Meridan Management Ltd.

Interim Condensed Consolidated
Financial Information (Unaudited)
Six Months Ended 30 June 2019

MERIDAN MANAGEMENT LTD.

TABLE OF CONTENTS

MERIDAN MANAGEMENT LTD.

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTHS ENDED 30 JUNE 2019 (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 2019, 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 on 13 September 2019.

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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 2019 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows 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 2019, 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

16 September 2019

MERIDAN MANAGEMENT LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2019 (UNAUDITED)
(in millions of Russian Rubles, except earnings per share)

	Notes	For the six months ended 30 June 2019	For the six months ended 30 June 2018 (represented)*
REVENUE	4	64,088	46,818
COST OF SALES		(44,200)	(32,616)
GROSS PROFIT		**19,888**	**14,202**
Selling, general and administrative expenses	5	(12,976)	(9,739)
Other operating income		148	84
OPERATING PROFIT		**7,060**	**4,547**
Share of profit of associates, net		20	51
PROFIT ON ORDINARY ACTIVITIES BEFORE NET FINANCE COSTS AND TAX		**7,080**	**4,598**
Interest income		51	65
Interest expense		(520)	(134)
Foreign exchange (loss)/gain, net		(351)	(562)
PROFIT BEFORE TAX		**6,260**	**3,967**
Income tax expense	6	(2,151)	(1,335)
PROFIT FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**4,109**	**2,632**
Basic and diluted earnings per share		0,082	0,053

* See Note 3 for details of represented items of consolidated statement of comprehensive income.

The Group made a transition to IFRS 16 using the modified retrospective approach under which the comparative information was not restated.

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 2019 (UNAUDITED)
(in millions of Russian Rubles)

	Notes	30 June 2019	31 December 2018*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	10,213	9,108
Intangible assets	8	272	1,577
Capital advances	7	913	662
Right-of-use assets	9	6,095	-
Operating lease deposits		-	594
Investment in associates		73	130
Total non-current assets		**17,566**	**12,071**
CURRENT ASSETS			
Inventories	10	16,191	15,085
Right-of-use assets	9	1,297	-
Receivables and other financial assets	11	813	1,033
Prepayments		115	158
Value added tax receivable		175	1,049
Loans receivable		182	-
Cash and cash equivalents	12	11,839	5,882
Total current assets		**30,612**	**23,207**
TOTAL ASSETS		**48,178**	**35,278**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	1	1
Additional paid-in capital	13	154	154
Retained earnings	13	15,974	13,082
Total equity		**16,129**	**13,237**
NON-CURRENT LIABILITIES			
Lease liabilities	15	2,307	-
Deferred tax liabilities		221	583
Total non-current liabilities		**2,528**	**583**
CURRENT LIABILITIES			
Loans and borrowings	14	4,905	501
Lease liabilities	15	4,550	-
Payables and other financial liabilities	16	16,061	17,901
Advances received		225	292
Income tax payable		2,586	1,410
Tax liabilities, other than income taxes		556	840
Accrued expenses		638	514
Total current liabilities		**29,521**	**21,458**
Total liabilities		**32,049**	**22,041**
TOTAL EQUITY AND LIABILITIES		**48,178**	**35,278**

* The Group made a transition to IFRS 16 using the modified retrospective approach under which the comparative information was not restated.

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 2019 (UNAUDITED)
(in millions of Russian Rubles)

