

O'Key Group S.A.
(formerly named Dorinda Holding S.A.)

**Condensed Consolidated Interim Financial
Statements
for the six months ended 30 June 2010**

Contents

| | |
|--|----|
| Condensed Consolidated Interim Statement of Financial Position | 3 |
| Condensed Consolidated Interim Statement of Comprehensive Income | 5 |
| Condensed Consolidated Interim Statement of Changes in Equity | 6 |
| Condensed Consolidated Interim Statement of Cash Flows | 8 |
| Notes to the Condensed Consolidated Interim Financial Statements | 10 |



KPMG Audit
9, Allée Scheffer
L-2520 Luxembourg

Téléphone +352 22 51 51 1
Fax +352 22 51 71
audit@kpmg.lu
www.kpmg.lu

To the Shareholders of
O'KEY Group S.A. (formerly Dorinda Holding S.A.)
23, rue Beaumont
L-1219 Luxembourg

Independent Auditors' Report on Review of the condensed consolidated interim financial information

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of O'KEY Group S.A. and its subsidiaries (the "Group") as at 30 June 2010 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows, and the notes thereto for the six-month period then ended (the "condensed consolidated interim financial information"). The Board of Directors is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

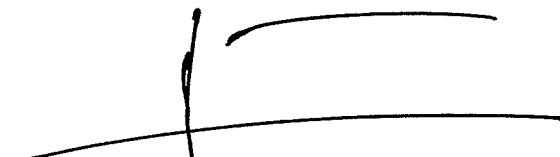
We conducted our review in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2010 is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union.

Luxembourg, 13 September 2010

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



Thierry Ravasio

Condensed Consolidated Interim Statement of Financial Position as at 30 June 2010

| '000 RUR | Note | 30 June 2010 | 31 December 2009 |
|---------------------------------|------|-------------------|-------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Investment property | 14 | 1 575 597 | 1 567 424 |
| Property, plant and equipment | 12 | 19 727 987 | 18 995 363 |
| Construction in progress | 12 | 1 038 341 | 974 042 |
| Intangible assets | 13 | 422 978 | 481 426 |
| Long-term loans issued | | 1 543 | 9 362 |
| Deferred tax asset | 16 | 305 443 | 243 107 |
| Other non-current assets | 15 | 3 540 044 | 3 622 627 |
| Total non-current assets | | 26 611 933 | 25 893 351 |
| Current assets | | | |
| Inventories | 17 | 4 508 043 | 5 145 489 |
| Trade and other receivables | 18 | 962 688 | 980 402 |
| Prepayments for current assets | | 558 514 | 463 162 |
| Short-term loans issued | | 7 872 | 1 724 |
| Cash and cash equivalents | | 487 219 | 1 462 312 |
| Total current assets | | 6 524 336 | 8 053 089 |
| Total assets | | 33 136 269 | 33 946 440 |

Condensed Consolidated Interim Statement of Financial Position as at 30 June 2010

| '000 RUR | Note | 30 June 2010 | 31 December 2009 |
|--------------------------------------|------|-------------------|-------------------|
| EQUITY AND LIABILITIES | | | |
| Equity | 19 | 8 069 314 | 7 135 792 |
| Non-current liabilities | | | |
| Loans and borrowings | 21 | 7 508 322 | 9 026 488 |
| Deferred income tax liability | 16 | 604 383 | 392 541 |
| Deferred income | | - | 1 108 |
| Total non-current liabilities | | 8 112 705 | 9 420 137 |
| Current liabilities | | | |
| Loans and borrowings | 21 | 8 100 867 | 6 439 677 |
| Trade and other payables | 22 | 8 790 910 | 10 800 614 |
| Current income tax payable | | 62 473 | 150 220 |
| Total current liabilities | | 16 954 250 | 17 390 511 |
| Total liabilities | | 25 066 955 | 26 810 648 |
| Total equity and liabilities | | 33 136 269 | 33 946 440 |

Condensed Consolidated Interim Statement of Comprehensive Income for the six months ended 30 June 2010

For the six months ended 30 June

| '000 RUR | Note | 2010 | 2009 |
|---|------|------------------|------------------|
| Revenue | 7 | 38 254 168 | 31 487 861 |
| Cost of goods sold | | (30 147 002) | (24 890 994) |
| Gross profit | | 8 107 166 | 6 596 867 |
| General, selling and administrative expenses | 8 | (5 728 577) | (4 984 378) |
| Other operating income and expenses | 9 | (97 160) | (205 974) |
| Operating profit | | 2 281 429 | 1 406 515 |
| Finance income | | 2 278 | 13 010 |
| Finance costs | | (667 679) | (826 424) |
| Foreign exchange losses | | (278 619) | (679 868) |
| Profit/(loss) before income tax | | 1 337 409 | (86 767) |
| Income tax expense | 11 | (468 728) | (410 206) |
| Profit/(loss) for the period | | 868 681 | (496 973) |
| Other comprehensive income | | | |
| Foreign currency translation differences for foreign operations | | 69 | (22 812) |
| Change in fair value of hedges | | 80 965 | (83 069) |
| Income tax on other comprehensive income | 11 | (16 193) | 16 614 |
| Other comprehensive income for the period, net of income tax | | 64 841 | (89 267) |
| Total comprehensive income for the period | | 933 522 | (586 240) |
| Earnings per share | | | |
| Basic and diluted earnings per share (RUR) | 20 | 3 432 | (160 314) |

