



# GOOD TO GREAT

ANNUAL REPORT 2012



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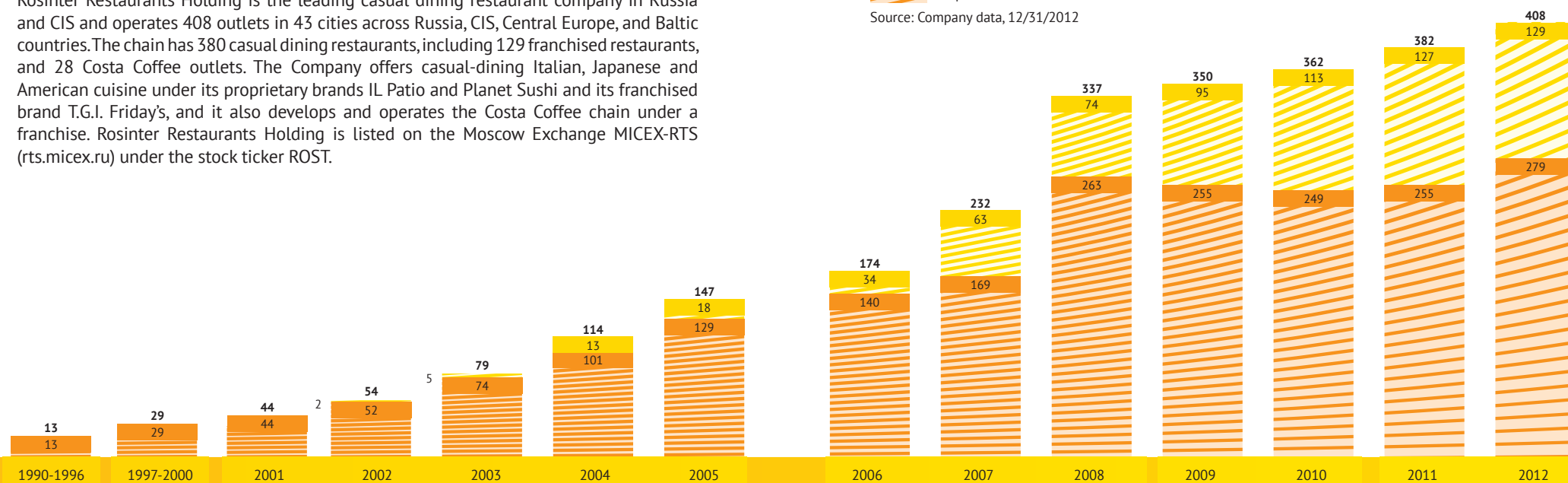
# BUSINESS OVERVIEW

Rosinter Restaurants Holding is the leading casual dining restaurant company in Russia and CIS and operates 408 outlets in 43 cities across Russia, CIS, Central Europe, and Baltic countries. The chain has 380 casual dining restaurants, including 129 franchised restaurants, and 28 Costa Coffee outlets. The Company offers casual-dining Italian, Japanese and American cuisine under its proprietary brands IL Patio and Planet Sushi and its franchised brand T.G.I. Friday's, and it also develops and operates the Costa Coffee chain under a franchise. Rosinter Restaurants Holding is listed on the Moscow Exchange MICEX-RTS (rts.micex.ru) under the stock ticker ROST.

## RESTAURANT COUNT GROWTH



Source: Company data, 12/31/2012



The Company opens its first restaurants: El Rincon Español (Red Square), Le Chalet, Santa Fe, American Bar & Grill and Café des Artistes

Patio Pizza casual dining chain begins operations

Develops into the CIS and Russian regions; new restaurants open in Minsk and Omsk

Acquires the rights to develop T.G.I. Friday's in Russia, the CIS, the Baltics and Finland

The Planet Sushi chain is launched

The Honoured Guest loyalty program is initiated

A T.G.I. Friday's restaurant opens in Sheremetyevo 2 Airport in Moscow, our first transport hub operation

The Company launches a franchise program and expands its regional presence

Patio Pizza is re-branded as IL Patio

The first combo and multi-brand restaurants opened

Planet Sushi restaurants are re-styled

MALINA™, a co-branding loyalty program, is launched

IPO (MICEX-RTS ticker: ROST)

Joint venture with Whitbread to develop the Costa Coffee chain in Russia

The Company wins a tender to manage the catering operation at Pulkovo Airport (Saint Petersburg)

