное Царство») and Imperia Vkusa («Империя вкуса») and has a diverse customer base.

Operating environment

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly; tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

Starting from March 2014, sanctions have been imposed by the U.S. and E.U. on certain Russian officials, businessmen and companies.

In December 2014, the Central Bank of the Russian Federation significantly increased its key interest rate and starting from February 2015 started to slightly decrease it, however, as of the date of issuance of these condensed consolidated interim financial statements the rate remains at a high level of 11%, which resulted in growth of interest rates on domestic borrowings. International credit agencies downgraded Russia's long-term foreign currency sovereign rating with a negative outlook.

During 2015 the economic situation is more stable, although the above mentioned events have led to reduced access of the Russian businesses to international capital markets, increased inflation, slackening of the economic growth rates and other negative economic consequences. The impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

2 Summary of significant accounting policies

Basis of preparation

The condensed consolidated interim financial statements of the Group include the accounts of the Company and subsidiaries controlled through direct ownership of the majority of the voting interests. Subsidiaries acquired or disposed of during the periods presented are included in the condensed consolidated interim financial statements from the date of acquisition to the date of disposal.

The condensed consolidated interim financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for the preparation of interim financial information. They do not include all information and notes required by U.S. GAAP in the preparation of annual consolidated financial statements. The accounting policies used in the preparation of the condensed consolidated interim financial statements are the same as those described in the Group's audited consolidated financial statements prepared in accordance with U.S. GAAP for the year ended 31 December 2014. The condensed consolidated balance sheet as of 31 December 2014 is derived from the 31 December 2014 audited consolidated financial statements.

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the unaudited condensed consolidated interim financial statements. Actual results may differ from those estimates. The principal management estimates underlying these financial statements include estimation of discounted future cash flows used in assessing assets for impairment, allowances for bad debts, the calculation of deferred taxes, valuation allowances for deferred tax assets and assets and liabilities acquired in business combinations.

2 Summary of significant accounting policies continued

The financial results for the six months ended 30 June 2015 are not necessarily indicative of the financial results for the full year. The unaudited condensed consolidated interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2014.

Taxation

The Group's effective tax rate for the six months ended 30 June 2015 was 0.49% and was calculated based on the expected effective tax rate for the full year. The gross effective tax rate differs from the statutory rate of 20% largely due to the fact that the statutory rate for entities designated as agricultural entities is 0%.

Change in reporting currency

Following the sharp devaluation of Russian ruble ("RUR") in the fourth quarter of 2014, which is a functional currency of all Group entities, the Group changed its reporting currency from US Dollar to Russian ruble. This change aligns the Group's external financial reporting with the currency profile of the Group. The change in reporting currency has been applied retrospectively, i.e. comparative information is also presented in Russian rubles. As a result of the change in presentation currency, there are no amounts reported in other comprehensive income.

Because Russian ruble is the functional currency of the Company, and each of its subsidiaries, in restating the Group financial statements for the six months ended 30 June 2014 and the year ended 31 December 2014, the Group used the opposite exchange rates to ones used for the initial translation to US Dollar in the respective periods. Equity is stated at historical Russian ruble amounts.

Effect of accounting pronouncements adopted

In April 2014, the FASB issued ASU 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, an amendment to FASB Accounting Standards Codification (ASC) Topic 205, Presentation of Financial Statements, and FASB ASC Topic 360, Property, Plant and Equipment. The update revises the definition of discontinued operations by limiting discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity's operations and financial results, removing the lack of continuing involvement criteria and requiring discontinued operations reporting for the disposal of an equity method investment that meets the definition of discontinued operations. The update also requires expanded disclosures for discontinued operations, including disclosure of pretax profit or loss of an individually significant component of an entity that does not qualify for discontinued operations reporting. This ASU is effective for the Group prospectively beginning in fiscal 2015, with early adoption permitted. The Group adopted the requirements of ASU 2014-08 from 1 January 2015. This adoption did not have an impact on the Group's results of operations, financial position or cash flows.

New accounting pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, issued as a new Topic, ASC Topic 606. The new revenue recognition standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle of the guidance is that a Company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU is effective for the Group beginning in fiscal 2018 and can be adopted by the Group either retrospectively or as a cumulative-effect adjustment as of the date of adoption. The Group has not yet selected a transition method and is currently evaluating the impact of the amended guidance on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, Interest—Imputation of Interest, an amendment to FASB Accounting Standards Codification (ASC) Topic 835, Interest. The update requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. This ASU is effective for the Group retrospectively beginning in fiscal 2016, with early adoption permitted. The Group is currently evaluating the impact of the amended guidance on its consolidated financial statements.