Condensed Consolidated Interim Statement of Changes in Equity for the six months ended 30 June 2010)

| '000 RUR | Note | Share capital | Legal reserve | Additional paid-in capital | Hedging reserve | Retained earnings | Revaluation reserve | Translation reserve | Total equity |
|--|------|---------------|---------------|----------------------------|-----------------|-------------------|---------------------|---------------------|--------------|
| Balance at 1 January 2009 | | 1 027 | 111 | 3 663 596 | (122 940) | (1 101 997) | 3 773 360 | 76 373 | 6 289 530 |
| Total comprehensive income for the year | | | | | | | | | |
| Loss for the period | | - | - | - | - | (496 973) | - | - | (496 973) |
| Other comprehensive income | | | | | | | | | |
| Foreign currency translation differences | | - | - | - | - | - | - | (22 812) | (22 812) |
| Change in fair value of hedges | | - | - | - | (83 069) | - | - | - | (83 069) |
| Income tax on other comprehensive income | 11 | - | - | - | 16 614 | - | - | - | 16 614 |
| Total other comprehensive income | | - | - | - | (66 455) | - | - | (22 812) | (89 267) |
| Total comprehensive income for the period | | - | - | - | (66 455) | (496 973) | - | (22 812) | (586 240) |
| Transactions with owners, recorded directly in equity | | - | - | - | - | - | - | - | - |
| Contributions by and distributions to owners | | - | - | - | - | - | - | - | - |
| Total contributions by and distributions to owners | | - | - | - | - | - | - | - | - |
| Balance at 30 June 2009 | | 1 027 | 111 | 3 663 596 | (189 395) | (1 598 970) | 3 773 360 | 53 561 | 5 703 290 |

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 10 to 33.

Condensed Consolidated Interim Statement of Changes in Equity for the six months ended 30 June 2010 (continued)

| '000 RUR | Note | Share capital | Legal reserve | Additional paid-in capital | Hedging reserve | Retained earnings | Revaluation reserve | Translation reserve | Total equity |
|--|------|---------------|---------------|----------------------------|-----------------|-------------------|---------------------|---------------------|--------------|
| Balance at 1 January 2010 | | 109 815 | 111 | 3 676 612 | (105 127) | (387 575) | 3 735 520 | 106 436 | 7 135 792 |
| Total comprehensive income for the period | | | | | | | | | |
| Profit for the period | | - | - | - | - | 868 681 | - | - | 868 681 |
| Other comprehensive income | | | | | | | | | |
| Foreign currency translation differences | | - | - | - | - | - | - | 69 | 69 |
| Change in fair value of hedges | | - | - | - | 80 965 | - | - | - | 80 965 |
| Income tax on other comprehensive income | 11 | - | - | - | (16 193) | - | - | - | (16 193) |
| Total other comprehensive income | | - | - | - | 64 772 | - | - | 69 | 64 841 |
| Total comprehensive income for the period | | - | - | - | 64 772 | 868 681 | - | 69 | 933 522 |
| Transactions with owners, recorded directly in equity | | | | | | | | | |
| Contributions by and distributions to owners | | | | | | | | | |
| Total contributions by and distributions to owners | | - | - | - | - | - | - | - | - |
| Balance at 30 June 2010 | | 109 815 | 111 | 3 676 612 | (40 355) | 481 106 | 3 735 520 | 106 505 | 8 069 314 |

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 10 to 33.

Condensed Consolidated Interim Statement of Cash Flows for the six months ended 30 June 2010

For the six months ended 30 June

| '000 RUR | Note | 2010 | 2009 |
|--|------------|------------------|--------------------|
| Cash flows from operating activities | | | |
| Profit/(loss) before income tax | | 1 337 409 | (86 767) |
| <i>Adjustments for:</i> | | | |
| Depreciation and amortisation | 12, 13, 15 | 736 866 | 646 950 |
| Loss on disposal of non-current assets | | 57 689 | 22 602 |
| Loss from revaluation of investment property | 14 | - | 57 320 |
| Impairment of intangible assets and other non-current assets | 12, 13, 15 | - | 122 723 |
| Finance income | | (2 278) | (13 010) |
| Finance costs | | 667 679 | 826 424 |
| Foreign exchange losses less gains | | 278 619 | 673 225 |
| Cash from operating activities before changes in working capital and provisions | | 3 075 984 | 2 249 467 |
| Change in trade and other receivables | | (91 119) | 464 989 |
| Change in inventories | | 637 446 | (42 910) |
| Change in trade and other payables | | (1 774 838) | (2 973 260) |
| Change in deferred income | | (1 108) | (12 015) |
| Cash flows from operations before income taxes and interest paid | | 1 846 365 | (313 729) |
| Interest paid | | (708 374) | (868 783) |
| Income tax paid | | (418 563) | (277 309) |
| Net cash from/(used in) operating activities | | 719 428 | (1 459 821) |

Condensed Consolidated Interim Statement of Cash Flows for the six months ended 30 June 2010

For the six months ended 30 June

'000 RUR

| | 2010 | 2009 |
|--|--------------------|--------------------|
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment and initial cost of land lease | (1 586 562) | (2 054 974) |
| Purchase of lease rights | - | (46 624) |
| Purchase of other intangible assets | (13 052) | (27 606) |
| Proceeds from sales of property, plant and equipment | 40 204 | - |
| Interest received | 3 949 | 6 975 |
| Net cash used in investing activities | (1 555 461) | (2 122 229) |
| Cash flows from financing activities | | |
| Proceeds from borrowings | 11 740 000 | 8 822 589 |
| Repayment of borrowings | (11 878 033) | (5 436 168) |
| Repayment of finance lease payables | (19 444) | (13 817) |
| Net cash from/(used in) financing activities | (157 477) | 3 372 604 |
| Net decrease in cash and cash equivalents | (993 510) | (209 446) |
| Cash and cash equivalents at beginning of the period | 1 462 312 | 1 673 466 |
| Effect of exchange rate fluctuations on cash and cash equivalents | 18 417 | (96 880) |
| Cash and cash equivalents at end of the period | 487 219 | 1 367 140 |

1 Background

(a) Organisation and operations

The O'Key Group S. A. (the "Company"), formerly named Dorinda Holding S.A., is incorporated and domiciled in Luxembourg. The Company was set up in accordance with Luxembourg regulations. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the "Group"). The main part of the Group is located and conducts its business in the Russian Federation.