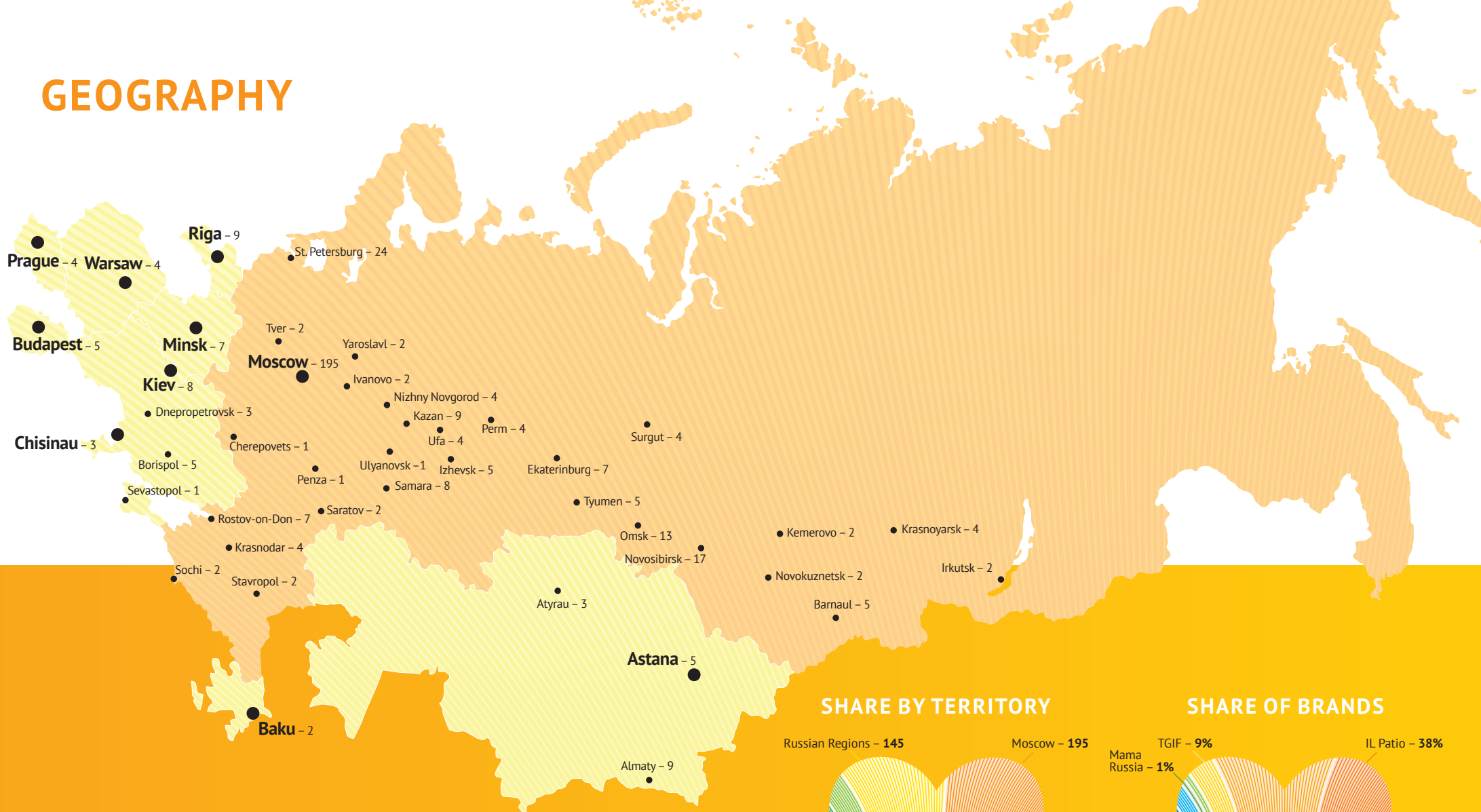
Agreement reached to open 13 outlets at Sheremetyevo Airport, Terminal D

Successful SPO

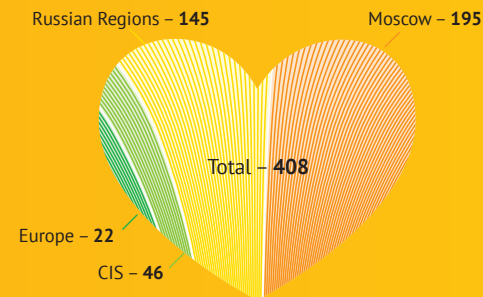
New restaurants open in two airports: Tolmachevo and Kazan

A franchise agreement is signed to develop the chain of McDonald's restaurants in transportation hubs

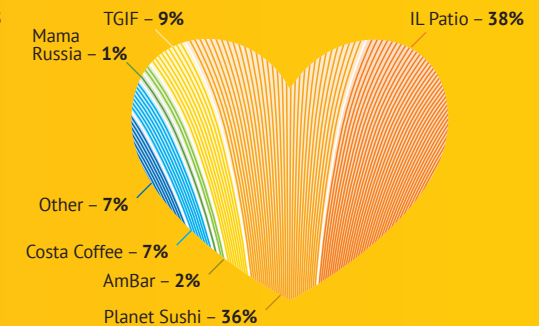
# GEOGRAPHY



## SHARE BY TERRITORY



## SHARE OF BRANDS





# LETTER FROM CHAIRMAN OF THE BOARD

**Dear shareholders,**

2012 was a year of major positive changes for us at Rosinter not least since we brought in a new president and CEO to help us address the challenges we face. Kevin Todd has more than 30 years in the restaurant business managing multi-branded operations in highly competitive markets in Europe. He has put together a highly experienced team to help bring Rosinter back to profit and sustainable growth.

Our business had grown so fast in recent years – brands, channels and geography – that an injection of a critical mass of relevant expertise and experience in big multi-branded restaurant chains was needed to ensure a successful and breakthrough transformation effort for our business, the biggest in our markets. Our new senior executive team brings increased knowledge in important areas for our strategic agenda such as brand revitalisation, performance improvement, development – including franchising, and human resources management. My colleagues on the Board of Directors and I are very pleased with the team's experience and expertise and its optimal blend of in-house, local and external talent.

Kevin has proposed a mid-term strategy to take our business to sustained profitable growth. One of the key tasks ahead is to revitalise our core brands by making them more relevant for our markets. This will allow us to attract a wider guest pool, increase guest visits and will also support our goal to increase our EBITDA and bring our bottom-line results to a positive level. At the Board of Directors we regularly challenge our management team to explore ways to reach these targets faster, although we understand well that getting the brands and organisation 'right' is critical for the success of our strategy and it requires time, even when addressed with a strong sense of urgency.

My colleagues the board members and I are enthusiastic interacting with the team during our board meetings, exchanging views and experience, and also when we have provided specific support in certain areas and projects like the successful negotiations with the Russian Railways.

Having defined our strategy and completed our team, 2013 should give us a solid and sustainable growth platform able to produce breakthrough progress and results from 2014.

I would very much like to thank Kevin, our new leadership team, and all our team members for their commitment and contribution during 2012 and, thus far, in 2013. I would like also to thank our shareholders for their confidence and support. A special note of appreciation to my colleagues on the Board for their valuable contribution during this challenging period, including their support in facilitating the onboarding of the new team members that came to Russia for the first time to work with us.



**Rostislav  
Ordovsky-Tanaevsky Blanco**  
Founder and Chairman  
of the Board of Directors



# LETTER FROM CEO

Dear shareholders,

The focus in 2012 has been on returning Rosinter to sustainable, profitable growth. It has been an intense and productive transition year for us in which we defined our mid-term strategy and initiated its execution, assembled a new top management team, and managed to stabilise our same-stores guest traffic dynamic in Q4 2012. We also defined our core brands and businesses and made the organizational changes needed to ensure more effective coordination between our operation and marketing teams and their joint support of our franchisees. In 2013 we are already taking action to exit our non-core brands and businesses, including underperforming stores.