In July 2015, the FASB, issued ASU 2015-11, Inventory, an amendment to FASB Accounting Standards Codification (ASC) Topic 330, Inventory. Topic 330 currently requires to measure inventory at the lower of cost or market. Market could be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin. The amendments in this update requires an entity to measure inventory at the lower of cost and net realizable value. This ASU is effective for the Group prospectively beginning in fiscal 2017, with early adoption permitted. The Group is currently evaluating the impact of the amended guidance on its consolidated financial statements.

(in thousands of Russian rubles, unless noted otherwise)

3 Inventory

Inventory as of 30 June 2015 and 31 December 2014 comprised:

	30 June 2015 RUR'000	31 December 2014 RUR'000
Raw materials	5 492 823	6 035 683
Livestock	5 814 903	4 862 751
Work in-process	2 165 625	1 007 869
Finished goods	917 941	481 320
Total inventory	**14 391 292**	**12 387 623**

4 Property, plant and equipment, net

The carrying amounts of property, plant and equipment as of 30 June 2015 and 31 December 2015 comprised:

	30 June 2015 RUR'000	31 December 2014 RUR'000
Land	1 328 800	1 255 856
Buildings, infrastructure and leasehold improvements	30 879 712	30 554 276
Machinery and equipment	11 491 936	11 097 588
Vehicles	2 200 661	2 027 609
Sows	562 465	554 989
Cattle	24 718	15 744
Other	71 654	60 542
Construction in-progress and equipment for installation	6 545 707	5 731 943
Advances paid for property, plant and equipment	2 301 858	1 858 021
Total property, plant and equipment, net	**55 407 511**	**53 156 568**

Accumulated depreciation amounted to 18 274 494 and 16 629 348 as of 30 June 2015 and 31 December 2014, respectively. Depreciation expense amounted to 1 750 410 and 1 569 549 for the six months ended 30 June 2015 and 2014, respectively, which includes depreciation of leased equipment.

(in thousands of Russian rubles, unless noted otherwise)

5 Borrowings

Borrowings of the Group as of 30 June 2015 and 31 December 2014 comprised:

				30 June 2015 RUR'000		31 December 2014 RUR'000	
	Interest rates	WAIR*	EIR**	Current	Non-current	Current	Non-current
Capital leases	8.57%-16.08%	14.17%	14.17%	62 072	228 745	68 354	259 125
Bonds	9.75%	9.75%	9.75%	2 500 000	-	-	2 500 000
Bank loans	9.50%-16.90%	13.02%	5.56%	3 248 099	2 218 577	2 541 709	3 047 518
Lines of credit	9.36%-22.00%	13.65%	5.89%	14 639 279	7 143 669	10 857 646	8 402 530
Loans from government				-	6 571	-	6 582
Other borrowings				185 511	41 530	-	69 029
				20 634 961	**9 639 092**	**13 467 709**	**14 284 784**
Total borrowings					**30 274 053**		**27 752 493**

* WAIR represents the weighted average interest rate on outstanding loans.
** EIR represents the effective rate on borrowings at period end, adjusted by government subsidies for certain qualifying debt. Since approvals for subsidies are submitted annually by the Group as required by law, the existence of such subsidies in any given year is not necessarily indicative of their existence in future periods.

The contractual maturity of long-term borrowings (excluding finance leases) for the six years ending 30 June 2021 and thereafter is as follows:

Maturity of non-current borrowings	Year ending 01.07.2016 RUR'000	Year ending 01.07.2017 RUR'000	Year ending 01.07.2018 RUR'000	Year ending 01.07.2019 RUR'000	Year ending 01.07.2020 RUR'000	Year ending 01.07.2021 RUR'000	>01.07.2021 RUR'000	Total RUR'000
Total borrowings	7 287 565	3 437 551	2 281 816	1 144 456	753 823	489 306	1 303 395	**16 697 912**

* Calculated as total non-current borrowings less non-current finance leases plus current portion of long-term borrowings (excluding finance leases)

As of 30 June 2015, the Group's borrowings are denominated in the following currencies: 30 261 655 in Russian rubles and 12 398 in Euro. As of 31 December 2014, the Group's borrowings were denominated in the following currencies: 27 735 334 in Russian rubles and 17 159 in Euro.