In June 2010 the Company has changed its legal name from Dorinda Holding S.A. to O'Key Group S.A..

The Group is ultimately controlled by four individuals, Mr.Korzhev, Mr.Troitsky, Mr.Volchek and Mr.Teder ("the shareholder group"), who have the power to direct the transactions of the Group at their own discretion and for their own benefits. They also have a number of other business interests outside of the Group. Related party transactions are detailed in Note 26.

The Group's principal business activity is operation of retail chain in Russia under brand name "O'Key". At 30 June 2010 the Group operated 52 stores (31 December 2009: 46 stores).

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

(b) Business environment

The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the contraction in the capital and credit markets and its impact on the Russian economy have further increased the level of economic uncertainty in the environment. These condensed consolidated interim financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

(c) Seasonality

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

2 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim financial reporting*. They do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2009 which have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on 13 September 2010.

3 Significant accounting policies

The accounting policies are consistent with those of the annual financial statements for the year ended 31 December 2009, except as described below:

(i) *Classification of leases of land*

As at 1 January 2010 the Group has reassessed its classification of all unexpired long-term land leases either as operating or finance leases. Since 1 January 2010 the Group performs such assessment for all new land leases.

Previously all land leases were treated as operating leases. The change in accounting policy was due to adoption of amendments to IAS 17 *Leases* introduced by *Improvements to IFRS April 2009* which became effective as at 1 January 2010. After the amendments long-term land leases are classified as finance or operating leases in accordance with the general criteria in IAS 17.

The reassessment did not result in reclassification. As at 30 June 2010 the Group classifies all long-term land leases as operating leases.

4 Estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2009 with the exception of revaluation of property, plant and equipment (see note 12) and revaluation of investment property (see note 14).

5 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. In these condensed consolidated interim financial statements the fair values have been determined based on the principles, which are consistent with those applied in the consolidated financial statements for the year ended 31 December 2009.

6 Operating segments

The Group is engaged in management of retail stores located in Russia and has identified retail operations as a single reportable segment.

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

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

The segment represents Group's retail business including advertising and rent income.

Within the segment all business components demonstrate similar economic characteristics:

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

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

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

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

| '000 RUR | 2010 | 2009 |
|----------|------------|------------|
| Revenue | 38 254 168 | 31 487 861 |
| EBITDA | 3 153 535 | 2 261 590 |

A reconciliation of EBITDA to profit/(loss) for the period is as follows:

For six months ended 30 June

| '000 RUR | 2010 | 2009 |
|--|------------------|------------------|
| EBITDA | 3 153 535 | 2 261 590 |
| Revaluation loss | - | (57 320) |
| Loss from disposal of non-current assets | (57 689) | (22 602) |
| Loss from write-off of receivables | (9 230) | - |
| Impairment of receivables | (68 321) | (5 480) |
| Depreciation and amortisation | (736 866) | (646 950) |
| Impairment losses | - | (122 723) |
| Finance income | 2 278 | 13 010 |
| Finance costs | (667 679) | (826 424) |
| Foreign exchange losses | (278 619) | (679 868) |
| Profit/(loss) before income tax | 1 337 409 | (86 767) |
| Income tax | (468 728) | (410 206) |
| Profit/(loss) for the period | 868 681 | (496 973) |

7

Revenue

For six months ended 30 June

| '000 RUR | 2010 | 2009 |
|--|-------------------|-------------------|
| Sales of trading stock | 35 958 027 | 29 399 193 |
| Sales of self-produced catering products | 1 835 318 | 1 656 192 |
| Rental income | 345 111 | 347 395 |
| Revenue from advertising services | 115 712 | 85 081 |
| | 38 254 168 | 31 487 861 |

8 General, selling and administrative expenses

For six months ended 30 June

| '000 RUR | Note | 2010 | 2009 |
|---------------------------------|------|--------------------|--------------------|
| Personnel costs | 10 | (2 786 890) | (2 701 685) |
| Depreciation and amortization | | (736 866) | (646 950) |
| Advertising and marketing | | (192 316) | (138 939) |
| Operating leases | | (464 985) | (288 634) |
| Repairs and maintenance costs | | (113 169) | (95 462) |
| Communication and utilities | | (539 627) | (415 967) |
| Materials and supplies | | (119 128) | (86 927) |
| Security expenses | | (230 610) | (190 861) |
| Insurance and bank commission | | (147 864) | (120 858) |
| Legal and professional expenses | | (79 997) | (44 176) |
| Operating taxes | | (202 744) | (177 327) |
| Other costs | | (114 381) | (76 592) |
| | | <u>(5 728 577)</u> | <u>(4 984 378)</u> |

9 Other operating income and expenses

For six months ended 30 June

| '000 RUR | 2010 | 2009 |
|--|-----------------|------------------|
| Loss from disposal of non-current assets | (57 689) | (22 602) |
| Loss from write-off of receivables | (9 230) | - |
| Impairment of receivables | (68 321) | (5 480) |
| Loss from revaluation of investment property | - | (57 320) |
| Loss from impairment of intangible assets and other non-current assets | - | (122 723) |
| Sundry income | 38 080 | 2 151 |
| | <u>(97 160)</u> | <u>(205 974)</u> |

Sundry income mainly includes penalties (received and paid) on the settlements with suppliers.

