Meridan Management Ltd.

Interim Condensed Consolidated
Financial Information (Unaudited)
Six Months Ended 30 June 2020

MERIDAN MANAGEMENT LTD.

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the consolidated financial position of Meridan Management Ltd. (the "Company") and its subsidiaries (the "Group") as at 30 June 2020, the consolidated results of its operations, cash flows and changes in equity for the six months then ended, in compliance with International Accounting Standard 34 "Interim Financial Reporting".

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

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in 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 interim condensed consolidated financial information of the Group complies with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards of the jurisdictions the Group's subsidiaries are operating in;
- 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 interim condensed consolidated financial information was approved by management on 27 August 2020.

On behalf of management:

Christina Michailidou
Director

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REPORT ON REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To Shareholders of Meridan Management Ltd.:

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Meridan Management Ltd. (the "Company") and its subsidiaries (the "Group") as at 30 June 2020 and the related interim condensed consolidated statements of comprehensive income, cash flows and changes in equity for the six months then ended, and a summary of significant accounting policies and other explanatory notes (the "interim condensed consolidated financial information"). Management is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" adopted by Republic of Cyprus. A review of interim condensed consolidated 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 interim condensed consolidated financial information does not present fairly, in all material respects, the consolidated financial position of the Group as of 30 June 2020, and its consolidated financial performance and its consolidated cash flows for the six months then ended in accordance with IAS 34 "Interim Financial Reporting".

AO Deloitte & Touche CIS

27 August 2020

MERIDAN MANAGEMENT LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)
(in millions of Russian Rubles, except earnings per share)

		For the six months ended	
	Notes	**30 June 2020**	**30 June 2019**
Revenue	3	82,869	64,088
Cost of sales		(55,771)	(44,200)
Gross profit		**27,098**	**19,888**
Selling, general and administrative expenses	4	(16,020)	(12,976)
Other operating income		114	148
Share of profit of associates, net		7	20
Operating profit		**11,199**	**7,080**
Interest income		142	51
Interest expense		(459)	(520)
Foreign exchange gain/(loss), net		1,100	(351)
Profit before tax		**11,982**	**6,260**
Income tax expense	5	(2,968)	(2,151)
Profit for the period		**9,014**	**4,109**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		13	-
Other comprehensive income for the period		**13**	**-**
Total comprehensive income for the period		**9,027**	**4,109**
Basic and diluted earnings per share		0.180	0.082

The Notes on pages 7 to 21 form an integral part of this interim condensed consolidated financial information.

MERIDAN MANAGEMENT LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020 (UNAUDITED)
(in millions of Russian Rubles)

	Notes	30 June 2020	31 December 2019
Assets			
Non-current assets			
Property, plant and equipment	7	12,507	10,882
Goodwill	8	202	178
Other intangible assets	9	613	510
Capital advances	7	869	1,055
Right-of-use assets	10	7,051	6,220
Investment in associates		66	85
Total non-current assets		**21,308**	**18,930**
Current assets			
Inventories	11	23,301	19,365
Right-of-use assets	10	1,186	1,943
Receivables and other financial assets	12	1,389	1,036
Prepayments		230	247
Value added tax receivable		415	166
Loans receivable		124	92
Cash and cash equivalents	13	7,789	11,881
Total current assets		**34,434**	**34,730**
Total assets		**55,742**	**53,660**
Equity and liabilities			
Equity			
Share capital	14	1	1
Additional paid-in capital	14	154	154
Retained earnings	14	11,666	11,298
Currency translation reserve		13	-
Total equity		**11,834**	**11,453**
Non-current liabilities			
Lease liabilities	16	2,740	2,496
Deferred tax liabilities		242	346
Total non-current liabilities		**2,982**	**2,842**
Current liabilities			
Loans and borrowings	15	5,797	5,006
Lease liabilities	16	5,436	5,306
Payables and other financial liabilities	17	22,844	19,827
Advances received		404	453
Income tax payable		3,195	2,415
Tax liabilities, other than income taxes		1,345	532
Dividends payable	14	662	5,030
Accrued expenses		1,243	796
Total current liabilities		**40,926**	**39,365**
Total liabilities		**43,908**	**42,207**
Total equity and liabilities		**55,742**	**53,660**

The Notes on pages 7 to 21 form an integral part of this interim condensed consolidated financial information.