Interest on the majority of borrowings is paid on a monthly or quarterly basis, with the exception of bonds, for which the interest is paid on a semi-annual basis.

Bonds

Bonds due in April 2016
In April 2014, the Group placed 3 000 000 bonds in rubles at par value 1 000 rubles with a maturity date in April 2016. The Group accounts for these instruments at amortized cost. 500 000 of these bonds were purchased by a Group company upon issuance, for the purpose of selling on the market when funds are required; such bonds have not, to date, been sold on the market.

The remaining 2 500 000 bonds held by third parties are presented as current borrowings as of 30 June 2015. The coupon rate on the bonds, payable semi-annually, was set at 9.75% per annum.

5 Borrowings continued

Lines of credit

Sberbank of Russia
Borrowings from the Sberbank of Russia consist of ten long-term and fourteen short-term ruble denominated lines of credit with interest ranging from 9.5% to 18.0% per annum. Several of these instruments are guaranteed by related parties. Principal payments are due from 2015 to 2020. The amount outstanding was 11 110 581 and 11 396 095 as of 30 June 2015 and 31 December 2014, respectively.

Gazprombank
Borrowings from Gazprombank consist of three long-term and nine short-term ruble denominated lines of credit with interest ranging from 9.4% to 15.9% per annum. Principal payments are due from 2015 to 2022. Amount outstanding was 5 558 689 and 3 552 324 as of 30 June 2015 and 31 December 2014, respectively.

Bank Zenith
Borrowings from Bank Zenith consist of four long-term ruble denominated lines of credit with interest of 13.0% per annum. Principal is due upon maturity to 2016. The amount outstanding was 316 217 and 587 281 as of 30 June 2015 and 31 December 2014, respectively.

Rosselkhozbank
Borrowings from Rosselkhozbank consist of nineteen ruble and one Euro denominated lines of credit with fixed interest rates ranging from 10.5% to 15.0% per annum. Principal payments are due from 2016 to 2020. The amount outstanding was 2 102 510 and 1 766 064 for ruble denominated and 12 398 and 17 159 for Euro denominated lines of credit as of 30 June 2015 and 31 December 2014, respectively.

Bank VTB
Borrowings from Bank VTB consist of twenty nine long-term and two short-term ruble denominated lines of credit with interest ranging from 13.3% to 13.4% per annum. Principal is due upon maturity from 2015 to 2018. Amount outstanding was 1 682 553 and 1 942 040 as of 30 June 2015 and 31 December 2014, respectively.

Alfa-Bank
Borrowings from Alfa-Bank consist of two short-term ruble denominated lines of credit with interest ranging from 11.25% to 22.0% per annum. Principal is due upon maturity from 2015 to 2016. Amount outstanding was 1 000 000 as of 30 June 2015.

The total amount of unused credit on lines of credit as of 30 June 2015 is 18 650 477. The unused credit can be utilized from 2015 to 2016.

Major covenants

Certain significant loan agreements with the Sberbank of Russia, Rosselkhozbank and Alfa-bank contain financial covenants requiring maintenance of specific debt to EBITDA, net sort-term debt to EBITDA, EBIT to Interest expense and debt service coverage ratios. The Group is in compliance with these covenants as of 30 June 2015.

(in thousands of Russian rubles, unless noted otherwise)

6 Shareholders' equity

Earnings per share

Earnings per share for the six months ended 30 June 2015 and 2014 and for the year ended 31 December 2014 have been determined using the weighted average number of Group shares outstanding over the period.

The calculation of weighted average number of shares outstanding after dilution for the reporting periods was as follows:

	Six months ended 30 June 2015	Six months ended 30 June 2014	Year ended 31 December 2014
Weighted average number of shares outstanding - basic	43 855 590	43 846 590	43 851 090
Add back incremental treasury shares in respect of share options	-	9 000	-
Weighted average number of shares outstanding - diluted	**43 855 590**	**43 855 590**	**43 851 090**

Dividends

In accordance with Russian legislation, earnings available for dividends are limited to retained earnings of the Company, calculated in accordance with statutory rules in local currency. In respect of 2014, dividends of approximately RUR 54.6 per share (2 395 334 in total) were approved at the annual shareholders' meeting on 6 April 2015 and have been fully paid during the six months ended 30 June 2015.

