PJSC Rosinter Restaurants Holding

Interim Condensed Consolidated
Financial Statements (unaudited)

For the six months ended June 30, 2016

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Statement of management's responsibilities for the preparation and approval of unaudited interim condensed consolidated financial statements for the six months ended June 30, 2016

Management is responsible for the preparation of the interim condensed consolidated financial statements that present fairly the financial position of PJSC Rosinter Restaurants Holding and its subsidiaries (hereinafter, the "Group") as of June 30, 2016, and the results of its operations, cash flows and changes in equity for the six months ended June 30, 2016, in accordance with International Accounting Standard IAS 34, Interim Financial Reporting ("IAS 34").

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

- 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 IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- 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 IFRS;
- 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 unaudited interim condensed consolidated financial statements of the Group for the six months ended June 30, 2016 were approved by the President and CEO of PJSC Rosinter Restaurants Holding on August 29, 2016.

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Report on review of interim condensed consolidated financial statements

To the Shareholders and the Board of Directors of
PJSC Rosinter Restaurants Holding

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Public Joint Stock Company Rosinter Restaurants Holding and its subsidiaries ("the Group"), comprising the interim consolidated statement of financial position as at June 30, 2016 and the related interim consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the six months then ended and explanatory notes. Management of PJSC Rosinter Restaurants Holding is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

ADE Audit LLC

August 29, 2016

Moscow, Russia

PJSC Rosinter Restaurants Holding

Interim Consolidated Statement of Financial Position (unaudited)

at June 30, 2016

(All amounts are in thousands of Russian roubles, unless specified otherwise)

	Notes	June 30, 2016, unaudited	December 31, 2015, audited
ASSETS			
Non-current assets			
Property and equipment	4	1,557,808	1,508,321
Intangible assets		53,117	42,306
Goodwill		143,137	143,137
Investments in joint ventures and associates	14	–	1,185
Long-term loans due from related parties	5	–	8,206
Deferred income tax asset		275,278	264,808
Rent deposits and other non-current assets		163,763	165,810
		2,193,103	**2,133,773**
Current assets			
Inventories		119,008	160,359
VAT and other taxes recoverable		102,282	105,186
Income tax recoverable		9,435	8,165
Trade and other receivables		104,235	97,529
Advances paid		102,694	138,149
Receivables from related parties	5	200,115	208,373
Short-term loans		300	2,973
Short-term loans due from related parties	5	14,415	14,415
Cash and cash equivalents		101,914	101,596
		754,398	**836,745**
TOTAL ASSETS		**2,947,501**	**2,970,518**
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent entity			
Share capital	6	2,767,015	2,767,015
Additional paid-in capital		2,090,217	2,090,217
Treasury shares	6	(260,667)	(260,667)
Other capital reserves		14,443	14,443
Accumulated losses		(5,108,232)	(4,919,610)
Translation difference		(385,214)	(446,682)
		(882,438)	**(755,284)**
Non-controlling interests		(5,280)	(5,502)
		(887,718)	**(760,786)**
Non-current liabilities			
Long-term loans and borrowings	8	1,859,244	589,441
Long-term liabilities to partners		–	16,165
Deferred income tax liabilities		9,996	12,927
		1,869,240	**618,533**
Current liabilities			
Trade and other payables		1,605,890	1,540,151
Short-term loans and borrowings	8	93,434	1,346,083
Payables to related parties	5	84,677	35,554
Short-term liabilities to partners		1,319	–
Short-term loans due to related parties	5	1,476	976
Deferred income		36,242	24,500
Income tax payable		142,941	165,507
		1,965,979	**3,112,771**
TOTAL EQUITY AND LIABILITIES		**2,947,501**	**2,970,518**

The accompanying notes form an integral part of these consolidated financial statements.