10 Personnel costs

For six months ended 30 June

| '000 RUR | 2010 | 2009 |
|-------------------------------------|--------------------|--------------------|
| Wages and salaries | (1 781 150) | (1 602 495) |
| Contributions to state pension fund | (519 911) | (484 840) |
| Employee benefits | (471 153) | (603 807) |
| Other | (14 676) | (10 543) |
| Total personnel costs | (2 786 890) | (2 701 685) |

11 Income tax expense

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

For six months ended 30 June

| '000 RUR | 2010 | 2009 |
|---------------------------------|------------------|------------------|
| Current tax expense | (335 415) | (328 365) |
| Deferred tax expense | (133 313) | (81 841) |
| Total income tax expense | (468 728) | (410 206) |

Income tax recognised directly in other comprehensive income

For six months ended 30 June

| '000 RUR | 2010 | | | 2009 | | |
|---|---------------|-----------------|---------------|------------------|---------------|-----------------|
| | Before tax | Tax | Net of tax | Before tax | Tax | Net of tax |
| Foreign currency translation differences for foreign operations | 69 | - | 69 | (22 812) | - | (22 812) |
| Change in fair value of hedges | 80 965 | (16 193) | 64 772 | (83 069) | 16 614 | (66 455) |
| | 81 034 | (16 193) | 64 841 | (105 881) | 16 614 | (89 267) |

Reconciliation of effective tax rate:

For six months ended 30 June

| '000 RUR | 2010 | 2009 |
|---|-------------------------|-------------------------|
| Profit/(loss) before income tax | <u>1 337 409</u> | <u>(86 767)</u> |
| Income tax at applicable tax rate (20%) | (267 482) | 17 353 |
| Effect of income taxed at different rates | (35 617) | (8 779) |
| Tax effect of items which are not deductible or assessable for taxation purposes: | | |
| - Inventory shrinkage expenses | (135 338) | (128 911) |
| - Other non-deductible expenses | (18 700) | (29 940) |
| Write-off of deferred tax asset of tax losses carried forward | (10 258) | (223 304) |
| Adjustments to current income tax for previous periods | <u>(1 333)</u> | <u>(36 625)</u> |
| Income tax expense for the year | <u>(468 728)</u> | <u>(410 206)</u> |

12 Property, plant and equipment

| '000 RUR | Land | Buildings | Leasehold improve- ments | Auxiliary facilities | Machinery and equipment | Other fixed assets | Construction in progress | Total |
|--|------------------|-------------------|--------------------------------|-------------------------|-------------------------------|-----------------------|-----------------------------|-------------------|
| <i>Cost or deemed cost/Revalued amount</i> | | | | | | | | |
| Balance at 1 January 2009 | 6 505 365 | 8 543 427 | 201 496 | 30 946 | 2 500 380 | 1 052 483 | 1 947 007 | 20 781 104 |
| Additions | 92 000 | 892 151 | 142 289 | 433 | 178 410 | 139 729 | 283 362 | 1 728 374 |
| Transfers | - | 659 585 | - | - | 26 826 | - | (686 411) | - |
| Transfers to Investment Property | - | - | - | - | - | - | (547 503) | (547 503) |
| Disposals | - | - | - | (2 313) | (1 760) | (1 166) | (7 086) | (12 325) |
| Balance at 30 June 2009 | 6 597 365 | 10 095 163 | 343 785 | 29 066 | 2 703 856 | 1 191 046 | 989 369 | 21 949 650 |
| Balance at 1 January 2010 | 6 100 379 | 10 098 051 | 695 855 | 29 627 | 3 099 213 | 1 295 536 | 974 042 | 22 292 703 |
| Additions | - | 176 496 | 334 360 | 1 630 | 481 864 | 230 376 | 254 639 | 1 479 365 |
| Transfers | (74 924) | 74 924 | 62 803 | - | (207 659) | 306 308 | (161 452) | - |
| Disposals | - | - | - | - | (1 853) | (19 103) | (28 888) | (49 844) |
| Balance at 30 June 2010 | 6 025 455 | 10 349 471 | 1 093 018 | 31 257 | 3 371 565 | 1 813 117 | 1 038 341 | 23 722 224 |

| '000 RUR | Land | Buildings | Leasehold improve- ments | Auxiliary facilities | Machinery and equipment | Other fixed assets | Construction in progress | Total |
|---|------|------------------|--------------------------------|-------------------------|-------------------------------|-----------------------|-----------------------------|--------------------|
| Depreciation and impairment losses | | | | | | | | |
| Balance at 1 January 2009 | - | - | (1 169) | (15 556) | (933 887) | (546 393) | (300 000) | (1 797 005) |
| Depreciation for the period | - | (145 928) | (17 000) | (579) | (239 573) | (157 001) | - | (560 081) |
| Transfers to investment property | - | - | - | - | - | - | 300 000 | 300 000 |
| Disposals | - | - | - | 1 639 | 169 | 1 091 | - | 2 899 |
| Balance at 30 June 2009 | - | (145 928) | (18 169) | (14 496) | (1 173 291) | (702 303) | - | (2 054 187) |
| Balance at 1 January 2010 | - | - | (42 522) | (16 026) | (1 460 668) | (804 082) | - | (2 323 298) |
| Depreciation for the period | - | (169 565) | (46 498) | (1 056) | (292 401) | (127 523) | - | (637 043) |
| Disposals | - | - | - | - | 706 | 3 739 | - | 4 445 |
| Balance at 31 December 2010 | - | (169 565) | (89 020) | (17 082) | (1 752 363) | (927 866) | - | (2 955 896) |

| '000 RUR | Land | Buildings | Leasehold improve- ments | Auxiliary facilities | Machinery and equipment | Other fixed assets | Construction in progress | Total |
|-----------------------|-----------|------------|--------------------------------|-------------------------|-------------------------------|-----------------------|-----------------------------|------------|
| <i>Net book value</i> | | | | | | | | |
| At 1 January 2009 | 6 505 365 | 8 543 427 | 200 327 | 15 390 | 1 566 493 | 506 090 | 1 647 007 | 18 984 099 |
| At 30 June 2009 | 6 597 365 | 9 949 235 | 325 616 | 14 570 | 1 530 565 | 488 743 | 989 369 | 19 895 463 |
| At 1 January 2010 | 6 100 379 | 10 098 051 | 653 333 | 13 601 | 1 638 545 | 491 454 | 974 042 | 19 969 405 |
| At 30 June 2010 | 6 025 455 | 10 179 906 | 1 003 998 | 14 175 | 1 619 202 | 885 251 | 1 038 341 | 20 766 328 |

The Group believes that fair value of land and buildings has not changed significantly as at 30 June 2010 as compared to 31 December 2009 and as at 30 June 2009 as compared to 31 December 2008. Therefore, revaluation of land and buildings was not performed as at 30 June 2009 and 30 June 2010.