7 Sales

Sales for the six months ended 30 June 2015 and 2014 and for the year ended 31 December 2014 comprised:

	Six months ended 30 June 2015 RUR'000	Six months ended 30 June 2014 RUR'000	Year ended 31 December 2014 RUR'000
Produced goods and goods for resale	38 297 862	31 613 488	71 712 893
Other sales	643 528	705 053	1 243 567
Sales volume discounts	(2 237 823)	(1 541 855)	(3 571 085)
Sales returns	(492 427)	(263 178)	(716 966)
Total sales	**36 211 140**	**30 513 508**	**68 668 409**

8 Cost of sales

Cost of sales for the six months ended 30 June 2015 and 2014 and for the year ended 31 December 2014 comprised:

	Six months ended 30 June 2015 RUR'000	Six months ended 30 June 2014 RUR'000	Year ended 31 December 2014 RUR'000
Raw materials and goods for resale	18 495 224	15 218 028	32 187 794
Personnel (excluding pension costs)	3 233 346	2 585 075	5 499 369
Utilities	1 605 605	1 424 766	2 805 909
Depreciation	1 581 404	1 429 071	3 156 465
Pension costs	602 816	463 328	967 537
Other	684 995	509 481	1 102 268
Total cost of sales	**26 203 390**	**21 629 749**	**45 719 342**

Raw materials and goods for resale are offset by subsidies received from local governments in the amount of 19 394, 11 591 and 82 759 for the six months ended 30 June 2015 and 2014 and for the year ended 31 December 2014, respectively. These targeted subsidies are received based on the amount of meat and eggs produced.

(in thousands of Russian rubles, unless noted otherwise)

9 Selling, general and administrative expense

Selling, general and administrative expense for the six months ended 30 June 2015 and 2014 and for the year ended 31 December 2014 comprised:

	Six months ended 30 June 2015 RUR'000	Six months ended 30 June 2014 RUR'000	Year ended 31 December 2014 RUR'000
Personnel (excluding pension costs)	2 120 077	1 756 474	3 653 708
Transportation	603 701	518 377	1 118 105
Pension costs	363 393	323 938	675 623
Taxes (other than income tax)	323 409	237 802	539 837
Advertising and marketing	295 100	189 956	531 910
Materials and supplies	281 003	233 564	624 026
Rent expenses	264 191	241 946	576 573
Depreciation and amortization	218 391	182 553	325 479
Security services	204 142	205 136	415 067
Utilities	83 172	65 090	109 748
Information technology and communication services	82 985	54 508	139 243
Audit, consulting and legal fees	69 272	68 481	184 737
Veterinary services	62 067	53 438	109 934
Insurance	53 343	43 443	91 970
Repairs and maintenance	39 797	22 673	43 739
Bad debt expense	37 937	65 216	121 804
Bank charges	27 381	22 806	39 012
Other	417 892	282 977	603 271
Total selling, general and administrative expense	**5 547 253**	**4 568 379**	**9 903 786**

10 Foreign exchange forward contracts

Starting from March 2015, the Group enters into foreign exchange forward contracts (in US Dollar and Euro) to manage its exposure to foreign exchange rate risks. The Group does not use derivatives for trading or speculative purposes. These contracts were recorded as derivative financial instruments not designated as hedging instruments at fair value with changes in fair value recorded within foreign exchange loss. The fair value measurement is based on the difference between forward and implied spot rates and is classified as Level 2 in the fair value hierarchy.

As of 30 June 2015, the fair value of open foreign currency forward contracts was equal to 73 355 and was recorded within Other current assets line in the balance sheet.

The table below details the Group's sensitivity to deprecation and appreciation of RUR against US Dollar and Euro by 20% with all other variables being held constant:

	30 June 2015	
	20% deprecation	20% appreciation
Gain/(loss) on revelation of foreign currency forward contracts	536 672	(536 672)

(in thousands of Russian rubles, unless noted otherwise)

11 Related parties

Related parties include shareholders, entities under common ownership and control with the Group, members of key management personnel and affiliated companies. The Company and its subsidiaries enter into various transactions with related parties such as the sale and purchase of inventory. In addition, the Group enters into financing transactions with related parties.