MERIDAN MANAGEMENT LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)
(in millions of Russian Rubles)

	Note	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Cash flows from operating activities			
Profit before tax for the period		**11,982**	**6,260**
Adjustments for:			
Depreciation and amortisation	4	4,782	4,011
Shrinkage and inventory obsolescence expenses	11	606	582
Change in allowance for trade and other receivables		2	5
Share of profit of associates, net		(7)	(20)
Interest income		(142)	(51)
Interest expense		459	520
Foreign exchange (gain)/loss, net		(1,100)	351
Operating cash flows before changes in working capital		**16,582**	**11,658**
Increase in inventories		(4,541)	(1,687)
(Increase)/Decrease in receivables and other financial assets		(409)	220
Decrease in prepayments		18	43
(Increase)/Decrease in VAT receivable		(252)	869
Increase/(Decrease) in payables and other financial liabilities		2,850	(1,767)
Decrease in advances received		(50)	(67)
Increase/(Decrease) in tax liabilities, other than income tax		808	(284)
Increase in accrued expenses		488	159
Net cash flows generated from operations		**15,494**	**9,144**
Interest paid		(512)	(534)
Interest received		140	51
Income tax paid		(2,299)	(1,198)
Net cash received from operating activities		**12,823**	**7,463**
Cash flows from investing activities			
Purchase of property, plant and equipment and capital advances		(2,342)	(2,178)
Purchase of intangible assets		(170)	(86)
Proceeds from sale of property, plant and equipment		4	23
Dividends received from associates		26	77
Loans issued		(40)	(231)
Proceeds from repayment of loans issued		21	49
Net cash used in investing activities		**(2,501)**	**(2,346)**
Cash flows from financing activities			
Proceeds from loans and borrowings		4,344	7,599
Repayment of loans and borrowings		(3,492)	(3,200)
Lease payments		(3,405)	(3,100)
Dividends paid		(13,150)	-
Net cash flows from financing activities		**(15,703)**	**1,299**
Total cash from/(used in) operating, investing and financing activities		(5,381)	6,416
Effect of exchange rate fluctuations on cash and cash equivalents		1,289	(459)
Net (decrease)/increase in cash and cash equivalents		**(4,092)**	**5,957**
Cash and cash equivalents at the beginning of the period	13	**11,881**	**5,882**
Cash and cash equivalents at the end of the period	13	**7,789**	**11,839**

The Notes on pages 7 to 21 form an integral part of this interim condensed consolidated financial information.

MERIDAN MANAGEMENT LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)
(in millions of Russian Rubles)

	Notes	Share capital	Additional paid-in capital	Retained earnings	Currency translation reserve	Total
At 1 January 2019		**1**	**154**	**11,865**	**-**	**12,020**
Profit for the period		-	-	4,109	-	4,109
Total comprehensive income for the period, net of tax		**-**	**-**	**4,109**	**-**	**4,109**
At 30 June 2019		**1**	**154**	**15,974**	**-**	**16,129**
At 1 January 2020		**1**	**154**	**11,298**	**-**	**11,453**
Profit for the period		-	-	9,014	-	9,014
Other comprehensive income for the period		-	-	-	13	13
Total comprehensive income for the period, net of tax		**-**	**-**	**9,014**	**13**	**9,027**
Dividends	14	-	-	(8,646)	-	(8,646)
At 30 June 2020		**1**	**154**	**11,666**	**13**	**11,834**

The Notes on pages 7 to 21 form an integral part of this interim condensed consolidated financial information.

1. GENERAL INFORMATION

Meridan Management Ltd. (the "Company") was incorporated in May 2008 in accordance with the Business Companies Act of the British Virgin Islands. The address of the Company's registered office is Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands ("BVI").

The interim condensed consolidated financial information covers the 6 months ended 30 June 2020.

Meridan Management Ltd. together with its subsidiaries (the "Group") is the leading CIS value retailer, operating under the trade mark "Fix Price". The Group's retail operations are conducted through a chain of convenience stores, located in the Russian Federation, Belarus and Kazakhstan. The Group is also engaged in wholesale operations by servicing a number of franchisees that operate in distant regions of the Russian Federation, as well as in a number of international geographies.

The interim condensed consolidated financial information has been prepared under the historical cost convention except of the revaluation of financial assets and financial liabilities at fair value through profit or loss.

Meridan Management Ltd. is the holding entity of the Group and there is no consolidation that takes place above the level of this Company.

As of 30 June 2020 and 31 December 2019 the Group is controlled by a group of independent physical persons, who individually don't have control over the Group.