As at 30 June 2010 the Group performed reclassification of property, plant and equipment with cost of RUR 292 395 thousand from machinery and equipment to other fixed assets. The Group believes that such presentation is more appropriate.

Depreciation expense of RUR 637 043 thousand has been charged to selling, general and administrative expenses (six months ended 30 June 2009: RUR 560 081 thousand).

13 Intangible assets

| '000 RUR | Software | Lease rights | Total |
|---|------------------|------------------|------------------|
| Cost | | | |
| Balance at 1 January 2009 | 117 902 | 230 572 | 348 474 |
| Additions | 27 606 | 208 460 | 236 066 |
| Transfer from other assets | - | 52 443 | 52 443 |
| Balance at 30 June 2009 | 145 508 | 491 475 | 636 983 |
| Balance at 1 January 2010 | 200 002 | 491 475 | 691 477 |
| Additions | 13 052 | - | 13 052 |
| Balance at 30 June 2010 | 213 054 | 491 475 | 704 529 |
| Amortisation and impairment losses | | | |
| Balance at 1 January 2009 | (64 538) | - | (64 538) |
| Amortisation for the period | (20 682) | (37 464) | (58 146) |
| Impairment losses | - | (11 723) | (11 723) |
| Balance at 30 June 2009 | (85 220) | (49 187) | (134 407) |
| Balance at 1 January 2010 | (116 637) | (93 414) | (210 051) |
| Amortisation for the period | (39 832) | (31 668) | (71 500) |
| Balance at 30 June 2010 | (156 469) | (125 082) | (281 551) |
| Carrying amounts | | | |
| At 1 January 2009 | 53 364 | 230 572 | 283 936 |
| At 30 June 2009 | 60 288 | 442 288 | 502 576 |
| At 1 January 2010 | 83 365 | 398 061 | 481 426 |
| At 30 June 2010 | 56 585 | 366 393 | 422 978 |

Amortisation and impairment charge

Amortisation of RUR 71 500 thousand has been charged to selling, general and administrative expenses (6 months ended 30 June 2009: RUR 58 146 thousand).

Impairment losses for six months ended 30 June 2009 have been included in other operating expenses in the amount of RUR 11 723 thousand.

14 Investment property

| '000 RUR | Investment property | Investment property under construction | Total investment property |
|---|---------------------|--|---------------------------|
| Investment properties at fair value as at 1 January 2009 | 1 041 642 | - | 1 041 642 |
| Additions | - | 41 463 | 41 463 |
| Transfers from property, plant and equipment | - | 247 503 | 247 503 |
| Expenditure on subsequent improvements | 424 | - | 424 |
| Fair value gain/(loss) | (173 954) | 116 634 | (57 320) |
| Investment properties at fair value as at 30 June 2009 | 868 112 | 405 600 | 1 273 712 |
| Investment properties at fair value as at 1 January 2010 | 1 161 824 | 405 600 | 1 567 424 |
| Additions | - | 5 470 | 5 470 |
| Expenditure on subsequent improvements | 2 703 | - | 2 703 |
| Investment properties at fair value as at 30 June 2010 | 1 164 527 | 411 070 | 1 575 597 |

As at 31 December 2008 and 2009 the fair value of investment property has been determined by independent appraisers. The fair value of investment properties as at 30 June 2010 and 30 June 2009 was updated by the Group applying income approach.

An estimate was made for 5 years, which is mainly based on annual net rent rate varying from RUR 6 900 to RUR 11 100 per sq.m. (30 June 2009: from RUR 6 900 to RUR 11 100 per sq.m.) and full occupancy. The annual net operating income is assumed to be constant from year 6 to perpetuity. Discount rates from 19.4% to 20.8% (30 June 2009: from 19.4% to 20.8%) were applied, dependent on local risk factors.

Fair value of investment properties as at 30 June 2010 did not significantly change as compared to 31 December 2009. Therefore, no fair value gain/(loss) was recognized as at 30 June 2010 (30 June 2009: loss RUR 57 320 thousand).

15 Other non-current assets

| '000 RUR | 30 June 2010 | 31 December 2009 |
|------------------------------------|------------------|------------------|
| Prepayments for non-current assets | 446 335 | 688 768 |
| Initial cost of land lease | 2 954 383 | 2 787 467 |
| Long-term deposits to lessors | 104 241 | 95 359 |
| Deferred bank commissions | 35 085 | 51 033 |
| | 3 540 044 | 3 622 627 |

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

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

| '000 RUR | 2010 | 2009 |
|---|------------------|------------------|
| <i>Cost</i> | | |
| Balance at 1 January | 3 290 913 | 3 299 117 |
| Additions | 247 733 | 16 557 |
| Disposals | (56 334) | (6 740) |
| Balance at 30 June | 3 482 312 | 3 308 934 |
| <i>Amortization and impairment losses</i> | | |
| Balance at 1 January | (503 446) | (335 243) |
| Amortization charge | (28 323) | (28 723) |
| Impairment losses | - | (111 000) |
| Disposals | 3 840 | 1 029 |
| Balance at 30 June | (527 929) | (473 937) |
| Net book value | 2 954 383 | 2 834 997 |