Trading transactions

Trading transactions with related parties comprise mostly of purchases of grain crops from and rendering of storage services to TZK NAPKO, Agrarnaya Gruppa and CJSC Penzamyasoprom. The Group also sells sausages, raw meat and poultry to a retail chain "Myasnov". All noted related parties are entities under common ownership and control with the Group.

Trade receivables, trade payables and advances issued are associated with such transactions. The Group expects to settle such balances in the normal course of business.

The Group also received an advance from its joint venture (Tambovskaya Indeika) for future supply of machinery and equipment to be purchased by the Group and resold to the joint venture.

Financing transactions

Certain shareholders as of 30 June 2015 have personally guaranteed certain of the bank loans and lines of credit for a total amount of 1 297 628.

As of 30 June 2015, the Group loaned 730 700 to its joint venture Tambovskaya Indeika. The notes are unsecured, denominated RUR with a fixed interest rate of 2.75% per annum. The notes are payable, together with interest, after 8 years.

As of 30 June 2015 and 31 December 2014, balances with companies under common control are summarized as follows:

Balances	30 June 2015 RUR'000	31 December 2014 RUR'000
Trade receivables	178 326	206 756
Other non-current receivables	105 012	61 609
Advances paid	439 009	25 151
Advances paid for property, plant and equipment	-	127 935
Other receivables	5 905	10 009
Trade payables	13 720	14 408
Other payables	1 549	715
Long-term borrowings	-	14 787

For the six months ended 30 June 2015 and 2014, and for the year ended 31 December 2014, transactions with companies under common control are summarized as follows:

Transactions	Six months ended 30 June 2015 RUR'000	Six months ended 30 June 2014 RUR'000	Year ended 31 December 2014 RUR'000
Sales	1 234 358	928 684	2 156 212
Rent income	54 012	88 634	147 547
Other income	42 800	-	-
Purchases of security services	21 810	18 917	43 311
Purchases of property, plant and equipment	119 230	40 000	108 612
Purchases of goods and other services	126 031	61 023	570 783

(in thousands of Russian rubles, unless noted otherwise)

11 Related parties continued

As of 30 June 2015 and 31 December 2014, balances with the Group's joint ventures are summarized as follows:

Balances	30 June 2015 RUR'000	31 December 2014 RUR'000
Notes receivable, net	730 700	555 700
Trade receivables	807	3 853
Other non-current receivables	16 637	-
Advances paid	41 792	144 770
Other receivables	-	72 696
Trade payables	20 687	3 674
Advances received	782 687	610 439

For the six months ended 30 June 2015 and 2014, and for the year ended 31 December 2014, transactions with the Group's joint ventures are summarized as follows:

Transactions	Six months ended 30 June 2015 RUR'000	Six months ended 30 June 2014 RUR'000	Year ended 31 December 2014 RUR'000
Sales	61 418	3 460	6 407
Rent income	983	2 368	5 125
Purchases of goods and other services	135 772	66 870	125 146

12 Segment reporting

The Group's operations are divided into five segments by types of products produced: poultry, pork, meat processing, grain and feed. Substantially all of the Group's operations are located within the Russian Federation. All segments have different segment managers responsible for the segments' operations. The chief operating decision maker (the Chief Executive Officer) is the individual responsible for allocating resources to and assessing the performance of each segment of the business.

The meat processing segment is involved in the production of a wide range of meat products, including sausages, ham and raw meat. The pork and poultry segments produce and offer distinctive products, such as semi-finished poultry products, raw meat, eggs and other poultry meat products in the poultry segment and raw pork meat in the pork segment. The grain segment was acquired by the Group in May 2011 together with Mosselprom and is involved in the farming of wheat and other crops. The feed segment is involved in the production of feed for internal use by pork and poultry segments. The feed segment was separated starting from 1 January 2015 from the pork and poultry segments after appointment of a segment manager and change in the management reporting structure. The comparative information for the six months ended 30 June 2014 and for the year ended 31 December 2014 has been retrospectively adjusted to reflect the change in the segment reporting. All five segments are involved in other business activities, including production of dairy and other services, which are non-core business activities.