This interim condensed consolidated financial information was authorised for release by the Director of the Company on 27 August 2020.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The annual consolidated financial statements of Meridan Management Ltd. and its subsidiaries are prepared in accordance with International Financial Reporting Standards ("IFRS"). This interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

Going concern

As a value retailer, the Group is well placed to withstand volatility within economic environment. The management has considered the Group's forecasts and projections for foreseeable future, taking into account current and expected economic situation in Russia and CIS, the Group's financial position, available borrowing facilities, loan covenant compliance, planned store opening program, anticipated cash flows and related expenditures from retail stores. Having considered all the above, management doesn't expect any material adverse impact to Group's operations from the current economic slowdown caused by the COVID-19 pandemic and is confident that the Group has adequate resources to continue its successful growth.

Accordingly, management is satisfied that it is appropriate to adopt the going concern basis of accounting in preparing of financial information.

(in millions of Russian Rubles)

Basis of consolidation

The principal activities of the Group's significant subsidiaries and the effective ownership percentages are as follows:

Company name	Country of incorporation	Principal activity	Note	Ownership interest 30 June 2020	Ownership interest 31 December 2019
Kolmaz Holdings Ltd	Cyprus	Intermediate holding company		100%	100%
Wikolia Investment Ltd	Cyprus	Intermediate holding company		100%	100%
Best Price LLC	Russia	Retail and wholesale operations		100%	100%
Best Price Kazakhstan TOO	Kazakhstan	Retail operations	8	100%	100%
Fix Price Zapad LLC	Belarus	Retail operations		99%	-

Functional and presentation currency

The functional currency of the Company and its Cyprus and Russian subsidiaries is Russian rouble ("RUB"). The functional currencies of Best Price Kazakhstan TOO and Fix Price Zapad LLC are Kazakhstan tenge ("KZT") and Belarussian rouble ("BYN") respectively.

The presentation currency of the Group is Russian roubles ("RUB") and all values are rounded to the nearest million RUB, except when otherwise indicated.

The translation of the financial statements of Best Price Kazakhstan TOO and Fix Price Zapad LLC from their functional currencies to the presentation currency is performed as follows:

- All assets, liabilities, both monetary and non-monetary, are translated at closing exchange rates at each reporting date;
- All income and expenses are translated at the yearly average exchange rate;
- Resulting exchange differences are included in equity and presented as Exchange difference arising from translation of financial statements within the Translation reserve;
- In the statement of cash flows, cash balances at the beginning and end of each reporting period presented are translated at exchange rates at the respective dates. All cash flows are translated at the yearly average exchange rate.

Following exchange rates were used for translation of the financial statements of Best Price Kazakhstan TOO and Fix Price Zapad LLC from their functional currencies to the presentation currency:

Currency	Closing rate on 30 June 2020	Closing rate on 31 December 2019	Average rate for the six months ended 30 June 2020	Average rate for the six months ended 30 June 2019
KZT	0.1728	0.1622	0.1711	0.1721
BYN	29.2617	29.4257	29.6805	30.8395

Seasonality of operations – The Group's sales generally increase ahead of major holidays, with fourth quarter representing the highest proportion of sales, but otherwise experience limited seasonal fluctuations.

Significant accounting policies and judgments

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2019 prepared in accordance with IFRS.

The Group omitted disclosures which would substantially duplicate the information contained in its audited annual consolidated financial statements for 2019 prepared in accordance with IFRS, such as accounting policies, judgments and details of accounts, which have not changed significantly in amount or composition.

Adoption of New Standards and Interpretations

The accounting policies applied by the Group are consistent with those of the financial year ended as at 31 December 2019, except for the adoption of the new standards and interpretations effective as of 1 January 2020. The Group has not early adopted any other standards, interpretations or amendments that have been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial information of the Group.

Amendments to IFRS 3: Definition of Business

The amendment to IFRS 3 clarifies that to be considered as a business, an integrated set of activities and assets must include, at minimum, an input and substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments have no impact on the interim condensed consolidated financial information of the Group, but may effect future periods should the Group enter into any business combination.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

The amendment to IFRS 9 and IAS 39 Financial instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. The hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the interim condensed consolidated financial information of the Group as it doesn't have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably expected to influence decisions made by the primary users. These amendments have no impact on the interim condensed consolidated financial information of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements of any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments have no impact on the interim condensed consolidated financial information of the Group.

(in millions of Russian Rubles)

3. REVENUE

Revenue for the six months ended 30 June 2020 and the six months ended 30 June 2019 consisted of the following:

	For the six months ended	
	30 June 2020	**30 June 2019**
Retail revenue	71,506	55,482
Wholesale revenue	11,363	8,606
	82,869	**64,088**

4. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the 6 months ended 30 June 2020 and the 6 months ended 30 June 2019 consisted of the following:

	For the six months ended	
	30 June 2020	**30 June 2019**
Staff costs	7,860	6,237
Amortisation of rights-of-use assets	3,717	3,158
Other depreciation and amortisation	1,065	850
Operating lease expenses	733	660
Bank charges	863	544
Security services	648	526
Repair and maintenance costs	348	357
Advertising costs	274	306
Utilities	236	142
Other expenses	276	196
	16,020	**12,976**

Operating lease expenses for the six months ended 30 June 2020 and the six months ended 30 June 2019 mainly relate to leases of low-value items for which the recognition exemption is applied and variable lease costs that are expended as incurred.