16 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|-------------------------------|-----------------|------------------------|------------------|------------------------|------------------|------------------------|
| | 30 June 2010 | 31 December 2009 | 30 June 2010 | 31 December 2009 | 30 June 2010 | 31 December 2009 |
| '000 RUR | | | | | | |
| Investment property | - | - | (91 436) | (89 166) | (91 436) | (89 166) |
| Property, plant and equipment | - | - | (652 590) | (595 414) | (652 590) | (595 414) |
| Construction in progress | - | - | (23 287) | (26 838) | (23 287) | (26 838) |
| Intangible assets | - | - | (7 810) | (123) | (7 810) | (123) |
| Investments | 11 240 | 3 327 | | - | 11 240 | 3 327 |
| Other non-current assets | 47 539 | 59 028 | | - | 47 539 | 59 028 |
| Inventories | 107 757 | 117 199 | | (905) | 107 757 | 116 294 |
| Trade and other receivables | 43 071 | 18 768 | | (1 821) | 43 071 | 16 947 |
| Borrowings | 3 114 | - | | - | 3 114 | - |
| Trade and other payables | 160 014 | 252 805 | | - | 160 014 | 252 805 |
| Tax losses carry-forwards | 103 448 | 113 706 | | - | 103 448 | 113 706 |
| Tax assets/(liabilities) | 476 183 | 564 833 | (775 123) | (714 267) | (298 940) | (149 434) |
| Set off of tax | (170 740) | (321 726) | 170 740 | 321 726 | - | - |
| Net tax assets/(liabilities) | 305 443 | 243 107 | (604 383) | (392 541) | (298 940) | (149 434) |

Tax losses carry-forwards expire in 2018. The related deferred tax asset has been recognised as management believes, based on budgets and actual performance, that it is probable that future taxable profit will be available against which the Group can utilise these tax losses before expiry.

(b) Unrecognised deferred tax liability

As at 30 June 2010 a temporary difference of RUR 6 758 237 thousand (31 December 2009: RUR 6 214 166 thousand) relating to investments in subsidiaries has not been recognised as the Group is able to control the timing of reversal of the difference, and reversal is not expected in the foreseeable future. If the temporary difference were reversed in form of distributions remitted to the Company, then an enacted tax rate of 10-15% would apply.

17 Inventories

| '000 RUR | 30 June 2010 | 31 December 2009 |
|------------------------------------|------------------|------------------|
| Goods for resale | 4 494 095 | 4 997 712 |
| Raw materials and consumable | 241 458 | 313 387 |
| Write-down to net realisable value | (227 510) | (165 610) |
| | 4 508 043 | 5 145 489 |

Due to discount given for obsolete and slow moving goods for resale the Group tested the related stock for write-off and also wrote down the related inventories to their net realisable value. The amount of write-down as at 30 June 2010 was RUR 227 510 thousand (31 December 2009: RUR 165 610 thousand). The write down to net realisable value was determined applying the percentages of discount on sales of slow moving goods to the appropriate ageing of the goods. The percentages of discount were based on the best management estimate following the experience of the discount sales.

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

18 Trade and other receivables

| '000 RUR | 30 June 2010 | 31 December 2009 |
|-------------------|----------------|------------------|
| Trade receivables | 128 881 | 85 293 |
| VAT receivable | 401 975 | 517 069 |
| Prepaid taxes | 60 697 | 46 763 |
| Other receivables | 371 135 | 331 277 |
| | 962 688 | 980 402 |

Taxes prepaid include RUR 44 555 thousand of prepaid Income tax (31 December 2009: RUR 40 144 thousand).

Other receivables include RUR 290 912 thousand of bonuses receivable from suppliers (31 December 2009: RUR 302 527 thousand).

19 Equity

As at 30 June 2010 the Group's subscribed share capital of RUR 109 815 thousand (EUR 2 531 thousand, 31 December 2009: EUR 2 531 thousand) is represented by 253 100 shares (31 December 2009: 253 100 shares) with a par value of 10 EUR each.

There were no movements in Revaluation reserves and additional paid-in capital in 6 months period ended 30 June 2009 and 30 June 2010.

20 Earnings per share

The calculation of basic earnings per share for six months ended 30 June 2010 was based on the profit attributable to ordinary shareholders of RUR 868 681 thousand (six months ended 30 June 2009: loss RUR 496 973 thousand), and a weighted average number of ordinary shares outstanding of 253 100 (six months ended 30 June 2009: 3 100), calculated as shown below. The Company has no dilutive potential ordinary shares.

For six months ended 30 June

| <i>Number of shares</i> | 2010 | 2009 |
|--|----------------|--------------|
| Issued shares at 1 January | 253 100 | 3 100 |
| Effect of shares issued | - | - |
| Weighted average number of shares for the year ended 30 June | <u>253 100</u> | <u>3 100</u> |

21 Loans and borrowings

| '000 RUR | <u>30 June 2010</u> | <u>31 December 2009</u> |
|--------------------------------------|---------------------|-------------------------|
| <i>Non-current liabilities</i> | | |
| Secured bank loans | 6 873 336 | 7 677 614 |
| Unsecured loans from Related parties | 634 224 | 1 348 874 |
| Unsecured loans from third parties | 762 | - |
| | <u>7 508 322</u> | <u>9 026 488</u> |
| <i>Current liabilities</i> | | |
| Secured bank loans | 7 520 969 | 5 622 922 |
| Unsecured loans from Related parties | 576 016 | 813 884 |
| Unsecured loans from third parties | 3 882 | 2 871 |
| | <u>8 100 867</u> | <u>6 439 677</u> |

The Group has a number of revolving credit line agreements with local banks. Net increase of borrowings under these agreements amounted to RUR 1 725 000 thousand for six months ended 30 June 2010.