Interim Consolidated Statement of Profit or Loss (unaudited)
for the six months ended June 30, 2016

(All amounts are in thousands of Russian roubles, unless specified otherwise)

		For the six months ended June 30,	
		2016	**2015**
	Notes	**Unaudited**	
Revenue	9	3,564,221	3,813,131
Cost of sales	10	(3,160,870)	(3,389,102)
Gross profit		**403,351**	**424,029**
Selling, general and administrative expenses	11	(442,433)	(459,027)
Start-up expenses for restaurants		(30,347)	(29,460)
Other gains	12	49,633	23,168
Other losses	12	(7,510)	(46,710)
Loss from operating activities before impairment		**(27,306)**	**(88,000)**
Reversal of/(loss from) impairment of operating assets	13	45,721	(206,111)
Profit/(loss) from operating activities after impairment		**18,415**	**(294,111)**
Financial income		738	1,902
Financial expense		(172,460)	(126,090)
Foreign exchange loss, net		(62,979)	(16,761)
Income from the joint venture		10,096	–
Loss before income tax		**(206,190)**	**(435,060)**
Income tax benefit		18,009	59,388
Loss for the period		**(188,181)**	**(375,672)**
Net loss for the period		**(188,181)**	**(375,672)**
Attributable to:			
Equity holders of the parent entity		(188,622)	(376,522)
Non-controlling interests		441	850
Earnings per share	7		
Basic, loss per share, roubles		(11.89)	(23.73)
Diluted, loss per share, roubles		(11.80)	(23.55)

The accompanying notes form an integral part of these consolidated financial statements.

PJSC Rosinter Restaurants Holding

Interim Consolidated Statement of Other Comprehensive Income (unaudited)

for the six months ended June 30, 2016

(All amounts are in thousands of Russian roubles, unless specified otherwise)

	For the six months ended June 30,	
	2016	**2015**
	Unaudited	
Net loss for the period	**(188,181)**	**(375,672)**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	61,468	4,766
Other comprehensive income for the period, net of tax	**61,468**	**4,766**
Total comprehensive loss for the period, net of tax	**(126,713)**	**(370,906)**
Attributable to:		
Equity holders of the parent entity	(127,154)	(371,756)
Non-controlling interests	441	850

The accompanying notes form an integral part of these consolidated financial statements.

Interim Consolidated Statement of Cash Flows (unaudited)
for the six months ended June 30, 2016

(All amounts are in thousands of Russian roubles, unless specified otherwise)

		For the six months ended June 30,	
		2016	**2015**
	Notes	**Unaudited**	
Operating activities			
Loss before tax		(206,190)	(435,060)
Adjustments to reconcile loss before tax to net cash provided by operating activities:			
Depreciation and amortization		90,426	106,730
Foreign exchange loss, net		62,979	16,761
Gain from sale of share in joint venture	12,14	(23,345)	–
Financial income		(738)	(1,902)
Financial expense		172,460	126,090
Allowance for impairment of advances paid, taxes recoverable and receivables	11	12,979	4,329
Allowance for impairment/(reversal of write-down) of inventories to net realisable value		180	(724)
Loss on disposal of non-current assets	12	897	37,077
Write-off of trade and other payables	12	(17,381)	(8,267)
Income from the joint venture		(10,096)	–
(Reversal of)/loss from impairment of operating assets	13	(45,721)	206,111
(Reversal of)/loss from provision for contingent claims	12	(3,449)	1,913
		33,001	**53,058**
Changes in operating assets and liabilities:			
Decrease in inventories		40,124	48,292
Decrease in advances, taxes recoverable, receivables, rent deposits and other non-current assets		22,678	21,318
Decrease/(increase) in receivables from related parties		16,787	(47,889)
Increase in payables to related parties		35,577	38,066
Increase in trade and other payables		86,951	165,732
Net cash generated from operations		**235,118**	**278,577**
Interest paid		(150,543)	(119,802)
Interest received		1,824	148
Income tax paid		(5,083)	(7,857)
Net cash flows from operating activities		**81,316**	**151,066**
Investing activities			
Purchases of property and equipment		(107,196)	(131,371)
Purchase of intangible assets		(21,833)	(12,276)
Repayment of loans issued to third parties		2,461	2,136
Proceeds from disposal of property and equipment		19,797	1,237
Repayment of loans issued to related parties		7,712	3,672
Dividends received		10,096	–
Net inflow from cash and cash equivalents in respect of disposal of subsidiaries		–	3,955
Net cash flows used in investing activities		**(88,963)**	**(132,647)**

Continued on the next page

Interim Consolidated Statement of Cash Flows (unaudited) (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