5. INCOME TAX EXPENSE

The Russian statutory income tax rate was 20% during the six months ended 30 June 2020 and the six months ended 30 June 2019. Income generated in other jurisdictions was subject to a different tax rate.

Income before taxation for financial reporting purposes is reconciled to tax expense as follows:

	For the six months ended	
	30 June 2020	**30 June 2019**
Profit before tax	11,982	6,260
Theoretical tax expenses at 20%, being statutory rate in Russia	**(2,396)**	**(1,252)**
Non-taxable items	(27)	(15)
Income/(expense) subject to income tax at rates different from 20%	305	(884)
Withholding tax on intra-group dividends	(850)	-
Income tax expense	**(2,968)**	**(2,151)**

6. KEY MANAGEMENT REMUNERATION

The total compensation relating to the key management personnel of the Group amounted to RUB 768 million and RUB 603 million during the six months ended 30 June 2020 and during the six months ended 30 June 2019, respectively. The amount of compensation includes all applicable taxes and contributions. All compensations were represented by short-term employee benefits as defined in IAS 19 *Employee Benefits*.

7. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group incurred capital expenditures in the amount of RUB 2,590 million (for the six months ended 30 June 2019: RUB 1,972 million), which mainly comprised warehouse properties, leasehold improvements and trade equipment.

The Group’s capital advances as at 30 June 2020 and as at 31 December 2019 mainly consist of advances for construction of warehouse premises in Saint-Petersburg region and in Moscow region respectively.

At 30 June 2020 land and buildings in amount of RUB 978 million have been pledged as collateral for payables to their vendor (Note 17).

8. GOODWILL

In consolidated financial statement for year ended 31 December 2019 the goodwill of RUB 178 million arising from the acquisition of Best Price Kazakhstan TOO was calculated as the difference between consideration of RUB 237 million and provisional net amount of the fair value of identifiable assets acquired and liabilities assumed of RUB 59 million. In the beginning of year 2020 we obtained information that actual net amount of the fair value of identifiable assets acquired and liabilities assumed as at 31 December 2019 was RUB 47 million. The increase of goodwill as at 30 June 2020 by RUB 24 million in comparison with ones as at 31 December 2019 includes RUB 12 million of remeasurement of net amount of the fair value of identifiable assets acquired and liabilities assumed and RUB 12 million of exchange difference posted to other comprehensive income

9. INTANGIBLE ASSETS

During the six months ended 30 June 2020, the Group acquired intangible assets for the amount of RUB 170 million (for the six months ended 30 June 2019: RUB 89 million), which mainly comprised software.

(in millions of Russian Rubles)

10. RIGHT-OF-USE ASSETS

The Group leases retails premises, offices and warehouses (hereinafter "leased premises and buildings") with lease term within the range from 1 to 6 years. Movements in the carrying amount of right-of-use assets were as follows:

	Leased premises and buildings for the six months ended	
	30 June 2020	**30 June 2019**
Cost		
At 1 January 2020/ 1 January 2019	**14,950**	**8,919**
New lease contracts and modification of existing lease contracts	3,800	1,613
Lease prepayments	68	44
Disposals	(235)	(63)
Currency translation reserve	1	-
At 30 June 2020/ 30 June 2019	**18,584**	**10,513**

	Leased premises and buildings for the six months ended	
	30 June 2020	**30 June 2019**
Accumulated depreciation and impairment		
At 1 January 2020/ 1 January 2019	**(6,787)**	**-**
Depreciation expense	(3,795)	(3,184)
Disposals	235	63
At 30 June 2020/ 30 June 2019	**(10,347)**	**(3,121)**
Carrying amount		
At 1 January 2020/ 1 January 2019	**8,163**	**8,919**
At 30 June 2020/ 30 June 2019	**8,237**	**7,392**

	For the six months ended	
	30 June 2020	**30 June 2019**
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets	3,717	3,158
Interest expense on lease liabilities	321	344
Expenses relating to variable lease payments not included in the measurement of the lease liability	671	538

Some of the property leases in which the Group is the lessee contain variable lease payment terms that are linked to sales generated from the leased retail stores. Variable payment terms are used to link rental payments to store cash flows and reduce fixed cost. Overall, the variable payments constitute approximately 15% of the Group's entire lease payments. The variable payments depend on sales of particular stores and consequently on the overall economic development over the next few years.