During six months ended 30 June 2010 the Group also repaid RUR 873 831 thousand of other secured bank loans and RUR 989 203 thousand of loans from related parties. Net increase of loans from third parties amounted to RUR 1 773 thousand for six months ended 30 June 2010.

Other changes of loans and borrowings for six months ended 30 June 2010 comprised interest charges and the effect of exchange rate fluctuations and resulted in increase of loans and borrowings of RUR 279 285 thousand.

During six months ended 30 June 2010 the Group negotiated with one of the banks earlier repayment of long-term loans. This resulted in reclassification of loans in amount of RUR 1 528 940 thousand from long-term to short-term as at 30 June 2010.

As of 31 December 2009 the Group did not comply with one covenant of one loan, which triggered 3 breaches of cross-covenants. Accordingly, long-term portion of four loans in the amount of RUR 2 020 367 thousand was reclassified from long-term to short-term as at 31 December 2009.

As at and during six months ended 30 June 2010 the Group complied with the covenant described in the paragraph above and with all other covenants.

22 Trade and other payables

| '000 RUR | <u>30 June 2010</u> | <u>31 December 2009</u> |
|---------------------------------------|-------------------------|--------------------------|
| Trade payables | 7 618 852 | 9 625 067 |
| Advances received | 88 846 | 117 996 |
| Taxes payable (other than Income tax) | 421 425 | 318 711 |
| Payables to staff | 503 489 | 564 081 |
| Interest rate swap liabilities | 60 238 | 131 409 |
| Finance lease liability | 19 782 | 39 226 |
| Other current payables | 78 278 | 4 124 |
| | <u>8 790 910</u> | <u>10 800 614</u> |

23 Non-cancellable operating leases

During six months ended 30 June 2010 the Group entered into several non-cancellable operating leases of land plots.

Non-cancellable operating lease rentals are payable as follows:

| RUR 000' | <u>30 June 2010</u> | <u>31 December 2009</u> |
|----------------------------|-------------------------|-------------------------|
| Less than one year | 365 866 | 485 781 |
| Between one and five years | 1 198 317 | 1 152 053 |
| More than five years | 4 189 703 | 3 659 317 |
| | <u>5 753 886</u> | <u>5 297 151</u> |

24 Capital commitments

The Group has capital commitments to acquire property, plant and equipment amounting to RUR 688 928 thousand as at 30 June 2010 (31 December 2009: RUR 886 566 thousand).

25 Contingencies

(a) Legal proceedings

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

(b) Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these condensed consolidated interim financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

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

26 Related party transactions

(a) Control relationships

The Group is controlled by four individuals Mr. Korzhev, Mr. Troitsky, Mr. Volchek and Mr. Teder ("the shareholder group").

(b) Transactions with management**(i) Management remuneration**

Key management received the following remuneration during the period, which is included in personnel costs (see note 10):

For the six months ended 30 June

| '000 RUR | 2010 | 2009 |
|-------------------------------------|---------------|----------------|
| Salaries and bonuses | 47 653 | 40 989 |
| Contributions to State pension fund | 946 | 1 482 |
| Long-service bonus | 7 808 | 109 309 |
| | <u>56 407</u> | <u>151 780</u> |

(c) Transactions with other related parties

Other related parties are entities which belong to the Group's ultimate shareholders.

The Group's other related party transactions are disclosed below.

(i) Revenue

| '000 RUR | Transaction value | Transaction value | Outstanding balance | Outstanding balance |
|-----------------------|-------------------------------|-------------------------------|---------------------|---------------------|
| | Six months ended 30 June 2010 | Six months ended 30 June 2009 | 30 June 2010 | 31 December 2009 |
| Services provided: | | | | |
| Other related parties | 2 067 | 12 409 | (47) | 4 374 |
| | <u>2 067</u> | <u>12 409</u> | <u>(47)</u> | <u>4 374</u> |

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

(ii) Expenses

| '000 RUR | Transaction value | Transaction value | Outstanding balance | Outstanding balance |
|-----------------------|----------------------------------|----------------------------------|---------------------|---------------------|
| | Six months ended 30 June 2010 | Six months ended 30 June 2009 | 30 June 2010 | 31 December 2009 |
| Services received: | | | | |
| Other related parties | (10 835) | (10 782) | 4 652 | (71) |
| Finance costs: | | | | |
| Other related parties | (80 202) | (130 304) | - | - |
| | <u>(91 037)</u> | <u>(141 086)</u> | <u>4 652</u> | <u>(71)</u> |

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

Interest costs on loans from related parties amounted to RUR 80 202 thousand for six months ended 30 June 2010 (six months ended 30 June 2009: RUR 130 304 thousand) and were recorded as finance costs in profit or loss.

(iii) Loans

| '000 RUR | Amount loaned | Amount loaned | Outstanding balance | Outstanding balance |
|-----------------------|------------------------------|---------------|---------------------|---------------------|
| | For six months ended 30 June | | 30 June 2010 | 31 December 2009 |
| | 2010 | 2009 | | |
| Loans received: | | | | |
| Other related parties | - | - | (1 210 240) | (2 162 758) |

(d) Pricing policies

Related party transactions are not necessarily based on market prices.