We have been also driving initiatives to increase profitability and to operate our support services centre more effectively. The revitalisation of our two core brands IL Patio and Planet Sushi is one of the main initiatives to increase the value of our existing assets. We launched new menus at IL Patio and Planet Sushi mid Q4 2012, and by end 2012 we opened our first new-format IL Patio test store in Moscow. The next new-format test stores for IL Patio and for Planet Sushi are planned from mid-year 2013 with commercial rollout of successful formats in 2014.

Our efforts to enhance store revenues have concentrated on new menus and promotions, 'four walls marketing' training for our colleagues to increase cover turn and to ensure that our guests leave with a compelling reason to return, a stronger local marketing tool kit, and restaurant-capacity management to drive sales. Better menus, service and sales have resulted in visible positive signs in Q1 2013 in our like-for-like results and some green shoots of recovery in our LFL revenue.

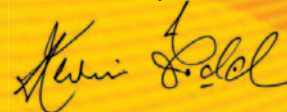
New development in 2012 has been led by our transport hubs business that expanded at around 25% count growth in 2012, and we expect a similar pace in 2013. In 2012, we added two hubs: Tolmachevo Airport in Novosibirsk and Kazan Airport, and have since secured operations at Domodedovo Airport in Moscow and five of Moscow's most important railways stations. In addition to transportation hubs, we have been developing our Costa Coffee network and our franchise network that delivered 17 openings in 2012. Our strategy till 2014 has been to concentrate our corporate development on transport hubs and Costa Coffee, while we substantially 'fix' our current base of assets and deliver the new format for IL Patio and Planet Sushi.

In 2012, we are posting a 2.6% y-o-y revenue growth, an EBITDA margin before impairment and write-offs of 6.7%, and a net loss margin of 2.3%. These results are below the mid-term potential for our business – a fact which is mainly influenced by our restaurant

portfolio optimisation strategy impacting our revenue growth in the short-term, the low average profitability of our current estate, and our non-cash impairment and write-off charges. By addressing the challenges we face, I believe we can move confidently towards the Rosinter we all want: a stable, profitable, scalable and predictable operation run by a guest-focused organisation with compelling brands and culture resulting in loyal, satisfied guests and a progressively sustainable EBITDA growth.

I would like to thank all our team members as well as our board for their enthusiasm and commitment. I also want to thank our shareholders and partners – franchisees especially – for their enduring support and confidence. I would also like to state again our team's commitment to transform Rosinter into a truly great hospitality organisation which increases value for our shareholders.

Yours sincerely,



**Kevin Todd**  
President  
and Chief Executive Officer





# MISSION & VISION & VALUES

## MISSION

We provide our guests with delicious eating, drinking and social experiences.

## VISION

To be the casual dining market leader, with strong brands in prime locations flawlessly executed by the Company and its franchisee partners.

## VALUES

### RESPONSIBILITY

Run the business responsibly

### OPPORTUNITY

Open the road for our employees' success and future growth

### STANDARDS

Set the standards for food quality and atmosphere in casual dining

### TRUST

Treat our guests with respect and passion

# STRATEGY

## STRATEGIC PILLARS

Colleagues	Guests	Portfolio	Partners	Profitability
A high-performance organisation and culture	Brands and concepts that consistently delight our guests	A growing set of high-quality locations & stores	Transparency, Value, Cooperation	Sustainable growth in margins, earnings and cash flow

## OUR PRIORITIES FOR 2012-2015

Effective and productive organisation	Brands revitalisation	Portfolio optimisation	Improve franchise and investor value	Transaction and revenue growth
Best practice development	Home delivery	Optimal site criteria	Transparency and integrity for suppliers	Store performance improvements
Engagement and communication		Brand and geography development plans	Purchasing and supply chain improvement	Margin improvements and waste elimination

## STRATEGY SUMMARY

The strategy which we have been implementing since June 2012 is focused on returning our business to profitability and requires us to focus on 'transactions, transactions and more transactions'. This entails executing the following five strategic directions:

1. **Focus the portfolio:** refers to our commitment to reshape and concentrate our portfolio in profitable, scalable, growing or high-potential brands and regions.
2. **Re-establish brand and operational competitiveness:** addresses four initiatives that will bring our two main brands – IL Patio and Planet Sushi – to a major repositioning by 2014.
3. **Improve profitability and sustainability:** includes a series of operational efficiency and supply chain initiatives at restaurant and corporate levels that will impact our profitability positively. It also includes an overhead cost reduction.
4. **Grow selectively:** means focusing our corporate growth on higher-volume sites and on expanding our transport hub business further while providing enhanced support for our franchisees to continue growing their businesses.
5. **Reorganise and build capabilities:** refers to several initiatives that include a relocation of accountabilities and responsibilities between brands and operations and franchise support teams that will have a very positive impact in the way we deliver our brand experience. It also contemplates a reorganisation that will lead to a leaner and more effective support service team in which 'everyone serves the guest or someone who does'.



IL PATIO

## IL PATIO

**Founded: 1993**

**Cuisine: Italian**

**<http://il-patio.rosinter.com>**

The IL Patio concept emerged in 2004 as a result of the re-branding of our Patio Pizza chain that had been operating since 1993. IL Patio offers great, tasty food cooked according to traditional Italian recipes in a family-restaurant atmosphere with a very attentive service and environment.

The taste of IL Patio is the taste of Italy.

The menu of the restaurant features a wide choice of vegetables, meat, seafood and genuine Italian pizzas, pasta and many other dishes. It is a fabulous place to enjoy time-out with family, friends or colleagues.

The interiors are decorated in bright colours reminiscent of picturesque Italy. Soft lights, nice music and baroque-style design together create a cosy, genuinely home-like atmosphere which invites visitors to enjoy a hearty meal with friends.







## PLANET SUSHI

Founded: 1999

Cuisine: Japanese

<http://planet-sushi.rosinter.com>

Planet Sushi is a casual concept committed to the fundamental values of Japanese cuisine such as laconic presentation, impeccable cooking, traditional and specialty recipes, and premier quality products in their pure initial state. However, along with preserving tradition, Planet Sushi is looking to the future by adding new tastes from pan-Asian food.