The total cash outflow for leases accounted for under IFRS 16 in the interim condensed consolidated financial statements amount to RUB 3,736 million (excluding variable lease payments) for the six months ended 30 June 2020 (RUB 3,444 million (excluding variable lease payments) for the six months ended 30 June 2019).

(in millions of Russian Rubles)

11. INVENTORIES

The Group inventory balance comprised of merchandise inventories.

Inventory write-off due to shrinkage and write-down to net realisable value during the six months ended 30 June 2020 and the six months ended 30 June 2019 amounted to RUB 606 million and RUB 582 million, respectively.

12. RECEIVABLES AND OTHER FINANCIAL ASSETS

Trade and other receivables as at 30 June 2020 and 31 December 2019 were as follows:

	30 June 2020	**31 December 2019**
Trade receivables from franchisees, net of allowance	866	760
Forward foreign exchange contracts (Note 20)	147	-
Other receivables, net of allowance	376	276
	1,389	**1,036**

The allowance for expected credit losses on trade receivables and other receivables as at 30 June 2020 and as at 31 December 2019 was RUB 17 million and RUB 15 million, respectively.

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 June 2020 and 31 December 2019 consisted of the following:

	30 June 2020	**31 December 2019**
Bank current accounts – RUB, KZT and BYN	580	534
Cash in transit – RUB, KZT and BYN	1,030	1,315
Cash in hand – RUB, KZT and BYN	222	229
Bank current accounts – Euro, USD and CNY	462	1,635
Deposits – RUB, KZT and BYN	4,726	1,398
Deposits – USD	-	5,602
Dual currency instruments	768	1,166
Other cash and cash equivalents (RUB and EUR/USD instruments)	1	2
	7,789	**11,881**

Cash in transit represents cash collected by banks from the Group’s stores and not deposited in bank accounts as at 30 June 2020 and 31 December 2019.

As of 30 June 2020 RUB, KZT and BYN denominated deposit bank accounts in the amount of RUB 4,726 million had interest rates of 4.00-9.60% and 2-320 days maturity period (deposits over 90 days are recallable on demand). As of 31 December 2019 RUB denominated deposit bank accounts in the amount of RUB 1,398 million had interest rates of 5.51-5.70% and a 9-10 day maturity period.

As of 31 December 2019 USD denominated deposit bank accounts in the amount of RUB 5,602 million had interest rates of 1.45-2.00% and 30-182 maturity period (deposits over 90 days were recallable on demand).

As of 30 June 2020 dual currency instruments (DCI) are denominated in Euro and USD, CNY and NOK with a synthetic (risk and interest) coupon rates of 1.0-4.60% and 14-30 day maturity period. If at maturity the USD/EUR, CNY/EUR or NOK/EUR currency rate respectively is beyond a specified limit DCI is paid back by bank in USD, CNY or NOK respectively. As of 31 December 2019 dual currency instruments (DCI) are denominated in Euro and USD, AU with a synthetic (risk and interest) coupon rates of 1.5-3.38% and 35-60 day maturity period. If at maturity the USD/EUR currency rate is beyond a specified limit DCI is paid back by bank in USD.

RUB and US denominated balances in current bank accounts are normally interest free.

(in millions of Russian Rubles)

14. EQUITY

Ordinary shares

Each ordinary share ranks pari passu with each other ordinary share and each share carries one vote.

	30 June 2020	31 December 2019
Allotted, called up and fully paid ordinary shares of USD 1 each	50,000	50,000
	50,000	**50,000**

Additional paid-in capital

No contributions into equity were made by shareholders of the Group during the six months ended 30 June 2020 and the six months ended 30 June 2019.

Dividends

Interim and final dividends for 2019 of RUB 74 thousand per share and RUB 99 thousand per share, amounting to a total dividend of RUB 8,646 million were announced in March and May 2020 respectively.

15. LOANS AND BORROWINGS

Terms and conditions in respect of loans and borrowings as of 30 June 2020 are detailed below:

Source of financing	Currency	Maturity date	Interest rate at 30 June 2020	30 June 2020
Bank loans (unsecured)	RUB	2020-2021	5.08-7.87%	5,303
Bank loans (unsecured)	CNY	2021	4.9%	494
				5,797

Terms and conditions in respect of loans and borrowings as of 31 December 2019 are detailed below:

Source of financing	Currency	Maturity date	Interest rate at 31 December 2019	31 December 2019
Bank loans (unsecured)	RUB	2020	6.95-7.44%	5,006
				5,006

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

	1 January 2020	Financing cash flows (i)	Other changes (ii)	30 June 2020
Bank loans	5,006	852	(61)	5,797
	5,006	**852**	**(61)**	**5,797**

(i) The cash flows from bank loans and other borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the consolidated statement of cash flows.