		For the six months ended June 30,	
		2016	2015
	Notes	Unaudited	
Financing activities			
Proceeds from bank loans		40,119	130,000
Repayment of bank loans		(22,965)	(70,484)
Payments to partners		(8,024)	(1,964)
Proceeds from related party loans		500	–
Repayment of related party loans		–	(28)
Sale of treasury shares	6	–	38,445
Dividends paid to shareholders		(186)	(612)
Net cash flows from financing activities		**9,444**	**95,357**
Effect of exchange rate on cash and cash equivalents		(1,479)	(1,476)
Net increase in cash and cash equivalents		**318**	**112,300**
Cash and cash equivalents at beginning of the period		**101,596**	**70,611**
Cash and cash equivalents at end of the period		**101,914**	**182,911**

PJSC Rosinter Restaurants Holding

Interim Consolidated Statement of Changes in Equity (unaudited)

for the six months ended June 30, 2016

(All amounts are in thousands of Russian roubles, unless specified otherwise)

	Attributable to equity holders of the parent entity								
	Share capital	**Additional paid-in capital**	**Treasury shares**	**Other capital reserves**	**Accumulated losses**	**Translation difference**	**Total**	**Non-controlling interests**	**Total Equity**
At January 1, 2016, audited	**2,767,015**	**2,090,217**	**(260,667)**	**14,443**	**(4,919,610)**	**(446,682)**	**(755,284)**	**(5,502)**	**(760,786)**
Net loss for the period	–	–	–	–	(188,622)	–	**(188,622)**	441	**(188,181)**
Other comprehensive income for the period	–	–	–	–	–	61,468	**61,468**	–	**61,468**
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**(188,622)**	**61,468**	**(127,154)**	**441**	**(126,713)**
Dividends	–	–	–	–	–	–	**–**	(219)	**(219)**
At June 30, 2016, unaudited	**2,767,015**	**2,090,217**	**(260,667)**	**14,443**	**(5,108,232)**	**(385,214)**	**(882,438)**	**(5,280)**	**(887,718)**
At January 1, 2015, audited	**2,767,015**	**2,204,190**	**(413,085)**	**14,423**	**(4,526,678)**	**(244,635)**	**(198,770)**	**(5,641)**	**(204,411)**
Net profit for the period	–	–	–	–	(376,522)	–	**(376,522)**	850	**(375,672)**
Other comprehensive income for the period	–	–	–	–	–	4,766	**4,766**	–	**4,766**
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**(376,522)**	**4,766**	**(371,756)**	**850**	**(370,906)**
Sale of treasury shares		(113,973)	152,418	–	–	–	**38,445**	–	**38,445**
Dividends	–	–	–	–	–	–	**–**	(707)	**(707)**
At June 30, 2015, unaudited	**2,767,015**	**2,090,217**	**(260,667)**	**14,423**	**(4,903,200)**	**(239,869)**	**(532,081)**	**(5,498)**	**(537,579)**

(All amounts are in thousands of Russian roubles, unless specified otherwise)

1. Corporate Information

PJSC Rosinter Restaurants Holding (the "Company") was registered as a Russian public joint stock company on May 24, 2004. The registered and headquarter address of the Company is at 7 Dushinskaya str., Moscow, 111024, Russia. As of June 30, 2016, the Company's controlling shareholder was RIG Restaurants Limited, a limited liability company (the "Parent") (formerly known as Rostik Restaurants Limited) incorporated under the laws of Cyprus. RIG Restaurants Limited is under the ultimate control of Mr. Rostislav Ordovsky-Tanaevsky Blanco.

PJSC Rosinter Restaurants Holding and its subsidiaries (the "Group") is one of the leading casual dining operators in Russia and CIS both by number of restaurants and by revenue. The Group's business is focused on serving the most popular cuisines in Russia: Italian, Japanese, American, local Russian and pan-Asian cuisine.

Other revenue of the Group represents revenue from the network of independent franchisees in Moscow and throughout Russia and the CIS, sublease and other services.

The interim condensed consolidated financial statements of the Company for the six months ended June 30, 2016 were approved for issue by the President and CEO of the PJSC Rosinter Restaurants Holding on August 29, 2016.