	Note	For the six months ended 30 June 2019	30 June 2018 (represented)*
CASHS FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the period		6,260	3,967
Adjustments for:			
Depreciation and amortisation		4,008	708
Shrinkage and inventory obsolescence expenses		582	668
Change in allowance for trade and other receivables		5	11
Loss on disposal of property, plant and equipment		3	6
Share of profit of associates, net		(20)	(51)
Interest income		(51)	(65)
Interest costs		520	134
Foreign exchange loss, net		351	562
Operating cash flows before changes in working capital		**11,658**	**5,940**
Increase in inventories		(1,687)	(1,458)
Decrease in receivables and other financial assets		220	130
Decrease in prepayments		43	137
Decrease/(increase) in VAT receivable		869	(63)
Increase in operating lease deposits		-	(51)
Decrease in payables and other financial liabilities		(1,767)	(302)
Decrease in advances received		(67)	4
Decrease in tax liabilities, other than income tax		(284)	(67)
Increase in accrued expenses		159	81
Net cash flows generated from operations		**9,144**	**4,351**
Interest paid		(534)	(140)
Interest received		51	17
Income tax paid		(1,198)	(957)
Net cash received from operating activities		**7,463**	**3,271**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and capital advances		(2,178)	(1,678)
Purchase of intangible assets		(86)	(91)
Proceeds from sale of property, plant and equipment		23	19
Dividends received from associates		77	43
Loans issued		(231)	(3,985)
Proceeds from repayment of loans issued		49	358
Net cash used in investing activities		**(2,346)**	**(5,334)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings		7,599	3,830
Repayment of loans and borrowings		(3,200)	(4,482)
Lease payments		(3,100)	-
Dividends paid		-	(1,205)
Net cash flows from financing activities		**1,299**	**(1,857)**
Total cash from / (used in) operating, investing and financing activities		6,416	(3,920)
Effect of exchange rate fluctuations on cash and cash equivalents		(459)	(129)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**5,957**	**(4,049)**
CASH AND CASH EQUIVALENTS, at the beginning of the period		**5,882**	**6,102**
CASH AND CASH EQUIVALENTS, at the end of the period		**11,839**	**2,053**

* See Note 3 for details of represented items of consolidated statement of cash flows.

The Group made a transition to IFRS 16 using the modified retrospective approach under which the comparative information was not restated.

Non-cash transactions:

- In the six months ended 2018 the Group issued loans to its shareholders and related parties for the total amount of RUB 3,985 million. Out of this amount, RUB 358 million were repaid to the Group in cash. In June 2018 the Group, its debtors and shareholders entered into a series of agreements under which the outstanding loans receivable in the total amount of RUB 3,911 million were settled against dividends payable by the Group at that date to its shareholders.
- In June 2018 a supplier of the Group issued bearer promissory note in amount of RUB 187 million that was used to redeem amounts due by this supplier to the Group. Subsequently the Group used that promissory note in the total amount of RUB 187 million to repay a part of its dividends payable to the shareholders.

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 2019 (UNAUDITED)
(in millions of Russian Rubles)

	Notes	Share capital	Additional paid-in capital	Retained earnings	Total
At 1 January 2018		**1**	**154**	**10,587**	**10,742**
Profit for the period		-	-	2,632	2,632
Total comprehensive income for the period, net of tax		**-**	**-**	**2,632**	**2,632**
Dividends	13	-	-	(6,244)	(6,244)
At 30 June 2018		**1**	**154**	**6,975**	**7,130**
At 1 January 2019		**1**	**154**	**13,082**	**13,237**
Effect of adoption of IFRS 16		**-**	**-**	**(1,217)**	**(1,217)**
At 1 January 2019 Restated		**-**	**-**	**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**

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 statements cover the 6 months ended 30 June 2019.

Meridan Management Ltd. together with its subsidiaries (the "Group") is the leading CIS multi-price 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. 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 Belarus, Georgia, Kazakhstan and Latvia.

The consolidated financial statements have 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 2019 and 31 December 2018 the Group is controlled by a group of independent physical persons who individually don't have control over the Group.

These interim condensed consolidated financial statements were authorised for release by the Director of the Company on 13 September 2019.

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 2019 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 2018.

Functional and presentation currency – The consolidated financial statements are presented in Russian roubles ("RUB"), which is also the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest million RUB, except when otherwise indicated.

Seasonality of operations – Seasonality does not significantly influence the results of operations and cash flows of the Group, with exception of moderate increase of sales in the fourth quarter.

Significant accounting policies and judgments

The Group omitted disclosures which would substantially duplicate the information contained in its audited annual consolidated financial statements for 2018 prepared in accordance with IFRS, such as accounting policies, judgments and details of accounts, which have not changed significantly in amount or composition. The certain significant judgments resulted by adoption of new accounting standards are as following:

Lease term of contracts

In determining the lease term the Group considers the extension options that are reasonably certain to be executed and termination options that are reasonably certain not to be executed. When considering those options, management takes into account the Group's investment strategy, relevant investment decisions, the residual useful life of the related major leasehold improvements and costs relating to the termination of the lease.

Incremental borrowing rates for calculation of lease liability

Incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Because there are normally no absolutely similar to lease agreements borrowings, which interest rates are observable in open market, the Group derives incremental borrowing rates from both internal and external data sources applying significant judgment in such calculations.

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 2018, except for the adoption of the new standards and interpretations described below.