The interior design is minimalistic and inspired by Japanese philosophy combining Japanese traditions with today's reality, so here bamboo chopsticks meet Wi-Fi. A warm colour palette together with dimmed lights and quiet Japanese music creates a warm and relaxed atmosphere – a perfect environment for a friendly get-together, or a romantic dinner or a lunch with business partners.







## T.G.I. FRIDAY'S®

Opened in Russia: **1997**

Cuisine: **American**

<http://tgifridays.ru/eng>

Rosinter Restaurants Holding operates T.G.I. Friday's® restaurants according to the standards of the world famous American brand under a franchise agreement with Carlson Restaurants Worldwide.

The name of the chain stands for 'Thank God, it's Friday' which perfectly reflects the end-of-the-week enthusiasm we all feel when work is over and we can finally relax and enjoy our friends' company.

The menu features rich starters, steaks, and a wide choice of original cocktails – all in the generous portions that T.G.I. Friday's® is well known for.

Dark wood panelled walls are decorated with rare and curious memorabilia associated with well-known athletes, pop and rock stars. The 70's-styled bar and special lighting create a pleasant environment, inviting one to relax and enjoy a good time with friends.







## COSTA COFFEE

Opened in Russia: **2008**

Format: **coffee shop**

**[www.costacoffee.ru](http://www.costacoffee.ru)**

Rosinter develops the Costa Coffee chain across Russia under a franchise agreement with Whitbread PLC.

Costa Coffee is a good place to take a break and enjoy some time-out. The beans in all our coffee shops are roasted in London under the strict supervision of Italian experts, and the chain's baristas are trained at our local Barista Academy. Each coffee shop undergoes regular inspection to ensure strict adherence to recipes and processes in the preparation of our drinks.

Costa Coffee offers sandwiches, snacks and a wide range of cakes and pastries, usually with some options that reflect local tastes.

Experts, as well as consumers, consider Costa Coffee one of Britain's strongest brands.





## MAMA RUSSIA

Founded: 2009

Cuisine: Russian

Mama Russia restaurants have been designed especially for transport hubs and operate on a free-flow system. The menu, the setting and the atmosphere offer a beautiful combination of traditional and modern trends. The restaurants offer familiar Russian dishes, including Russian salad (oliver), beet salad (vinegret), various snacks and soups, main courses, hot dishes, pies (pirozhki), desserts, and such drinks as kvas, lemonade and kisel.

Cosy sofas, soft lighting, bookshelves, paintings and linen create a natural home-like atmosphere. Friendly staff and large tables for groups make it a perfect place to have a good chat with friends.







## AMERICAN BAR & GRILL

Founded: 1994

Cuisine: American

<http://ambar.rosinter.com>

American Bar & Grill restaurants are currently expected to expand mainly in transport hubs.

Authentic American cuisine is the food of the Cajuns – the descendants of French colonists – with an abundance of hot tomato and chilli pepper sauces.

Besides offering good meals with generous portions, American Bar & Grill is a place for business meetings, family dinners, get-togethers with friends, or celebrations.

The atmosphere is that of the Wild West. The interiors are decorated in a cowboy style with wooden furniture, open-beam ceilings, cowboy hats, stirrups, carriage wheels and America-related posters on the walls.



# OUR TEAM

## WORKING TOGETHER TO WIN

Our team comprises 7,400 people across Russia, the CIS and Europe. Operations are overseen by our board of directors that combines seasoned professionals from the restaurant industry and other relevant business sectors. We have a multinational team of top managers with vast experience in multi-branded hospitality companies. This results in the perfect combination of international experience and local market knowledge, which complemented with highly professional teams throughout our organisation – restaurants, brands and support centre – means that our team plays to win.

## STAFF TRAINING AND SUPPORT

We support our colleagues to perform always at their best. Training is provided by our Corporate Training Centre which has been operating since 1991. It provides training and updates for our restaurant teams and ensures the development of the required skills to keep our competitive edge.

Compensation is an important motivational factor. We apply a system of appropriate payment levels and fair bonuses which includes free meals, medical insurance, and financial assistance. There are special incentives for employees with a service record over five years (Rostik Club). We also understand the benefit of non-financial motivation and our employees may participate in our Recognition Program, corporate contests (Best of the Best, Best Pizza Maker, Best Sushi Maker, Bartender Championship, and Barista Championship), corporate sport activities, and communication event tours for employees' children, as well as the opportunity to stay connected via our corporate newspaper, intranet and extranet services.



**WE HAVE ALL THE NECESSARY,  
HIGH-QUALITY INGREDIENTS NEEDED  
TO MAKE DELICIOUS DISHES!**



- |                          |  |
|--------------------------|--|
| 1. <b>Kevin Todd</b>     | President, Chief Executive Officer                           |
| 2. <b>Sergey Zaitsev</b> | Senior Vice President of Commercial and Corporate Management |
| 3. <b>Paul Reynolds</b>  | Senior Vice President, Human Resources                       |
| 4. <b>Denis Korablev</b> | Chief Financial Officer                                      |
| 5. <b>Ian Dunstall</b>   | Senior Vice President, Marketing                             |
| 6. <b>Lori Daytner</b>   | Chief Operating Officer                                      |
| 7. <b>Brian Johnston</b> | Senior Vice President, Real Estate and Development           |



# DEVELOPMENT

## FRANCHISING

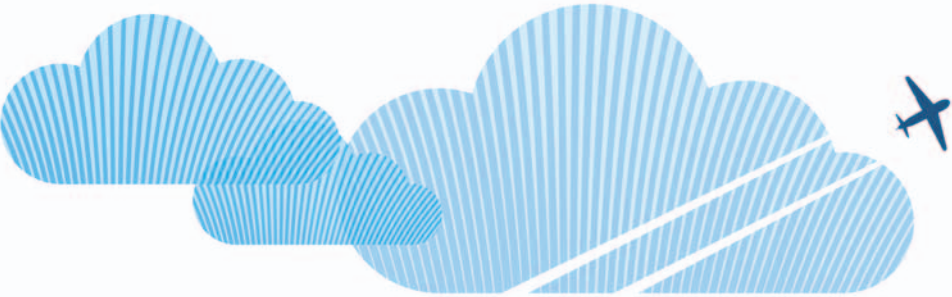
Our motto is: 'We are one team!' and as a major franchisor of casual-dining chains, Rosinter works hard to make sure our franchisees have what they need in place to run great businesses. We offer potential partners the right (license) to expand a well-established business model under the Company's own brands of IL Patio and Planet Sushi. Under license agreements, the Company also expands several international brands including T.G.I. Friday's, Costa Coffee in different territories, McDonald's in transport hubs, and applies best international franchising practice.