(ii) Other changes include interest accruals and payments.

(in millions of Russian Rubles)

The Group’s loan agreements contain certain restrictive covenants, including requirements to comply with specified financial ratios.

The Group’s failure to comply with restrictive covenants may result in a claim for immediate repayment of the corresponding debt. As of 30 June 2020 and 31 December 2019 the Group was in compliance with all financial covenants stipulated by its loan agreements.

16. LEASE LIABILITIES

As at 30 June 2020 and 30 June 2019 lease liabilities comprised the following:

	30 June 2020	30 June 2019
Minimum lease payments, including:		
Current portion (less than 1 year)	5,836	4,923
More than 1 to 5 years	2,899	2,477
Over 5 years	9	-
Total minimum lease payments	**8,744**	**7,400**
Less amount representing interest	(568)	(543)
Present value of net minimum lease payments, including:		
Current portion (less than 1 year)	5,436	4,550
More than 1 to 5 years	2,732	2,307
Over 5 years	8	-
Total present value of net minimum lease payments	**8,176**	**6,857**
Less current portion of lease obligations	(5,436)	(4,550)
Non-current portion of lease obligations	**2,740**	**2,307**

The following table summarises the changes in the lease liabilities:

Balance as at 1 January 2020 / 1 January 2019	**7,802**	**8,344**
Interest expense on lease liabilities	321	344
Lease payments	(3,736)	(3,444)
New lease contracts and modification of existing lease contracts	3,800	1,613
Foreign exchange (loss)/gain, net	(9)	-
Currency translation reserve	(2)	-
Balance as at 30 June 2020 / 30 June 2019	**8,176**	**6,857**

Group’s lease contracts include typical restrictions and covenants common for local business practice such as responsibility of the Group for regular maintenance and repair of the lease assets and its insurance, redesign and conduction of permanent improvements only with consent of the lessor, use of leased asset in accordance with current legislation.

The weighted average incremental borrowing rate at 30 June 2020 was 5.93% per annum, at 31 December 2019 was 7.06%

The Group does not face a significant liquidity risk with regard to its lease liabilities.

(in millions of Russian Rubles)

17. PAYABLES AND OTHER FINANCIAL LIABILITIES

Payables as of 30 June 2020 and 31 December 2019 consisted of the following:

	30 June 2020	31 December 2019
Trade payables	22,106	19,232
Forward foreign exchange contracts (Note 20)	29	142
Deferred revenue	168	125
Other payables	541	328
	22,844	**19,827**

Trade payables are normally settled not later than their 120 days term.

At 30 June 2020 payables in the amount of RUB 158 million were secured by the pledge of land and buildings (Note 7). All other payables were unsecured.

18. COMMITMENTS

Capital commitments

There were contractual capital commitments in the amount of RUB 780 million as at 30 June 2020 (as at 31 December 2019 – RUB 158 million).

19. OPERATING ENVIRONMENT AND CONTINGENCIES

Operating environment of the Group

The Group sells products that are sensitive to changes in general economic conditions that impact consumer spending. Future economic conditions and other factors, including sanctions imposed, consumer confidence, employment levels, interest rates, consumer debt levels and availability of consumer credit could reduce consumer spending or change consumer purchasing habits. A general slowdown in the Russian economy or in the global economy, or an uncertain economic outlook, could adversely affect consumer spending habits and the Group's operating results.

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

The Russian economy has been negatively impacted by high volatility in oil prices and national currency exchange rate and sanctions imposed on Russia by a number of countries. The rouble interest rates remained high. The combination of the above resulted in reduced access to capital, a higher cost of capital 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.

Legal proceedings

In the ordinary course of business, the Group may be a party to various legal and tax proceedings, and be subject to claims. In the opinion of management, the Group's liability, if any, in all pending litigation, other legal proceeding or other matters, will not have a material effect on the financial condition, results of operations or liquidity of the Group.

Taxation

The Group's main subsidiary, from which the Group's income is derived, operates in Russia. Russian tax, currency and customs legislation can be interpreted in different ways and is susceptible to frequent changes. The interpretation made by management of the legislation in question as applied to the operations and activities of the Group may be challenged by the relevant regional or federal authorities.