From 1 January 2019, the Group has adopted the following new and amended standards and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB in the interim condensed consolidated financial information:

- IFRS 16 *Leases*;
- IFRIC 23 *Uncertainty Over Income Tax Treatments*;
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation*;
- Amendments to IAS 19 *Employee Benefits*;
- Annual Improvements to IFRSs 2015-2017 Cycle.

No new standards and interpretations adopted in 2019 other than IFRS 16 Leases had a material impact on the interim condensed consolidated financial information of the Group for the six months ended 30 June 2019.

IFRS 16 Leases

As at 1 January 2019 the Group has adopted IFRS 16 *Leases* (as issued by the IASB in January 2016).

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's Interim condensed consolidated financial statements is described below.

The Group has applied IFRS 16 using a modified retrospective approach. The comparative information for the year ended 31 December 2018 has not been restated in accordance with provisions of IFRS 16 *Leases*.

Impact of the new definition of a lease

The Group used the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). When preparing for the first-time application of IFRS 16, the Group carried out an implementation project. The project results presented that the new definition in IFRS 16 would not change significantly the scope of contracts that meet the definition of a lease for the Group.

Impact on Lessee Accounting

Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

(a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;

(b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and

(c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 *Impairment of Assets*. This replaces the previous requirement to recognise a provision for onerous lease contracts.

For low-value assets the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within Selling, general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Financial impact of initial application of IFRS 16

At the date of transition to IFRS 16 *Leases* the Group recognised lease liabilities (short-term and long-term) in amount of RUB 8,344 million. Previously the Group did not recognise any lease liabilities because all lease contracts entered into by the Group were classified as operating leases according to IAS 17 *Leases*. The amount of lease liabilities recognised was determined based on the present value of the future minimum lease payments at the transition date. The Group used incremental borrowing rate in determining the present value of future payments.

The weighted average incremental borrowing rate at 1 January 2019 was 9.9% per annum.

As at 1 January 2019 the Group also recognised right-of-use assets in amount of RUB 8,919 million. Right-of-use assets are depreciated on a straight-line basis over the lease term within the range from 11 to 60 months. Lease rights of RUB 1,357 million (included previously in intangible assets) were derecognised.

As at 1 January 2019 operating lease deposits of RUB 575 million related to previous operating leases were derecognised and added to the carrying amounts of the relevant right-of-use assets.

Deferred tax assets increased by RUB 271 million and deferred tax liabilities decreased by RUB 131 million because of the deferred tax impact of the changes in assets and liabilities.

The net impact of these adjustments had been adjusted to retained earnings of RUB 1,217 million.

Under IFRS 16, lessees must present:

- Payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities;
- Cash paid for the interest portion of lease liability as operating activities or financing activities, as permitted by IAS 7 (the Group has opted to include the interest paid as part of operating activities); and;
- Cash payments for the principal portion of lease liability as part of financing activities.

(in millions of Russian Rubles)

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities.

The adoption of IFRS 16 has no impact on net cash flows.

As at 31 December 2018 the Group's outstanding short and long-term lease agreements were cancellable. IAS 17 requires disclosing operating lease commitments only for non-cancellable leases, while under IFRS 16 the Group is also required to include in lease term periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. Due to this the Group does not provide a reconciliation between lease commitment disclosure at 31 December 2018 and the lease liabilities recognised as a result IFRS 16 adoption at 1 January 2019.

3. RECLASSIFICATION OF COMPARATIVE INFORMATION

In order to improve presentation of certain line items and for better comparability of the financial statements with the Group's industry peers the management of the Group decided to make the following presentation changes in Interim Condensed Consolidated Statement of Comprehensive Income and Interim Condensed Consolidated statement of Cash Flows for the six months ended 30 June 2019 as it was done in the annual consolidated financial statements for the year ended 31 December 2018.

Other operating income that includes revenue from operating activities, which are not related to principal activities of the Group, such as income from the sale of waste materials, rental and advertising activities was presented as a separate line of Interim Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 June 2019 as it was done for year ended 31 December 2018.

Interest received was presented within Net cash flows from operating activities of Interim Condensed Consolidated statement of Cash Flows instead of Net cash flows used in investing activities.