The Group derives revenue in the territory of Russia and CIS countries. For the six months ended June 30, 2016 and 2015, the revenue from the Russian market was approximately 95% of total revenues. The non-current assets of Group's subsidiaries operating in the Russian market were approximately 98% and 96% of total non-current assets of the Group as of June 30, 2016 and December 31, 2015, respectively. The second largest market was Belarus with 3% of total revenues for the six months ended June 30, 2016 and 2015.

The Company had a controlling ownership interest, directly or indirectly, in the following principal subsidiaries:

Entity	Country of incorporation	June 30, 2016 % Ownership	December 31, 2015 % Ownership
Rosinter Restaurants LLC	Russia	100.00%	100.00%
Rosinter Restaurants ZapSib LLC	Russia	100.00%	100.00%
Rosinter Restaurants Perm LLC	Russia	51.00%	51.00%
Rosinter Restaurants Ekaterinburg LLC	Russia	51.00%	51.00%
BelRosInter LLC	Belarus	93.00%	93.00%

(All amounts are in thousands of Russian roubles, unless specified otherwise)

2. Going Concern

These interim condensed consolidated financial statements have been prepared on a going concern basis that contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of business.

The Group's current liabilities as of June 30, 2016 of RUB 1,965,979 (RUB 3,112,771 as of December 31, 2015) exceeded its current assets by RUB 1,211,581 (RUB 2,276,026 as of December 31, 2015). As of June 30, 2016 the net current liability position primarily results from trade and other payables amounting to RUB 1,605,890 (RUB 1,540,151 as of December 31, 2015). During the six months ended June 30, 2016 and 2015, net cash generated from operations amounted to RUB 235,118 and RUB 278,577, respectively.

Group management believes that it is appropriate to prepare the financial statements on a going concern basis due to the following:

- The Group has long relationship with Sberbank of Russia, PJSC and UniCredit Bank, JSC who have been the major lenders to the Group for many years (starting from 2005 and 2004, respectively). The Group's management is in direct and regular contact with both banks.
- The Group has successfully completed negotiations with Sberbank of Russia, PJSC, Bank VTB, PJSC and UniCredit Bank, JSC and the Group's debt portfolio became primary long-term.
- Additional sources of short-term financing are available to the Group as of June 30, 2016, including undrawn fixed rate credit facilities in the amount of RUB 165,554 and bank guarantees in the amount of RUB 228,014.
- Management has introduced enhanced operational initiatives designed to improve the Group's liquidity. Actions implemented include, among others, capital expenditure process, an improvement in the business through savings in food and beverage costs.
- The principal shareholders of the Company are considering opportunities to provide financing to the Group or some of its businesses.

Based on the currently available facts and circumstances the management and directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

3. Basis of Preparation of Financial Statements

Basis of Preparation of Financial Statements

These interim condensed consolidated financial statements for the six months ended June 30, 2016, have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. Accordingly, the interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2015.

Changes in Accounting Policy and Disclosures

The accounting polices followed in the preparation of these interim condensed consolidation financial statements are consistent with those applied in the annual consolidated financial statements as at and for the year ended December 31, 2015.

(All amounts are in thousands of Russian roubles, unless specified otherwise)

3. Basis of Preparation of Financial Statements (continued)

The Group has adopted all new standards, amendments to standards and interpretations that were effective from January 1, 2016. The impact of the adoption of these new standards, amendments to standards and interpretations has not been significant with respect to these interim condensed consolidated financial statements.

Certain new standards and amendments to standards as disclosed in the consolidated financial statements as at and for the year ended December 31, 2015, have been issued but are not effective for the financial year beginning January 1, 2016 and which Group has not early adopted.

4. Property and Equipment

During the six months ended June 30, 2016 and 2015, the Group acquired assets with a cost of RUB 107,196 and RUB 131,371, respectively. Assets with a net book value of RUB 18,452 and RUB 37,849 were disposed of by the Group during the six months ended June 30, 2016 and 2015, respectively, resulting in a net gain on disposal of RUB 1,345 for the six months ended June 30, 2016 and net loss on disposal of RUB 36,499 for the six months ended June 30, 2015.

As of June 30, 2016 and December 31, 2015 gross carrying amount of fully depreciated property, plant and equipment that were still in use amounted to RUB 703,983 and RUB 663,276, respectively.