### Franchising model

Our franchising model grants access to a complete corporate package of popular trademarks, successful business model, unique design and interior décor, branded menus (main and seasonal menus), food safety (HACCP), best purchase prices from reliable providers of goods and services, state-of-the-art marketing instruments, international service standards, products and equipment specifications, and restaurant management guidance.

Our franchisees also benefit from business support. This entails the expert advisory in evaluating of premises or plot designated for restaurant construction, the selection of sites, the application of selection criteria and advice on adequate location, convenient access and suitability of sites for development, consultation on construction and permits, coordination of layout and provision of equipment specifications, the approval of design project, approval of the list of suppliers, consultations on sales, average check and turnover, and consultation on personnel recruitment, staff and management training.

The IL Patio and Planet Sushi brands won the Golden Franchise 2010 award (BUYBRAND) for best franchising offer. This award is usually given to the most reliable and efficient brands expanded through franchising.



## TRANSPORTATION HUBS

### We go where our guests go!

Rosinter has vast experience in the expansion and management of restaurants at transport hubs, including airports and railway stations. We offer state-of-the-art solutions to the public food-serving industry at any transport infrastructure. Our business portfolio features a wide range of restaurant formats, reliable concepts and popular brands.

#### Own Brands



#### Licensed Brands



Our brands comprise full-service restaurants, free-flow restaurants, coffee shops and coffee kiosks, bars, quick-service restaurants, corporate canteens for airport personnel and flight crews, catering facilities for official delegations and VIPs, and meals for passengers on delayed flights.

We have 44 restaurants and coffee shops in 8 transport hubs where Rosinter has proven itself as a valued and reliable partner. We comply with the highest construction standards, adhere to all technological and legal requirements, and provide quality services. We sincerely care about our guests' safety. These aspects of our business approach have been appreciated by the management and experts of many of the largest transportation hubs in Russia and the CIS.

Transportation Hub	Name	City, country
	Sheremetyevo	Moscow, Russia
	Pulkovo	St Petersburg, Russia
	Borispol	Kiev, Ukraine
	Tolmachevo	Novosibirsk, Russia
	Riga	Riga, Latvia
	Kazan	Kazan, Tatarstan Republic, Russia
	Kursky	Moscow, Russia
	Paveletsky	Moscow, Russia

Source: Company data, 12/31/2012

# LOYALTY PROGRAMS

## CREATING BRAND LOYALTY AND REPEAT BUSINESS THROUGH QUALITY



The Honoured Guest loyalty program was Russia's first loyalty program for restaurant-goers. It was launched in 1997 and now has over 1.5 million members. It was acknowledged as Russia's best loyalty program and awarded the Silver Mercury prize in 2005.



Malina is a unique co-branding loyalty program launched in 2006. The program's co-partners come from more than 24 well-known brands. Malina has currently issued 5 million cards.

## QUALITY ASSURANCE

We apply the Hazard Analysis Critical Control Points (HACCP) Food Safety Program which requires strict adherence to all applicable hygienic and sanitary standards across our operations. The HACCP system has been introduced by the European Union and is applied by the world's major companies to ensure the highest food and cooking safety and to monitor every stage of the food chain from the provider to each guest's plate. We employ transparent tender processes to select the best suppliers and we require food quality certificates. We also control suppliers through the detection of GMOs (Genetically Modified Organisms). We apply a self-inspection sanitary program to ensure the implementation of food safety measures in restaurants, and run compulsory food safety training for all restaurant employees. There is proper labelling of food items and kitchen utensils.

## CHARITY

### We care!

Our restaurants are family-oriented. We consider the family to be the basis upon which society helps each individual to realise their potential. We understand that our future depends on how well we care for our children and our families today, which is why Rosinter's charity programs focus on this issue.

### Charity instead of promotion articles

On behalf of our partners, we donate our budget for New Year's gifts to the Gift of Life Foundation in the hope that it will help save a young but important life.

### Let the mothers of big families take a break

A number of our restaurants provide large underprivileged families with full-course dinners to ensure that the children eat well and that also the mothers can take a break from cooking and get some time for themselves. It's a welcome break and one which they deserve!

### Maria's Children

The Company has been collaborating with the Maria's Children Arts & Rehabilitation Centre for some years. The Centre focuses on social adaptation and on the major challenges faced by children who are not only deprived of a real home since early childhood but also suffer from particular diseases. This prepares them to better enter the adult world.



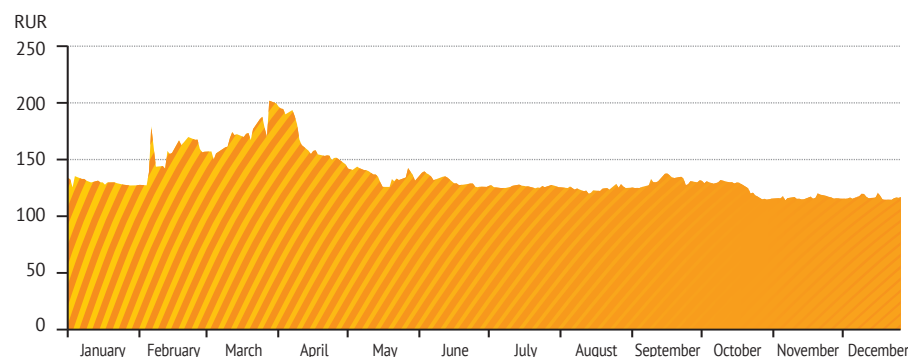
# SHARE CAPITAL

**We endeavor to keep all information current and update our shareholders and partners on all major developments and operational results to allow them to track our performance and share our success.**

## SHARE CAPITAL

Our shares are listed on the Moscow Interbank Currency Exchange (RTS-MICEX) under the ticker symbol "ROST". We strive to maximise our information transparency and communicate with the investment community proactively in the interests of both effective corporate governance and maximising the liquidity of our securities. We also retain an independent share registrar and we announce all significant operational and financial information that might potentially affect the market value of the Company's securities. As part of our day-to-day Investor Relations work, we maintain an up-to-date database of all investors who have asked us to provide them with the latest news concerning developments at our Company. As of December 31, 2011 the share capital of Rosinter Restaurants Holding consisted of 16,305,334 ordinary shares.