The cumulative effect of reclassifications of corresponding information for the six months ended 30 June 2018 is presented below:

Consolidated Statement of Comprehensive Income	**As previously reported**	**Reclassification**	**As reclassified**
Revenue	46 902	(84)	46 818
Other operation income	-	84	84

Consolidated Statement of Cash Flows	**As previously reported**	**Reclassification**	**As reclassified**
Net cash used in investing activities			
Interest received	17	(17)	-
Net cash used in operating activities			
Interest received	-	17	17

(in millions of Russian Rubles)

4. REVENUE

Revenue for the 6 months ended 30 June 2019 and 2018 consisted of the following:

	For the six months ended	
	30 June 2019	**30 June 2018**
Retail revenue	55,482	40,321
Wholesale revenue	8,606	6,497
	64,088	**46,818**

5. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the 6 months ended 30 June 2019 and 2018 consisted of the following:

	For the six months ended	
	30 June 2019	**30 June 2018**
Staff costs	6,237	4,057
Amortisation of rights-of-use assets	3,158	-
Operating lease expenses	660	3,367
Other depreciation and amortisation	850	708
Bank charges	544	325
Security services	526	413
Repair and maintenance costs	357	264
Advertising costs	306	199
Utilities	142	191
Other expenses	196	215
	12,976	**9,739**

6. INCOME TAX EXPENSE

The Russian statutory income tax rate was 20% during the six months ended 30 June 2019 and the year ended 31 December 2018. 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 2019	**30 June 2018**
Profit before tax	6,260	3,967
Theoretical tax expenses at 20%, being statutory rate in Russia	**(1,252)**	**(793)**
Non-taxable items	(15)	(86)
(Expenses)/income subject to income tax at rates different from 20%	(884)	(306)
Withholding tax on intra-group dividends	-	(150)
Total	**(2,151)**	**(1,335)**

7. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group incurred capital expenditures in the amount of RUB 1,972 million (for the six months ended 30 June 2018: RUB 701 million), which mainly comprised leasehold improvements and trade equipment.

The Group's capital advances as at 30 June 2019 mainly consist of advances for construction of warehouse premises in Moscow region.

(in millions of Russian Rubles)

8. INTANGIBLE ASSETS

During the six months ended 30 June 2019, the Group acquired intangible assets for the amount of RUB 89 million (for the six months ended 30 June 2018: RUB 97 million), which mainly comprised software.

9. 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
Cost	
At 1 January 2019	**8,919**
New lease contracts and modification of existing lease contracts	1,613
Lease prepayments	44
Disposals	(63)
At 30 June 2019	**10,513**

	Leased premises and buildings
Accumulated depreciation and impairment	
At 1 January 2019	**-**
Depreciation expense	(3,184)
Disposals	63
Impairment	-
At 30 June 2019	**(3,121)**
Carrying amount at 1 January 2019	**8,919**
Carrying amount at 30 June 2019	**7,392**

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

No impairment of right-of-use assets was recognised in the interim condensed consolidated statement of profit and loss and other comprehensive income for the six months ended 30 June 2019.

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 economics and reduce fixed cost. Overall the variable payments constitute approximately 14% of the Group's entire lease payments. The variable payments depend on sales 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 3,444 million (excluding variable lease payments) for the six months ended 30 June 2019.

(in millions of Russian Rubles)

10. INVENTORIES

The Group inventory balance comprised of merchandise inventories.

Inventory write-off due to shrinkage and write-down to net realizable value during the six months ended 30 June 2019 and 2018 amounted to RUB 582 million and RUB 668 million, respectively.

11. RECEIVABLES AND OTHER FINANCIAL ASSETS

Trade and other receivables as at 30 June 2019 and 31 December 2018 were as follows:

	30 June 2019	**31 December 2018**
Trade receivables from franchisees, net of allowance	475	666
Forward foreign exchange contracts (Note 19)	-	194
Other receivables, net of allowance	338	173
	813	**1,033**

In 2018 some the Group's trade and other receivables were redeemed through a series of non-cash transactions. The details are disclosed in the consolidated statement of cash flows for the year ended 31 December 2018 in the section entitled "Non-cash transactions".

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 June 2019 and 31 December 2018 consisted of the following:

	30 June 2019	**31 December 2018**
Bank current accounts – Russian roubles	718	2,270
Cash in transit – Russian roubles	871	1,345
Cash in hand – Russian roubles	475	209
Bank current accounts – Euro, USD and CNY	141	1,183
Deposits – Russian roubles	-	619
Deposits – USD	7,436	-
Dual currency instruments	2,197	-
Other cash and cash equivalents (RUB and EUR/USD instruments)	1	256
	11,839	**5,882**

Cash in transit represents cash collected by banks from the Group's stores and not deposited in bank accounts as at 30 June 2019 and 31 December 2018.