Property and equipment was tested for impairment as part of cash generating units without goodwill as of June 30, 2016. For the six months ended June 30, 2016, the Group reversed impairment losses of property and equipment in the amount of RUB 51,864. For the six months ended June 30, 2015, the Group impaired property and equipment in the amount of RUB 192,007. The accumulated impairment loss of property and equipment as of June 30, 2016 and December 31, 2015 amounted to RUB 337,459 and RUB 497,328, respectively.

For the purpose of the impairment testing the Group assessed the recoverable amount of each cash generating unit (restaurant). The recoverable amount has been determined based on value-in-use calculation using cash flows projections based on the actual operating results and budgets approved by management and appropriate discount rate reflecting time value of money and risks associated with the cash generating units.

Key assumptions used in determining value in use of cash generating units operated in Russia were as follows:

- Cash flow projections cover a period of useful life of up to 10 years of the principal assets of each cash generating unit.
- The cash flow projections were discounted at the rate of 17% in Russian roubles nominal terms. The calculation of the discount rate was based on Group's cost of financing and weighted average cost of capital (WACC).
- The growth rate used in the calculation vary from (1.0)% to 4.9% depending on the year of projection and country.

If the discount rate was 1 percentage point higher, this would not lead to any material change in the impairment losses.

(All amounts are in thousands of Russian roubles, unless specified otherwise)

5. Related Parties Disclosures

In accordance with IAS 24 *Related Party Disclosures* parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

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

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial period.

	Purchases	**Revenue and other gains**	**Receivables from related parties**	**Payables to related parties**
Related parties	**For the six months ended June 30, 2016**	**For the six months ended June 30, 2016**	**June 30, 2016**	**June 30, 2016**
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
2016				
Entities under common control:				
RosCorp LLC (1)	60,464	1,399	–	42,950
Chicken Factory LLC (2)	48,082	346	–	24,121
Rostic Aero LLC (3)	7,998	–	–	740
Loyalty Partners Vostok LLC (4)	5,103	1,030	1	15,173
Rostik Investment Group Inc. (5)	1,381	113	96,620	–
RIG Restaurants Ltd (6)	–	–	59,483	–
Others	10,208	510	44,011	1,693
Total 2016	**133,236**	**3,398**	**200,115**	**84,677**

	Purchases	**Revenue and other gains**	**Receivables from related parties**	**Payables to related parties**
Related parties	**For the six months ended June 30, 2015**	**For the six months ended June 30, 2015**	**December 31, 2015**	**December 31, 2015**
	Unaudited	**Unaudited**	**Audited**	**Audited**
2015				
Entities under common control:				
RosCorp LLC (1)	61,128	1,705	–	12,495
Chicken Factory LLC (2)	31,807	3,536	–	9,217
Rostic Aero LLC (3)	7,381	106	–	2,558
Best Eastern Distribution LLC (7)	6,507	7	–	–
Loyalty Partners Vostok LLC (4)	5,261	1,578	1	8,531
Rostik Investment Group Inc. (5)	3,860	2,279	109,739	–
RIG Restaurants Ltd.(6)	–	–	67,462	–
Others	10,962	821	31,171	2,753
Total 2015	**126,906**	**10,032**	**208,373**	**35,554**

(All amounts are in thousands of Russian roubles, unless specified otherwise)

5. Related Parties Disclosures (continued)

(1) During the six months ended June 30, 2016 and 2015, RosCorp LLC provided the Group with rent, transport and utility services.

(2) During the six months ended June 30, 2016 and 2015, the Group purchased goods from Chicken Factory LLC.

(3) During the six months ended June 30, 2016 and 2015, Rostik Aero LLC leased restaurant premises to the Group.

(4) The outstanding balances to Loyalty Partners Vostok LLC related to services under the "Malina" customer loyalty program provided to the Group. The ultimate controlling shareholder holds director position in Loyalty Partners Vostok LLC.

(5) The outstanding receivable balances as of June 30, 2016 relates to sale of subsidiary companies to Rostik Investment Group Inc.

(6) The outstanding receivable balances as of June 30, 2016 and December 31, 2015 relates to sale of subsidiary company to RIG Restaurants Ltd.

(7) During the six months ended June 30, 2015, the Group purchased equipment, goods and materials from Best Eastern Distribution LLC.