## 2012 MICEX BOARD DATA



Source: MICEX Data

## SHARE PRICE PERFORMANCE

In June 2007 the IPO free float consisted of 25.975% of our issued share capital. In the IPO, the shares sold for US\$32.0 each, giving the Company an approximate market capitalization of US\$385 million. In 2010 the company completed an SPO. New shares, in a number equivalent to 25.5% to the post-SPO outstanding shares, were sold for US\$10.5 each increasing the free float.

At the end of 2012, the share price on the MICEX stood at RUB 117.0 (US\$3.85), equaling a market capitalisation of approximately US\$63 million. Our relatively thin trading volumes are linked to low liquidity.

The historical performance of any stock is not a guide to future performance, and current and potential investors should seek independent advice before making investment decisions. The investor relations area of our corporate website ([www.rosinter.com](http://www.rosinter.com)) provides a list of independent analysts who cover our Company.

## DIVIDEND POLICY

Our dividend policy is based on the belief that the reinvestment of profits to fund the continued growth of our business represents the best long-term return on investment for all shareholders. We have not paid any dividends in the past and do not expect to do so for the foreseeable future, given the capital requirements of our business and current development strategy.

Any future payment of dividends must be recommended by our Board of Directors and approved by our General Meeting of Shareholders, in line with our Corporate Charter. In addition, our ability to pay dividends is also governed by Russian legislation and is dependent upon the receipt of dividends and other distributions from our subsidiaries. By law, any future dividends for Rosinter Restaurants Holding have to be paid from the company's net profit according to Russian Accounting Standards (RAS).

# CORPORATE GOVERNANCE

Rosinter Restaurants Holding's corporate governance policy is compliant with the Joint Stock Companies Law, other applicable laws and regulations of the Russian Federation, and the Company Charter. Rosinter Restaurants Holding has adopted a Corporate Code of Conduct that sets out the fundamental principles of the company's corporate governance system.

## GENERAL SHAREHOLDERS' MEETING

The General Shareholders' Meeting is the Company's supreme governing body. Participation in it is open to all Company shareholders empowered to take decisions on fundamental business issues.

## BOARD OF DIRECTORS

The Board of Directors is responsible for the overall management of the Company and currently consists of seven members. Information on the members of the Board, the positions they hold, their professional history and qualifications can be found in the relevant section of the Company website. As part of the corporate governance strategy, the Board of Directors has established an Audit Committee and a Human Resources and Remuneration Committee.

## AUDIT COMMITTEE

The Audit Committee, consisting of members of the Board of Directors, was established to assist the Board in:

- Overseeing the Company's IFRS compliance;
- Overseeing the Company's compliance with legal and regulatory requirements;
- Verifying the independent auditors' qualifications;
- Overseeing the performance of the independent auditor;
- Monitoring the system of internal controls over financial reporting, and compliance with the Company's ethical standards.

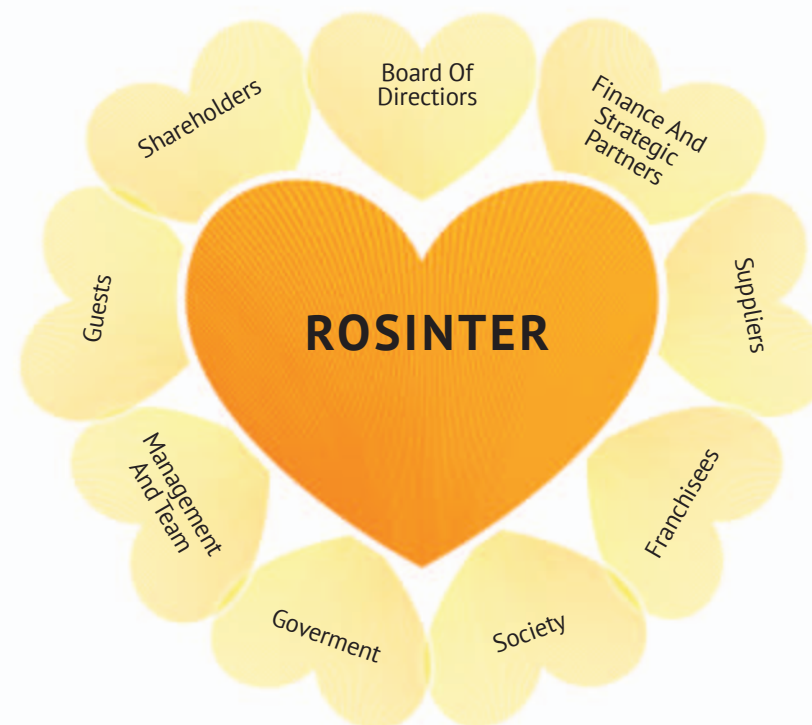
Current Audit Committee was reappointed on July 23, 2012 and consists of 2 members: Marcus J. Rhodes (Chairman) and Vladimir Mekhrishvili.

## HR & REMUNERATION COMMITTEE

The HR & Remuneration Committee is responsible for creating conditions to attract qualified people to the management of the Company and provide incentives for successful performance.

The Committee is made up entirely of non-executive members of the Board and must be chaired by a non-executive director.

Current HR & Remuneration Committee was appointed on July 23, 2012 and consists of 2 members: David Fitzjohn (Chairman) and Richard Thomas Snead.