As of 30 June 2019 USD denominated deposit bank accounts in the amount of RUB 7,436 million had interest rates of 2.00-2.77% and 2-186 day maturity period (deposits over 90 days are recallable on demand). As of 31 December 2018 Russian rouble denominated deposit bank accounts in the amount of RUB 618 million had interest rates of 4.81% and a 11 day maturity period.

Dual currency instruments (DCI) are denominated in Euro and USD with a synthetic (risk and interest) coupon rates of 1.5-4.8% and 14-51 day maturity period. If at maturity the USD/EUR currency rate is beyond a specified limit DCI is paid back by bank in USD.

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

(in millions of Russian Rubles)

13. EQUITY

Ordinary shares

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

	30 June 2019	31 December 2018
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 6 months ended 30 June 2019 and 6 months ended 30 June 2018.

Dividends

Interim dividends for 2018 of RUB 125 thousand per share, amounting to a total dividend of RUB 6,244 million were announced in February and March 2018.

During the six months ended 30 June 2018 the Group's dividend payable in amount of RUB 4,098 million were partially redeemed through a series of non-cash transactions. The details are disclosed in the interim condensed consolidated statement of cash flows for the six months ended 30 June 2018.

14. LOANS AND BORROWINGS

Terms and conditions in respect of loans and borrowings as of 30 June 2019 are detailed below:

Source of financing	Currency	Maturity date	Interest rate at 30 June 2019	30 June 2019
Bank loans	RUB	2019-2020	8.9-9.4%	4,905
				4,905

Terms and conditions in respect of loans and borrowings as of 31 December 2018 are detailed below:

Source of financing	Currency	Maturity date	Interest rate at 31 December 2018	31 December 2018
Bank loans*	RUB	2019	9.9%	501
				501

* At 31 December 2018 this bank loan was secured by the pledge of land and buildings with net cost of RUB 832 million.

(in millions of Russian Rubles)

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:

	01/01/2019	Financing cash flows (i)	Other changes (ii)	30/06/2019
Bank loans	501	4,400	4	4,905
	501	4,400	4	4,905

(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

The Group's loan agreements contain certain restrictive covenants, including requirements to comply with specified financial ratios. Some of these ratios use non-IFRS measures, such as Net Debt and EBITDA; a reconciliation of these measures is shown in Note 22.

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 2019 and 31 December 2018 the Group was in compliance with all financial covenants stipulated by its loan agreements.

15. LEASE LIABILITIES

As at 30 June 2019 lease liabilities comprised the following:

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

The following table summarises the changes in the lease liabilities:

Balance as at 1 January 2019	**8,344**
Interest expense on lease liabilities	344
Lease payments	(3,444)
New lease contracts and modification of existing lease contracts	1,613
Balance as at 30 June 2019	**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 Group does not face a significant liquidity risk with regard to its lease liabilities.

(in millions of Russian Rubles)

16. PAYABLES AND OTHER FINANCIAL LIABILITIES

Payables as of 30 June 2019 and 31 December 2018 consisted of the following:

	30 June 2019	31 December 2018
Trade payables	15,483	17,695
Forward foreign exchange contracts (Note 19)	190	-
Deferred revenue	117	81
Other payables	271	125
	16,061	**17,901**

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

17. COMMITMENTS

Capital commitments

There were contractual capital commitments in the amount of RUB 270 million statements as at 30 June 2019 (as at 31 December 2018 – 0).

18. 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 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 2019 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 12% of the Group's total assets as at 30 June 2019.

19. 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 2019 the fair value of liabilities related to forward foreign exchange contracts aimed at currency risk management amounted to RUB 190 million. Respective liabilities were recognised within Trade and other payables. As of 31 December 2018 the fair value of assets related to forward foreign exchange contracts aimed at currency risk management amounted to RUB 194 million. Respective assets were recognised within Trade and other receivables. During 6 months ended 30 June 2019 loss from forward foreign exchange contracts amounted to RUB 428 million (6 months ended 30 June 2018: RUB 102 million loss), and were included in the foreign exchange (loss)/gain line item in the consolidated statement of comprehensive income.

100% of the Group's sales to retail and wholesale customers are priced in Russian roubles, therefore there is no currency exposure in this respect.