The Group evaluates segment performance based on income before income tax. The Group accounts for inter-segment sales and transfers as if the sales or transfers were to third parties.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

(in thousands of Russian rubles, unless noted otherwise)

12 Segment reporting continued

Segment information for the six months ended 30 June 2015:

	Meat-Processing RUR'000	Poultry RUR'000	Pork RUR'000	Grain RUR'000	Feed RUR'000	Corporate RUR'000	Inter-segment RUR'000	Total consolidated RUR'000
Total sales	12 684 642	21 211 298	7 840 564	128 581	13 133 229	12 136	(18 799 310)	36 211 140
including other sales	204 619	400 241	54 019	29 055	-	12 136	(56 542)	643 528
including sales volume discounts	(1 538 516)	(699 307)	-	-	-	-	-	(2 237 823)
Intersegment sales	(12 378)	(950 762)	(4 786 788)	(49 911)	(12 999 471)	-	18 799 310	-
Sales to external customers	12 672 264	20 260 536	3 053 776	78 670	133 758	12 136	-	36 211 140
Cost of sales	(10 756 936)	(16 892 647)	(4 379 108)	(98 241)	(13 022 347)	-	18 945 889	(26 203 390)
Gross profit	**1 927 706**	**4 318 651**	**3 461 456**	**30 340**	**110 882**	**12 136**	**146 579**	**10 007 750**
Operating expenses	(1 405 412)	(2 353 181)	(488 648)	(27 962)	(177 212)	(929 390)	18 413	(5 363 392)
Operating income (loss)	**522 294**	**1 965 470**	**2 972 808**	**2 378**	**(66 330)**	**(917 254)**	**164 992**	**4 644 358**
Other income (expense), net	(25 319)	73 710	48 293	(7 232)	57 154	253 125	(250 378)	149 353
Financial expense, net	(91 447)	(377 151)	(164 237)	(6 974)	(62 918)	(155 983)	250 378	(608 332)
Segment profit (loss)	**405 528**	**1 662 029**	**2 856 864**	**(11 828)**	**(72 094)**	**(820 112)**	**164 992**	**4 185 379**
Supplemental information:								
Expenditure for segment property, plant and equipment	619 406	1 317 540	702 789	405 683	950 398	150 009	-	4 145 825
Depreciation and amortisation expense	214 681	936 073	394 543	22 397	202 045	30 056	-	1 799 795
Income tax expense (benefit)	19 513	7 164	2 803	(889)	(9 431)	1 451	-	20 611

Operating expenses include selling, general and administrative expense and other operating expense, net. Corporate does not represent a segment. Items included within Corporate represent reconciling items between the balances of the reportable segments, and the consolidated totals for the Group, and include payroll and other expenses of the holding company.

Segment information for the six months ended 30 June 2014:

	Meat-Processing RUR'000	Poultry RUR'000	Pork RUR'000	Grain RUR'000	Feed RUR'000	Corporate RUR'000	Inter-segment RUR'000	Total consolidated RUR'000
Total sales	9 355 841	16 691 657	7 338 619	164 445	8 862 977	10 243	(11 910 274)	30 513 508
including other sales	152 613	483 960	64 835	16 316	1	10 243	(22 915)	705 053
including sales volume discounts	(977 470)	(564 385)	-	-	-	-	-	(1 541 855)
Intersegment sales	(5 400)	(413 721)	(2 660 771)	(97 521)	(8 732 861)	-	11 910 274	-
Sales to external customers	9 350 441	16 277 936	4 677 848	66 924	130 116	10 243	-	30 513 508
Cost of sales	(7 837 604)	(12 625 113)	(4 278 694)	(143 427)	(8 544 306)	(35 790)	11 835 185	(21 629 749)
Gross profit	**1 518 237**	**4 066 544**	**3 059 925**	**21 018**	**318 671**	**(25 547)**	**(75 089)**	**8 883 759**
Operating expenses	(1 307 519)	(2 021 075)	(221 573)	(129 197)	(230 097)	(517 811)	77 223	(4 350 049)
Operating income (loss)	**210 718**	**2 045 469**	**2 838 352**	**(108 179)**	**88 574**	**(543 358)**	**2 134**	**4 533 710**
Other income (expense), net	(4 663)	174 747	3 202	305	(4 387)	227 767	(332 512)	64 459
Financial expense, net	(151 546)	(151 599)	(208 278)	(77 783)	(14 549)	(204 898)	332 512	(476 141)
Gain from bargain purchase	-	-	-	-	-	1 378 394	-	1 378 394
Segment profit (loss)	**54 509**	**2 068 617**	**2 633 276**	**(185 657)**	**69 638**	**857 905**	**2 134**	**5 500 422**
Supplemental information:								
Expenditure for segment property, plant and equipment	300 754	1 331 541	763 447	229 015	132 700	52 045	-	2 809 502
Depreciation and amortisation expense	181 594	818 401	516 719	34 579	40 967	19 364	-	1 611 624
Income tax expense (benefit)	(19 715)	51 782	8 435	43	15 930	-	-	56 475