27 **Subsidiaries**

| Subsidiary | Country of incorporation | 30 June 2010 | 31 December 2009 |
|--------------------------------|--------------------------|------------------|------------------|
| | | Ownership/voting | Ownership/voting |
| LLC O'Key | Russian Federation | 100% | 100% |
| JSC Dorinda | Russian Federation | 100% | 100% |
| JSC Mir Torgovli | Russian Federation | 100% | 100% |
| Axus Financial Ltd | BVI | 100% | 100% |
| Stoxx Investments Ltd | BVI | - | 100% |
| Starligton Ltd | Cyprus | 100% | 100% |
| Batisto Ltd | Cyprus | 100% | 100% |
| O'Key Investments (Cyprus) Ltd | Cyprus | 100% | 100% |
| Denovex Limited | Cyprus | 100% | 100% |
| Dextenco Co. Limited | Cyprus | 100% | 100% |
| Filorus Limited | Cyprus | 100% | 100% |
| Legondia Co. Limited | Cyprus | 100% | 100% |
| Lonmax Limited | Cyprus | 100% | 100% |
| Marcopia Limited | Cyprus | 100% | 100% |
| Naviline Limited | Cyprus | 100% | 100% |
| Ricandano Co. Limited | Cyprus | 100% | 100% |
| Gelalous Co Limited | Cyprus | 100% | - |
| Lefkosan Co Limited | Cyprus | 100% | - |
| Silton Holdings Limited | Cyprus | 100% | - |
| LLC Dorinda Invest | Russian Federation | 100% | 100% |
| LLC Premium | Russian Federation | 100% | 100% |
| LLC Elart | Russian Federation | 100% | 100% |
| LLC Legion | Russian Federation | 100% | 100% |
| LLC O'Key Group | Russian Federation | 100% | 100% |
| LLC O'Key Logistics | Russian Federation | 100% | 100% |
| LLC Vendor | Russian Federation | 100% | 100% |
| PLC KSSK | Russian Federation | 100% | 100% |
| JSC DRSU-34 | Russian Federation | 100% | 100% |
| JSC Baltika | Russian Federation | 100% | 100% |
| LLC Dorinda-Murmansk | Russian Federation | 100% | 100% |
| JSC Olips D | Russian Federation | 100% | - |

| Subsidiary | Country of incorporation | 30 June 2010 | 31 December 2009 |
|-----------------------------|--------------------------|------------------|------------------|
| | | Ownership/voting | Ownership/voting |
| LLC O'Key-Finans | Russian Federation | 100% | 100% |
| LLC Vega | Russian Federation | 100% | 100% |
| LLC Gradstroytsentr | Russian Federation | 100% | 100% |
| LLC Grand | Russian Federation | 100% | 100% |
| LLC Invest-Neva | Russian Federation | 100% | 100% |
| LLC Krona | Russian Federation | 100% | 100% |
| LLC Skladservis | Russian Federation | 100% | 100% |
| LLC Sovagro | Russian Federation | 100% | 100% |
| LLC Stroyexpert | Russian Federation | 100% | 100% |
| LLC Talan | Russian Federation | 100% | 100% |
| LLC Tellara | Russian Federation | 100% | 100% |
| LLC Triumfalnaya Marka | Russian Federation | 100% | 100% |
| LLC Donskaya Zvezda | Russian Federation | 100% | 100% |
| LLC N.E.F.-Saint-Petersburg | Russian Federation | 100% | 100% |
| LLC Taifun | Russian Federation | 100% | 100% |
| LLC Photon | Russian Federation | 100% | 100% |
| LLC Tagar | Russian Federation | 100% | 100% |
| LLC Tagar-City | Russian Federation | 100% | 100% |
| LLC Region | Russian Federation | 100% | 100% |
| LLC Tandem Group | Russian Federation | - | 100% |

During six months ended 30 June 2010 the Group liquidated two subsidiaries: LLC Tandem Group and Stoxx Investments Ltd. The contribution of these subsidiaries to Group's profit and the effect of liquidation of the subsidiaries on the Group's assets and liabilities were not significant.

During six months ended 30 June 2010 the Group established three subsidiaries: Gelarous Co Limited, Lefkosan Co Limited and Silton Holdings Limited. These entities were established for the purpose of disposition of the assets from the Group in second half 2010. For more details on disposition refer to note 28 below.

In June 2010 the Group acquired subsidiary JSC Olips D for the purpose of obtaining lease right on land plot. The acquisition of subsidiary was classified as acquisition of assets.

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

28 Events subsequent to the reporting date

Subsequent to the reporting date the Group has entered into bank loan agreement totaling RUR 1 000 000 thousand. The agreement has maturity 1 year and bear interest at 8.2% per annum.

In July 2010 the Group has entered into foreign currency and interest rate swap agreement with local bank to hedge its foreign currency and interest rate exposure in relation to loan raised from EBRD. The swap agreement was concluded for 5 years. Notional amount per swap agreement is USD 200 000 thousand and is equal to principal amount of outstanding loan from EBRD as at 30 June 2010.

In July-August 2010 the Group repaid RUR 5 283 782 thousand of secured bank loans and raised secured bank loans for the total amount of RUR 7 220 000 thousand.

Subsequent to the reporting date the Group initiated steps for an envisaged transaction with companies under common control of the ultimate shareholders of the Group. The transaction includes planned distribution of a number of subsidiaries, some of which own significant non-current assets.

The non-current assets to be distributed include three hypermarkets in Murmansk and Saint-Petersburg and non-core assets, composed of vacant land plots and trade centers in process of construction. The Group plans to lease back hypermarkets and nearby area, including parking and other related assets under long-term operating lease agreements. The Group believes that rent agreements will meet the definition of operating leases. Planned terms of the lease are such that the Group should pay rentals which would include reimbursement of all operating expenses related to these hypermarkets and nearby leased area and certain percentage of the Group's retail revenue from operation of these hypermarkets.

The Group plans to receive consideration which will be below the carrying amount of distributed assets and to use consideration received to make a rental prepayment to the new owner of the assets and to make an advance repayment of a number of its current borrowings.

The effect (loss) from distribution of non-current assets net of tax effect of the transaction is planned to be recorded in equity as distribution to owners as the transaction represents distribution of assets to entities under common control.