(in millions of Russian Rubles)

Foreign currency sensitivity

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities as at 30 June 2019 and 31 December 2018 is as follows:

	Assets		Liabilities	
	30 June 2019	**31 December 2018**	**30 June 2019**	**31 December 2018**
USD	7,586	-	-	-
CNY	-	-	2,954	4,573
EUR	2,378	1,312	10	-

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.

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 2019	**31 December 2018**
Change in RUB/USD	+10%	759	-
Change in RUB/USD	-10%	(759)	-

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 2019	**31 December 2018**
Change in RUB/CNY	+10%	(295)	(457)
Change in RUB/CNY	-10%	295	457

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 2019	**31 December 2018**
Change in RUB/EUR	+10%	238	131
Change in RUB/EUR	-10%	(238)	(131)

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.

(in millions of Russian Rubles)

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 2019**
Sberbank of Russia	Russia	Ba1/n/a	503
VTB Bank	Russia	Ba1/BBB-	216
RCB	Cyprus	B1/BB-	852
LGT	Switzerland	Aa2/A+	8,921
Total			**10,492**

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 2019				
Loans and borrowings	5,110	-	-	**5,110**
Payables and other liabilities	15,944	-	-	**15,944**
	21,054	**-**	**-**	**21,054**
As of 31 December 2018				
Loans and borrowings	501	-	-	**501**
Payables and other liabilities	17,820	-	-	**17,820**
	18,321	**-**	**-**	**18,321**

The maturity analysis of the lease liabilities is disclosed in the note 15.

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 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 1 instruments. The fair value data is provided by banks, based on the updated quotations source (e.g. Bloomberg).

20. 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 6 months ended 30 June 2019 and for 6 months ended 30 June 2018:

	For the six months ended	
	30 June 2019	**30 June 2018**
Associates:		
Sales of goods	1,366	2,878
Royalty fees	55	136
Other*:		
Dividends declared	-	(5,641)
Payment of dividends	-	(1,146)
Loans issued	(109)	(3,985)
Repayment of loans receivable	-	358

In 2018 some the Group's trade and other receivables were redeemed through a series of non-cash transactions. The details are disclosed in the consolidated statement of cash flows for the year ended 31 December 2018 in the section entitled "Non-cash transactions".

At 30 June 2019 and at 31 December 2018 the outstanding balances with related parties were as follows:

	30 June 2019	**31 December 2018**
Associates:		
Trade and other payables	(69)	(472)
Trade and other receivables	11	200
Advances from customers	(74)	(105)
Other*:		
Dividends payable	-	-
Loans receivables	108	-
Trade and other payables	-	-

* Other related parties comprise immediate and ultimate shareholders of the Company as well as entities controlled by the shareholders.

21. KEY MANAGEMENT REMUNERATION

The total compensation relating to the key management personnel of the Group amounted to RUB 603 million and RUB 167 million during the six months ended 30 June 2019 and 30 June 2018, 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*.

22. CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment or return capital to shareholders. In managing its capital structure, as well as its financial covenants, the Group uses the following definition of EBITDA and Net Debt. Net Debt and EBITDA are non-IFRS performance measures. The Group defines Net Debt as loans and borrowings less cash and cash equivalents. EBITDA is defined as profit for the year adjusted for depreciation of property, plant and equipment, amortisation of intangible assets, income tax expenses, loss/(gain) on disposals of property, plant and equipment and intangible assets, interest income, interest expense and foreign exchange loss/(gain), net.

(in millions of Russian Rubles)

While the amounts included in Net Debt and EBITDA calculations have been derived from the Group's consolidated financial statements, Net Debt and EBITDA are not financial measures calculated in accordance with IFRS. They are presented here only to meet the disclosure requirements for capital management and the methodology of monitoring employed by the Group:

	30 June 2019	**30 June 2018**
Loans and borrowings	4,905	2,856
Less cash and cash equivalents	(11,839)	(2,053)
Net debt	**(6,934)**	**803**
Profit for the period	4,109	2,632
Income tax expense	2,151	1,335
Depreciation of property, plant and equipment and amortisation of intangible assets and rights-of-use assets	4,008	708
Loss/(gain) on disposal of property, plant and equipment	3	6
Interest income	(51)	(65)
Interest expense	520	134
Foreign exchange loss/(gain), net	351	562
EBITDA	**11,090**	**5,312**

Net Debt and EBITDA have limitations as analytical tools and other companies may calculate Net Debt and EBITDA differently.

23. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There were no significant events after the reporting date.