(in thousands of Russian rubles, unless noted otherwise)

12 Segment reporting continued

Segment information for the year ended 31 December 2014 comprised:

	Meat-Processing RUR'000	Poultry RUR'000	Pork RUR'000	Grain RUR'000	Feed RUR'000	Corporate RUR'000	Inter-segment RUR'000	Total consolidated RUR'000
Total sales	21 884 134	37 529 591	16 660 455	1 738 937	19 384 294	28 263	(28 557 265)	68 668 409
including other sales	43 119	1 005 931	149 478	31 261	1	28 263	(14 486)	1 243 567
including sales volume discounts	(2 272 910)	(1 298 175)	-	-	-	-	-	(3 571 085)
Intersegment sales	(19 306)	(1 344 655)	(7 000 971)	(1 243 970)	(18 948 363)	-	28 557 265	-
Sales to external customers	21 864 828	36 184 936	9 659 484	494 967	435 931	28 263	-	68 668 409
Cost of sales	(18 755 203)	(26 311 662)	(9 155 043)	(966 698)	(18 588 359)	(38 570)	28 096 193	(45 719 342)
Gross profit	**3 128 931**	**11 217 929**	**7 505 412**	**772 239**	**795 935**	**(10 307)**	**(461 072)**	**22 949 067**
Operating expense	(2 817 725)	(4 252 964)	(392 750)	(344 456)	(484 968)	(1 333 126)	169 108	(9 456 881)
Operating income (loss)	**311 206**	**6 964 965**	**7 112 662**	**427 783**	**310 967**	**(1 343 433)**	**(291 964)**	**13 492 186**
Other income (expense), net	(160 019)	1 150 788	114 530	627	(295 895)	(637 045)	(630 910)	(457 924)
Financial expense, net	(266 445)	(389 830)	(396 851)	(126 470)	(45 382)	(370 051)	630 910	(964 119)
Gain from bargain purchase	-	-	-	-	-	1 378 394	-	1 378 394
Segment profit (loss)	**(115 258)**	**7 725 923**	**6 830 341**	**301 940**	**(30 310)**	**(972 135)**	**(291 964)**	**13 448 537**
Supplemental information								
Expenditure for segment property, plant and equipment	733 335	2 607 449	2 525 966	408 572	296 190	149 688	-	6 721 200
Depreciation and amortisation expense	392 941	1 847 365	976 236	142 129	86 177	37 096	-	3 481 944
Income tax expense (benefit)	(16 651)	18 159	24 921	1 219	(5 710)	(29 592)	-	(7 654)

The reconciliation between segment assets and total assets per the consolidated balance sheets as of 30 June 2015 and 31 December 2014 is as follows:

	30 June 2015 RUR'000	31 December 2014 RUR'000
Meat processing	10 720 183	10 554 618
Poultry	45 460 379	43 470 833
Pork	29 617 106	27 173 165
Feed	9 779 801	7 370 600
Grain	5 081 559	2 827 376
Total for reportable segments	**100 659 028**	**91 396 593**
Corporate assets and intersegment eliminations	(14 331 122)	(10 907 562)
Total assets	**86 327 906**	**80 489 030**

Corporate assets comprise cash in bank received from both the issuance of new shares and bond issues and certain other assets.

(in thousands of Russian rubles, unless noted otherwise)

13 Subsidiaries, acquisitions, divestitures

Acquisition of LISKO Broiler

On 24 March 2014, the Group completed an acquisition of 100% of the share capital of ZAO LISKO Broiler ("LISKO") for cash consideration of 3 306 158 of which 3 227 025 has been paid as of 31 December 2014 (presented in the cash flow statement net of cash acquired of 178 737) and 79 133 is payable upon completion of ownership registration of certain land plots.