Loans receivable from/payable to related parties consisted of the following:

	Financial income	Financial expense	Short-term loans receivable from related parties	Long-term loans receivable from related parties	Short-term loans payable to related parties
Related parties	**For the six months ended June 30, 2016**	**For the six months ended June 30, 2016**	**June 30, 2016**	**June 30, 2016**	**June 30, 2016**
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**	**Unaudited**
Joint Ventures	–	–	–	–	–
Entities under common control	–	63	14,415	–	1,476
Total 2016	**–**	**63**	**14,415**	**–**	**1,476**
Related parties	**For the six months ended June 30, 2015**	**For the six months ended June 30, 2015**	**December 31, 2015**	**December 31, 2015**	**December 31, 2015**
	Unaudited	**Unaudited**	**Audited**	**Audited**	**Audited**
Joint Ventures	1,558	–	–	8,206	–
Entities under common control	58	69	14,415	–	976
Total 2015	**1,616**	**69**	**14,415**	**8,206**	**976**

As of December 31, 2015 and June 30, 2016 long-term and short-term loans from related parties were neither past due nor impaired.

(All amounts are in thousands of Russian roubles, unless specified otherwise)

5. Related Parties Disclosures (continued)

Compensation to Key Management Personnel

Key management personnel totaled 12 and 13 persons as at June 30, 2016 and 2015, respectively. Total compensation to key management personnel, including social taxes, was recorded in general and administrative expenses and consisted of the following:

	For the six months ended June 30,	
	2016	**2015**
	Unaudited	
Salary	33,646	29,290
Performance bonuses	–	41
	33,646	**29,331**

The Group's contributions relating to social taxes for key management personnel amounted to RUB 6,541 and RUB 5,894 during the six months period ended June 30, 2016 and 2015, respectively.

6. Share Capital

The authorised, issued and fully paid share capital of the Company as of June 30, 2016 and December 31, 2015 comprised 16,305,334 shares. The nominal value of each ordinary share is 169.70 Russian roubles.

On June 26, 2015 the Group sold 256,169 treasury shares at a price of 150.08 Russian roubles for total amount of RUB 38,445.

The total quantity and value of treasury shares of the Company held by the Group as of June 30, 2016 and December 31, 2015 were 438,104 and RUB 260,667, respectively.

7. Earnings per Share

Earnings per share were calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

	For the six months ended June 30,	
	2016	**2015**
	Unaudited	
Net loss attributable to equity holders of the Company	(188,622)	(376,522)
Weighted average number of ordinary shares outstanding	15,867,230	15,867,230
Effect on dilution: share based payments	123,000	123,000
Weighted average number of ordinary shares adjusted for the effect of dilution	15,990,230	15,990,230
Loss per share attributable to equity holders of the Parent, basic, roubles	**(11.89)**	**(23.73)**
Loss per share attributable to equity holders of the Parent, diluted, roubles	**(11.80)**	**(23.55)**

(All amounts are in thousands of Russian roubles, unless specified otherwise)

8. Loans and Borrowings

Long-term loans and borrowings	**June 30, 2016, Unaudited**	**December 31, 2015, Audited**
Russian roubles fixed rate 16.1%-16.68% bank loans maturing within 3 years	1,855,500	600,000
Other loans and borrowings	22,844	26,309
	1,878,344	**626,309**
Less: current portion	(19,100)	(36,868)
Total long-term loans and borrowings	**1,859,244**	**589,441**

Short-term loans and borrowings	**June 30, 2016, Unaudited**	**December 31, 2015, Audited**
Russian roubles fixed rate 9.3% - 15.75% bank loans maturing within 12 months	–	1,275,000
Russian roubles fixed rate 17% overdraft facility	74,334	34,215
	74,334	**1,309,215**
Current portion of long-term loans and borrowings	19,100	36,868
Total short-term loans and borrowings	**93,434**	**1,346,083**

During the first half of 2016 the Group has successfully negotiated new terms for loans and borrowings and the Group's debt portfolio became primary long-term as of June 30, 2016.