# FINANCIAL REVIEW

## INCOME STATEMENT SUMMARY

(RUB) thousands	12M 2012		12M 2011		% Change Y-o-Y
Net revenue	10 567 317	100,0 %	10 301 550	100,0 %	2,6 %
<i>Incl. Revenue from restaurants and canteens</i>	10 118 139	95,7 %	9 875 218	95,9 %	2,5 %
<i>Incl. Revenue from franchising</i>	280 807	2,7 %	266 541	2,6 %	5,4 %
Cost of sales	8 584 929	81,2 %	8 248 551	80,1 %	4,1 %
<i>Incl. Food and beverages</i>	2 455 834	23,2 %	2 411 247	23,4 %	1,8 %
<i>Incl. Payroll and related taxes</i>	2 282 093	21,6 %	2 304 940	22,4 %	(1,0)%
<i>Incl. Rent</i>	1 967 293	18,6 %	1 701 173	16,5 %	15,6 %
<i>Incl. Utilities</i>	312 954	3,0 %	327 633	3,2 %	(4,5)%
<i>Incl. Materials</i>	304 820	2,9 %	326 348	3,2 %	(6,6)%
Gross profit	1 982 388	18,8 %	2 052 999	19,9 %	(3,4)%
SG&A Expenses	1 570 113	14,9 %	1 510 760	14,7 %	3,9 %
<i>Incl. Payroll and related taxes</i>	854 046	8,1 %	852 898	8,3 %	0,1 %
<i>Incl. Advertising</i>	219 921	2,1 %	188 397	1,8 %	16,7 %
<i>Incl. Other expenses</i>	81 436	0,8 %	91 499	0,9 %	(11,0)%
<i>Incl. Increase in allowance for impairment of advances paid, taxes recoverable and receivables</i>	63 966	0,6 %	34 017	0,3 %	88,0 %
Start-up expenses for new restaurants	97 102	0,9 %	125 047	1,2 %	(22,3)%
Other gains	76 763	0,7 %	42 590	0,4 %	80,2 %
Other losses	136 061	1,3 %	280 004	2,7 %	(51,4)%
<i>Incl. Loss on disposal of non-current assets</i>	72 559	0,7 %	184 438	1,8 %	(60,7)%
Profit from operating activities before impairment	255 875	2,4 %	179 778	1,7 %	42,3 %

## INCOME STATEMENT SUMMARY(CONTINUED)

(RUB) thousands	12M 2012		12M 2011		% Change Y-o-Y
Profit from operating activities before impairment	255 875	2,4 %	179 778	1,7 %	42,3 %
Losses from impairment of operating assets	224 445	2,1 %	265 025	2,6 %	(15,3)%
Profit/(loss) from operating activities after impairment	31 430	0,3 %	(85 247)	(0,8)%	(136,9)%
Financial expenses, net	169 544	1,6 %	183 978	1,8 %	(7,8)%
Foreign exchange losses, net	(16 495)	(0,2)%	(23 170)	(0,2)%	(28,8)%
Share of losses of JV and associates	-	-	(806)	(0,0)%	(100,0)%
<b>Loss before tax</b>	<b>(154 609)</b>	<b>(1,5)%</b>	<b>(293 201)</b>	<b>(2,8)%</b>	<b>(47,3)%</b>
Income tax (expense)/benefit	(90 940)	(0,9)%	11 995	0,1 %	(858,1)%
<b>Net loss</b>	<b>(245 549)</b>	<b>(2,3)%</b>	<b>(281 206)</b>	<b>(2,7)%</b>	<b>(12,7)%</b>
Profit/(loss) from operating activities after impairment	31 430	0,3 %	(85 247)	(0,8)%	(136,9)%
Depreciation and amortisation	376 923	3,6 %	420 390	4,1 %	(10,3)%
<b>EBITDA<sup>1</sup></b>	<b>408 352</b>	<b>3,9 %</b>	<b>335 143</b>	<b>3,3 %</b>	<b>21,8 %</b>
Losses from impairment	224 445	2,1 %	265 025	2,6 %	(15,3)%
<b>EBITDA before impairment</b>	<b>632 797</b>	<b>6,0 %</b>	<b>600 168</b>	<b>5,8 %</b>	<b>5,4 %</b>
Loss on disposal of non-current assets	72 559	0,7 %	184 438	1,8 %	(60,7)%
<b>EBITDA before impairment and write-offs</b>	<b>705 356</b>	<b>6,7 %</b>	<b>784 606</b>	<b>7,6 %</b>	<b>(10,1)%</b>

In 12M 2012, consolidated revenue increased by 2.6% as compared with 12M 2011, driven by a 2.5% increase in Revenue from restaurants and canteens and by a 5.4% increase of revenue from franchising. Corporate restaurants and canteens revenue growth was mainly driven by the revenue growth of stores not included in the SSSG portfolio because they had been operating less than 18 months as at January 1, 2012 and the acquisition of the remaining 50% stake in Costa JV and its consolidation since June 2012 which accounted for 1.5% of consolidated revenue increase in 12M 2012 compared to 12M 2011. Our same store portfolio gross revenue declined in 12M 2012 by 1.9% as a result of a 1.5% increase of average check and a 3.3% decline in number of transactions.

Gross profit margin decreased to 18.8% in 12M 2012 from 19.9% in 12M 2011. Improvements in Food and Beverage of 20 basis points, payroll and related taxes of 80 basis points, utilities of 20 basis points and materials of 30 basis points were offset by a 210 basis points increase in rent, all measured as a percentage of total revenue.

Food and Beverage improvement as a percentage of total revenue of 20 basis points was mainly due to additional supply chain efficiency. Payroll decrease by 80 basis points was mostly driven by an improved staff scheduling as well as by a reduction of social taxes rates. Rent increased mainly due to lease rent inflation and strengthening of US dollar to Russian ruble in 12M 2012 compared to 12M 2011.

Selling, general and administrative expenses increased as a percentage of revenue to 14.9% in 12M 2012 from 14.7% in 12M 2011 driven mainly by an increase of 30 basis points in advertising, 30 basis points in allowance for impairment of advances paid, taxes recoverable and receivables, partially offset by a 20 basis points decrease in payroll and 10 basis points in other expenses, all measured as a percentage of total revenue.

Payroll decreased as a result of headcount optimisation and office cost reduction. Advertising increased by 30 basis points of total revenue mainly due to higher advertisement costs budgeted for this period.