In addition, certain amendments to tax legislation entered into force from 2015 which are aimed at combating tax evasion through the use of low-tax jurisdictions and aggressive tax planning structures. In particular, those amendments include definitions of the concepts of beneficial ownership and tax residence of legal entities at their actual place of business, and an approach to the taxation of controlled foreign companies.

These changes, as well as recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in past may be challenged as not having been in compliance with Russian tax laws applicable at the relevant time. In particular, the Supreme Court issued guidance to lower courts on reviewing tax cases providing a systematic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of tax authorities' scrutiny. As a result, significant additional taxes, penalties and interest may be levied on the Group.

As at 30 June 2020 management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained. Management estimates that the Group's possible exposure in relation to the aforementioned tax risks will not exceed 14% of the Group's total assets as at 30 June 2020.

Coronavirus disease (COVID-19)

With the recent and rapid development of the Coronavirus disease (COVID-19) outbreak the world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life. Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations. Governments have implemented restrictions on travelling as well as strict quarantine measures.

Industries such as tourism, hospitality and entertainment are expected to be disrupted significantly by these measures. Other industries such as manufacturing, retail and financial services are expected to be indirectly affected and their results to also be negatively affected. The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome.

The COVID-19 pandemic has not had a material adverse impact on the Group, as its business in Russia was included in a list of systemically important companies, hence the majority of Group's stores remained operational during the lock-down. The management states that COVID-19 pandemic has not had a material negative effect on liquidity of the Group and thus continues to adopt a going concern basis in preparing of the financial statements of the Group.

While the full financial impact of the crisis in long-term perspective is impossible to predict with a high degree of certainty, the management strongly believes in positive outcome on the performance of the Group.

(in millions of Russian Rubles)

20. FINANCIAL RISK MANAGEMENT

The Group uses various financial instruments, including bank loans, cash, derivatives and various items, such as trade receivables and trade payables that arise directly from its operations.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. The Group reviews and agrees policies for managing each of these risks and they are summarised below.

The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below.

Market risk

Market risk encompasses three types of risk, being currency risk, fair value interest rate risk and commodity price risk. Commodity price risk is not considered material to the business as the Group’s sensitivity to commodity prices is insignificant. The Group’s exposure to fair value interest rate risk is minimal as the Group does not enter floating rate loan contracts.

Currency risk

The Group is exposed to translation and transaction foreign exchange risk arising from exchange rate fluctuation on its purchases from overseas suppliers. In relation to translation risk, this is considered material to the business as amounts owed in foreign currency are medium term of up to 120 days and are of a relatively significant nature. A proportion of the Group’s purchases are priced in Chinese Yuans and in order to manage the Group’s exposure to currency risk, the Group enters into forward foreign currency contracts. No transactions in derivatives are undertaken of a speculative nature.

As of 30 June 2020 the fair value of assets and liabilities related to forward foreign exchange contracts aimed at currency risk management amounted to RUB 147 million and RUB 29 million respectively. Respective assets and liabilities were recognised within Trade and other receivables and Trade and other payables respectively. As of 31 December 2019 the fair value of liabilities related to forward foreign exchange contracts aimed at currency risk management amounted to RUB 142 million. Respective liabilities were recognised within Trade and other payables. During 6 months ended 30 June 2020 gain from forward foreign exchange contracts amounted to RUB 470 million (during 6 months ended 30 June 2019: RUB 428 million loss), and were included in the foreign exchange gain/(loss) line item in the consolidated statement of comprehensive income.

98% of the Group's sales to retail and wholesale customers are priced in Russian roubles, therefore there is no significant currency exposure in this respect.

Foreign currency sensitivity

The carrying amount of the Group’s foreign currency denominated monetary assets and liabilities as at 30 June 2020 and 31 December 2019 is as follows:

	Assets		**Liabilities**	
	30 June 2020	**31 December 2019**	**30 June 2020**	**31 December 2019**
USD	866	6,264	303	5,030
CNY	156	1	4,188	4,692
EUR	144	2,167	359	-
KZT	125	-	331	-
BYN	239	-	665	-
NOK	146	-	-	-

The impact on the Group’s profit before tax is largely due to changes in the fair value revaluation of creditors held on account with our Chinese Yuan suppliers.

(in millions of Russian Rubles)

The following table demonstrates the sensitivity (net of tax) to a reasonably possible change in the US dollar period end exchange rates with all other variables held constant.

		30 June 2020	31 December 2019
Change in RUB/USD	+10%	56	123
Change in RUB/USD	-10%	(56)	(123)

The following table demonstrates the sensitivity (net of tax) to a reasonably possible change in the Chinese Yuan period end exchange rates with all other variables held constant.