9. Revenue

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

	For the six months ended June 30,	
	2016	**2015**
	Unaudited	
Revenue from restaurants	3,454,420	3,703,272
Franchise revenue	76,228	81,173
Sublease services	28,374	21,693
Other revenues	5,199	6,993
Total revenue	**3,564,221**	**3,813,131**

(All amounts are in thousands of Russian roubles, unless specified otherwise)

10. Cost of Sales

The following expenses were included in cost of sales for the six months ended June 30:

	For the six months ended June 30,	
	2016	2015
	Unaudited	
Food and beverages	867,720	891,012
Payroll and related taxes	804,555	843,553
Rent	883,770	1,001,888
Laundry and sanitary control	108,600	108,429
Utilities	97,971	111,100
Materials	88,757	101,191
Restaurant equipment depreciation	75,265	93,105
Transportation services	65,136	59,459
Other services	62,495	65,942
Franchising fee	39,841	42,357
Maintenance and repair services	37,594	42,577
Sublease services cost	7,010	8,698
Other expenses	22,156	19,791
Total cost of sales	**3,160,870**	**3,389,102**

11. Selling, General and Administrative Expenses

The following expenses were included in selling, general and administrative expenses for the six months ended June 30:

	For the six months ended June 30,	
	2016	2015
	Unaudited	
Payroll and related taxes	269,656	268,873
Advertising	35,701	48,050
Rent	31,823	35,892
Other services	18,169	26,101
Depreciation and amortization	15,161	13,625
Transportation services	9,393	8,521
Financial and legal services	6,456	6,498
Utilities	6,383	7,146
Maintenance and repair services	3,587	4,677
Bank services	3,582	3,177
Materials	3,138	3,663
Laundry and sanitary control	660	265
Increase in the allowance for impairment of advances paid, taxes recoverable and receivables	12,979	4,329
Other expenses	25,745	28,210
Total selling, general and administrative expenses	**442,433**	**459,027**

(All amounts are in thousands of Russian roubles, unless specified otherwise)

12. Other gains/losses

Gains and losses for the six months ended June 30 consisted of the following:

		For the six months ended June 30,	
		2016	2015
	Notes	Unaudited	
Gain from sale of share in joint venture	14	23,345	–
Write off of trade and other payables		17,381	8,267
Reverse of provision for contingent claims		3,449	–
Gain on sale of non-current assets		1,345	–
Insurance compensation		–	6,355
Other gains		4,113	8,546
Total other gains		**49,633**	**23,168**
Non-refundable VAT		2,547	2,945
Loss on disposal of non-current assets		2,242	37,077
Provision for contingent claims		–	1,913
Other losses		2,721	4,775
Total other losses		**7,510**	**46,710**

13. Impairment of assets

	For the six months ended June 30,	
	2016	2015
	Unaudited	
(Reversal of)/loss from impairment of property and equipment *(Note 4)*	(51,864)	192,007
Loss from impairment of intangible assets	6,143	14,104
Total (reversal of)/loss from impairment of assets	**(45,721)**	**206,111**

14. Investments in joint ventures and associates

In February 2011 the Group entered into a joint venture agreement with Japan Centre Group Limited which operates Japanese restaurants in the United Kingdom and other countries. On February 22, 2011, the Group acquired 50% of shares of Rosinter-Umai UK Limited for total consideration of 1 Great Britain Pound (47.32 Russian roubles at the exchange rate at February 22, 2011).

At June 1, 2016 the Group sold its share in the joint venture to third party for consideration of 242,500 Great Britain Pounds (RUB 23,345 at the exchange rate on June 1, 2016).

(All amounts are in thousands of Russian roubles, unless specified otherwise)

15. Commitments and Contingencies

Operating environment

Russia continues economic reforms and the development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of the economic, financial and monetary measures taken by the government.

In 2016, the Russian economy continued to be negatively impacted by a number of factors including a significant devaluation of the Russian Rouble, as well as sanctions imposed on Russia by several countries in 2014. The Rouble interest rates remained high after the Central Bank of Russia raised its key rate in December 2014, with subsequent gradual decrease in 2015. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

Litigation

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

Operating Lease Commitments

The Group has entered into a number of short-term and long-term lease agreements which are cancellable by voluntary agreement of the parties or by payment of termination compensation. At June 30, 2016 the expected minimum annual lease payables under these agreements amounted to RUB 1,264,004 and RUB 3,291,841, respectively.

Capital Commitments

At June 30, 2016 and December 31, 2015 the Group had capital commitments of RUB 70,742 and RUB 71,737, respectively, principally relating to the construction of new restaurants.