In the condensed consolidated interim financial statements for the six months ended 30 June 2014 the acquisition was accounted for using historical book values as provisional values based on the assumption that the historical book values were equivalent to fair value at the date of acquisition since there was no other information available at that time.

A valuation report was obtained during the year ended 31 December 2014 and the Group also completed stock counts of acquired assets and correspondingly adjusted purchase price for any shortage or surplus, therefore the Group completed the finalisation of the allocation of the purchase price of LISKO Broiler in the consolidated financial statements for the year ended 31 December 2014. Accordingly, the Group adjusted comparative information for the six months ended 30 June 2014 for the finalisation of the allocation of the purchase price of LISKO Broiler, which had the following effect: cost of sales changed from 21 588 633 to 21 629 749 and gain from bargain purchase changed from nil to 1 378 394.

The following pro forma financial information presents consolidated income statements as if the acquisition occurred as of the beginning of the prior annual reporting period (1 January 2014). In determining proforma amounts, all non-recurring costs were determined to be immaterial. Pro forma information is presented for all preceding comparative periods:

Pro forma Information	**For the six months ended 30 June 2014 RUR'000**	**For the year ended 31 December 2014 RUR'000**
Sales	31 579 343	69 734 300
Operating income	4 638 350	13 596 827
Net income	**5 564 580**	**13 547 457**
Weighted average number of shares outstanding	43 846 590	43 851 090
Earnings per share (RUR)	**124.6**	**309.0**

These unaudited pro forma results have been prepared for comparison purposes only. The unaudited pro forma information does not purport to represent what the Group's financial position or results of operations would actually have been if these transactions had occurred at the beginning of the period or to project the Group's future results of operations.

14 Contingencies

Legal

As of 30 June 2015 and 31 December 2014, several Group companies reported negative net assets in their statutory financial statements. In accordance with the Civil Code of the Russian Federation, under certain circumstances a liquidation process may be initiated against a company reporting negative net assets. Management believes that it is remote that the liquidation process will be initiated against those companies.

The Group has been and continues to be the subject of legal proceedings and adjudications from time to time. Management believes that the resolution of all such outstanding matters will not have a material impact on the Group's financial position or results of operations.

(in thousands of Russian rubles, unless noted otherwise)

14 Contingencies continued

Taxation

Laws and regulations affecting businesses in the Russian Federation continue to change rapidly. These changes are characterized by different interpretations and arbitrary application by the authorities. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. The tax authorities in the Russian Federation frequently take an assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities may be challenged. It is therefore possible that significant additional taxes, penalties and interest may be assessed. Under certain circumstances reviews may cover longer periods. Where uncertainty exists, the Group has accrued tax liabilities as management's best estimate of the probable outflow of resources which will be required to settle such liabilities. Management believes that it has provided adequately for tax liabilities based on its interpretations of tax legislation. However, the relevant authorities may have differing interpretations, and the effects could be significant.

Russian transfer pricing legislation was amended starting from 1 January 2012 to introduce additional reporting and documentation requirements. The new legislation allows the tax authorities to impose additional tax liabilities in respect of certain transactions, including but not limited to transactions with related parties, if they consider transaction to be priced not at arm's length. As the practice of implementation of the new transfer pricing rules has not yet developed and wording of some clauses of the rules is unclear, the impact of challenge of the Group's transfer pricing positions by the tax authorities cannot be reliably estimated.

Environmental remediation costs

The Group's management believes that the Group is in compliance with applicable legislation and is not aware of any potential environmental claims; therefore, no liabilities associated with such costs are recorded as of 30 June 2015.

15 Fair value of financial instruments

The carrying values and fair values of the Group's loans and notes receivable, long-term deposits in banks and borrowings with the exception of capital leases, as of 30 June 2015 and 31 December 2014 are as follows

	30 June 2015 RUR'000		31 December 2014 RUR'000	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Loans receivable*	204 560	187 185	197 467	185 428
Long-term deposits in banks	641 365	451 110	671 365	473 302
Notes receivable, net	730 700	356 056	555 700	270 772
Borrowings other than capital leases **	29 983 236	28 715 794	27 425 014	26 038 357

* Loans receivable include both the long-term loans to affiliates and short-term loans receivable.

* Cost of debt of 15.1% was applied, which did not include the effect of subsidies for interest expense

16 Subsequent events

The Group has evaluated subsequent events through 20 August 2015, the date on which the condensed consolidated interim financial statements are available to be issued.