		30 June 2020	31 December 2019
Change in RUB/CNY	+10%	(403)	(469)
Change in RUB/CNY	-10%	403	469

The following table demonstrates the sensitivity (net of tax) to a reasonably possible change in the Euro period end exchange rates with all other variables held constant.

		30 June 2020	31 December 2019
Change in RUB/EUR	+10%	(21)	217
Change in RUB/EUR	-10%	21	(217)

These calculations have been performed by taking the year end translation rate used on the accounts and applying the change noted above. The balance sheet valuations are then directly calculated.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's principal financial assets are cash and cash equivalents, loans receivable and trade receivables. Credit risk is further limited by the fact that all of sales retail transactions are made through the store registers, direct from the customer at the point of purchase, leading to a zero trade receivables balance from retail sales.

Therefore the principal credit risk arises from the Group's trade receivables. In order to manage credit risk, the Group sets limits for wholesale customers (franchisees) based on their payment history. New wholesale customers typically pay in advance. Credit limits are reviewed by franchisees managers on a regular basis in conjunction with debt ageing and collection history. Provisions against bad debts are made where appropriate.

The credit risk on liquid funds (see the table below) is managed by the Group's treasury. The management believes that credit risk on investments of surplus funds is limited as the counterparties are financial institutions with high credit ratings assigned by international credit rating agencies.

The table below shows the balances that the Group has with its major banks as at the balance sheet date:

Bank	Country of incorporation	Rating	Carrying amount as at 30 June 2020
Sberbank of Russia	Russia	Baa3	378
VTB Bank	Russia	Baa3	4,925
RCB	Cyprus	Ba2	269
LGT	Switzerland	Aa2	960
Other			4
Total			**6,536**

(in millions of Russian Rubles)

Liquidity risk

Any impact on available cash and therefore the liquidity of the Group could have a material effect on the business as a result.

The Group's borrowings are subject to quarterly banking covenants against which the Group has had significant headroom to date with no anticipated issues based upon forecasts made. Short term flexibility is achieved via the Group's rolling credit facility. The following table shows the maturity of financial liabilities grouping based on their remaining period at the balance sheet date. The amounts disclosed are the contractual undiscounted cash flows:

	On demand or less than 1 year	1 to 5 years	Over 5 year	Total
As of 30 June 2020				
Loans and borrowings	5,797	-	-	**5,797**
Payables and other liabilities	22,676	-	-	**22,676**
	28,473	**-**	**-**	**28,473**
As of 31 December 2019				
Loans and borrowings	5,006	-	-	**5,006**
Payables and other liabilities	19,702	-	-	**19,702**
	24,708	**-**	**-**	**24,708**

The maturity analysis of the lease liabilities is disclosed in the Note 16.

Fair value

The fair value of the financial assets and liabilities of the Group are not materially different from their carrying value.

Fair values of cash and cash equivalents, trade and other receivables, loans issued and trade and other payables approximate their carrying amounts due to their short maturity.

Foreign exchange contracts are recognised at fair value and classified as Level 2 instruments. The fair value data is provided by banks, based on the updated quotations source (e.g. Bloomberg).

21. RELATED PARTIES

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. Management considers that the Group has appropriate procedures in place to identify, account for and properly disclose transaction with related parties.

Related parties include immediate and ultimate shareholders of the Group, franchisees where the Group has a non-controlling ownership stake, as well other related parties under common control.

(in millions of Russian Rubles)

Transactions with related parties for the six months ended 30 June 2020 and for the six months ended 30 June 2019:

	For the six months ended	
	30 June 2020	**30 June 2019**
Associates:		
Sales of goods	1,144	1,366
Royalty fees	47	55
Other*:		
Dividends declared	7,183	-
Payment of dividends	11,010	-
Loans issued	-	(109)
Repayment of loans receivable	-	-

At 30 June 2020 and at 31 December 2019 the outstanding balances with related parties were as follows:

	30 June 2020	**31 December 2019**
Associates:		
Trade and other receivables	11	15
Advances from customers	(114)	(133)
Other*:		
Dividends payable	662	4,329

* Other related parties comprise immediate and indirect shareholders of the Company.

22. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure. While the Group has not established any formal policies with regards to debt to equity proportions, the Group reviews its capital needs periodically to determine actions to balance its overall capital structure through new share issue, return of capital to shareholders as well as securing new debt or redemption of existing debt.

23. POST BALANCE SHEET EVENTS

Subsequent to reporting date, the Group redeemed its payables which were secured by a pledge of land and buildings (Note 7 and 17), thus having no further pledge obligations under respective contract.