Other gains increased 30 basis points as a percentage of total revenue in 12M 2012 in comparison with 12M 2011 due to the recognition of a onetime profit on the purchase of the remaining 50% stake in Costa JV, which became a 100% subsidiary of the Group. Other losses decreased 140 basis points as a percentage of total revenue in 12M 2012 in comparison to 12M 2011 mainly due to a decrease in Loss on disposal of non-current assets. As a consequence, an improvement in the contribution to the margin from other net gains and losses represented 170 basis points as a percentage of total revenue.

Losses from impairment of operating assets decreased to 2.1% of total revenue in 12M 2012 in comparison with 2.6% in 12M 2011. For more information please refer to notes 8 and 9 of the financial statements for the year ended 31 December 2012.

Profit from operating activity before impairment increased to 2.4% of total revenue in 12M 2012 from 1.7% in 12M 2011, while Profit from operating activity after impairment increased to 0.3% from a loss of (0.8)% in 12M 2011.

Income tax expense change is mainly attributable to the movement in deferred tax from a credit in 2011 to a charge in 2012. For details please refer to note 13 of the financial statements for the year ended 31 December 2012.

As a result, Net loss margin improved to (2.3)% in 12M 2012 from (2.7)% in 12M 2011.

EBITDA margin in 12M 2012 increased to 3.9% from a margin of 3.3% in 12M 2011, while EBITDA margin before impairments stood at 6.0% in 12M 2012 in comparison to 5.8% in 12M 2011. EBITDA margin before impairments and write-offs decreased to 6.7% in 12M 2012 from 7.6% in 12M 2011.



## CASH FLOW PERFORMANCE

(RUB) thousands	12M 2012	12M 2011	% Change Y-o-Y
Net cash flow from operating activities	595 578	643 636	(7,5)%
<i>Incl. Cash flow before changes in operating assets and liabilities</i>	<i>767 823</i>	<i>834 702</i>	<i>(8,0)%</i>
<i>Incl. Change in operating Assets and Liabilities</i>	<i>21 091</i>	<i>(21 134)</i>	<i>(199,8)%</i>
<i>Incl. Financial and tax cash outflow</i>	<i>(193 336)</i>	<i>(169 932)</i>	<i>13,8 %</i>
Net cash flow used in investing activities	(213 132)	(623 287)	(65,8)%
Net cash flow from/(used in) financing activities	(333 985)	11 732	(2946,9)%
Effect of exchange rates on cash and cash equivalents	(3 354)	(14 690)	(77,2)%
<b>Net increase in cash &amp; cash equivalents</b>	<b>45 107</b>	<b>17 391</b>	<b>159,4 %</b>
Cash & Cash equivalents at beginning of period	233 901	216 510	8,0 %
Cash & Cash equivalents at end of period	279 008	233 901	19,3 %

Cash flow from operating activities decreased by 7.5% to RUB 595,578 thousand in 12M 2012 from RUB 643,636 thousand in 12M 2011. Cash flow before changes in operating assets and liabilities decreased by 8% to RUB 767,823 thousand from RUB 834,702 thousand mainly due to a lower gross profit earned by the company in 12M 2012 in comparison with 12M 2011.

Net cash used in investing activities decreased by 65.8% to RUB 213,132 thousand in 12M 2012 from RUB 623,287 thousand in 12M 2011, mainly due to a decrease of investment in new restaurants, proceeds from the repayment of related parties' loans of RUB 103,741 thousand in 12M 2012, and to the payment for the acquisition of a non-controlling interest in subsidiaries in 12M 2011 that did not recur in 12M 2012 of an amount of RUB 45,723 thousand.

Net cash used in financing activities increased by RUB 345,717 to RUB 333,985 thousand in 12M 2012 and was mainly used to repay debt as summarised in the table below.

As a result, Cash & Cash Equivalents increased to RUB 279,008 thousand as at December 31, 2012 compared to RUB 233,901 thousand as at December 31, 2011.

## DEBT AND LIQUIDITY

(RUB) thousands	12M 2012		12M 2011		% Change Y-o-Y
Total Gross Debt	1 220 485	100,0 %	1 500 699	100,0 %	(18,7)%
<i>Short-term debt</i>	<i>741 285</i>	<i>60,7 %</i>	<i>1 210 931</i>	<i>80,7 %</i>	<i>(38,8)%</i>
<i>Long-term debt</i>	<i>479 200</i>	<i>39,3 %</i>	<i>289 768</i>	<i>19,3 %</i>	<i>65,4 %</i>
<b>Net Debt</b>	<b>941 477</b>	<b>77,1 %</b>	<b>1 266 798</b>	<b>84,4 %</b>	<b>(25,7)%</b>
<b>Net Debt / EBITDA<sup>2</sup></b>	<b>2,3</b>		<b>3,8</b>		<b>(39,0)%</b>

Total gross debt of the Group decreased by 18.7% while net debt decreased by 25.7% in 12M 2012 when compared with the corresponding figures as at December 31 2011. The maturity profile of our debt portfolio substantially improved with the long-term component increasing to 39.3% as at December 31, 2012 from 19.3% as at December 31, 2011. For more information please refer to note 21 of the financial statements for the 12 months ended 31 December 2012. Net debt/EBITDA ratio decreased to 2,3x as at December 31, 2012 from 3,8x as at December 31, 2011.

Gross debt maturity schedule as at December 31, 2012 is illustrated below.

(RUB) mln	Within 6M (1Q'13-2Q'13)	6M-12M (3Q'13-4Q'13)	12M-18M (1Q'14-2Q'14)	18M+	Total
Gross debt maturity	320	421	313	167	1 220
	26,2 %	34,5 %	25,6 %	13,7 %	100,0 %

By the end of March 2013, the Group had already signed three long-term loan contracts to refinance (prolong) its short-term debt which will further improve the Group's debt maturity profile.

<sup>1</sup> EBITDA is calculated by adding back depreciation and amortisation to profit from operating activities after impairment. EBITDA measures are not measurements of our operating performance under IFRS and should not be considered as an alternative to profit for the year, operating profit or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities or as a measure of our liquidity. Our approach to calculating EBITDA may differ from the approach of other companies.

<sup>2</sup> EBITDA is calculated over the 12 preceding calendar months.

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