O1 Properties Group

Condensed Consolidated Interim Financial Information
30 June 2018 (Unaudited)

CONTENTS

Deloitte.

INVESTORS IN PEOPLE | Platinum

Deloitte Limited
Maximos Plaza
Tower 1, 3rd Floor
213 Arch. Makariou III Avenue
CY-3030 Limassol, Cyprus
Mail: P.O. Box 58466
CY-3734 Limassol, Cyprus

Tel: +357 25 86 86 86
Fax: +357 25 86 86 00
infolimassol@deloitte.com
www.deloitte.com/cy

Independent Auditor's report on Review of Condensed Consolidated Interim Financial Information

To the Board of Directors of O1 Properties Limited

Report on the Financial Statements

We have reviewed the accompanying Condensed Consolidated Interim Financial Information ("Financial Statements") of O1 Properties Limited (the "Company") and its subsidiaries (together with the Company, the "Group"), which is presented in pages 4 to 38, and comprises the condensed consolidated interim statement of financial position as of 30 June 2018 and the condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and other explanatory information.

Board of Directors' Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As disclosed in Note 3, the annual consolidated financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Auditor's Responsibility

Our responsibility is to express a conclusion on the accompanying Financial Statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statements. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the Financial Statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The Auditor performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these Financial Statements.

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Independent Auditor's report on Review of Condensed Consolidated Interim Financial Information (cont'd)

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that these condensed consolidated interim financial statements do not present fairly, in all material respects, the financial position of O1 Properties Limited as at 30 June 2018, and its financial performance and cash flows for the six-month period then ended, in accordance with IAS 34 Interim Financial Reporting.

Material uncertainty related to going concern
We draw attention to Note 3 to the financial statements which indicates that the Group incurred a loss of USD 461 181 thousand during the six-month period ended 30 June 2018 and, as of that date the Group's current liabilities exceeded its current assets by USD 320 453 thousand. In addition reference is made to the uncertainty with respect to Creditors' rights as a result of the "Change of Control" in the Group. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3 indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of these matters.

Other Matters

Auditor's responsibility
This report, including the conclusion, has been prepared for and only for the Board of Directors. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Comparative figures
The financial statements of the Group for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on 27 April 2018.

Deloitte Limited
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Deloitte Limited
Certified Public Accountants and Registered Auditors
Maximos Plaza, Tower 1, 3rd Floor
213 Arch. Makariou III Avenue
CY-3030 Limassol, Cyprus

Limassol, 14 November 2018

In thousands of US Dollars	Note	30 June 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment		25 813	21 688
Investment property	6	3 324 068	3 601 187
Loans issued	7	231 250	324 527
Prepayments and deferred expenses		4 905	5 179
Deferred income tax asset		86 950	107 162
Total non-current assets		**3 672 986**	**4 059 743**
Current assets			
Residential property under construction		-	34 612
Derivative financial instruments	16	2 395	12 776
Loans issued	7	1 469	1 316
Prepayments and deferred expenses		3 594	8 251
VAT receivable		355	677
Trade and other receivables	8	68 666	63 677
Current income tax prepayments		1 949	2 161
Cash and cash equivalents		27 993	44 177
Non-current assets classified as held for sale		10 572	-
Total current assets		**116 993**	**167 647**
TOTAL ASSETS		**3 789 979**	**4 227 390**
LIABILITIES			
Non-current liabilities			
Borrowings	9	2 833 269	2 993 799
Tenant deposits		40 043	40 382
Deferred income tax liability		75 209	74 627
Total non-current liabilities		**2 948 521**	**3 108 808**
Current liabilities			
Borrowings	9	78 970	69 185
Tenant deposits		5 870	6 405
Deferred rental income		48 362	64 229
Provisions	16	78 739	-
Financial guarantees liabilities	10	183 085	-
Current income tax liability		5 228	6 553
Trade and other payables and other liabilities		26 107	62 720
Liabilities directly associated with non-current assets classified as held for sale		11 085	-
Total current liabilities		**437 446**	**209 092**
TOTAL LIABILITIES		**3 385 967**	**3 317 900**
EQUITY			
Share capital and share premium	11	1 194 359	1 194 359
Property revaluation reserve		16 252	15 006
Currency translation reserve		(61 115)	(27 122)
Retained earnings		(780 432)	(314 840)
Equity attributable to the owners of the Company		**369 064**	**867 403**
Non-controlling interest		**34 948**	**42 087**
TOTAL EQUITY		**404 012**	**909 490**
TOTAL LIABILITIES AND EQUITY		**3 789 979**	**4 227 390**

Approved for issue by the Board of Directors and signed on its behalf on 14 November 2018.

Ioanna Savvidou
Director

ADINA VIVIANA SZEMETHY
DIRECTOR

The accompanying notes on pages 8 to 38 are an integral part of this condensed consolidated interim financial information.

In thousands of US Dollars	Note	For the six months ended 30 June 2018	2017
Rental revenue		148 494	164 999
Operating expenses of investment property	12	(28 075)	(27 929)
Net rental income	12	**120 419**	**137 070**
Net gain/(loss) from fair value adjustment on investment property	6	151 378	(143 753)
General and administrative expenses	13	(13 015)	(9 550)
Provisions	16	(78 739)	
Other operating expenses	13	(17 501)	(2 911)
Other operating income		524	717
Net loss from disposal of subsidiaries and joint venture, including reclassification of exchange difference on disposal of the investments from other comprehensive income/loss to the profit or loss	19	(40)	-
Finance income	14	11 317	14 918
Finance costs	14	(146 906)	(123 836)
Financial guarantees loss	10	(176 442)	-
Net impairment losses on financial assets and guarantees	7,8,10	(94 867)	-
Share in previous year loss of joint venture recovery/Share of result of joint venture		10 763	(31 525)
Foreign exchange translation (losses less gains)/gains less losses		(217 188)	62 720
Loss before income tax		**(450 297)**	**(96 150)**
Income tax (expenses)/credit		(10 884)	8 219
Loss for the period		**(461 181)**	**(87 931)**
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Effect of translation to presentation currency of the financial statements of foreign operations		(42 282)	25 514
Reclassification of exchange difference on disposal of the investments from other comprehensive income/loss to the profit or loss	19	(4 075)	-
Share of other comprehensive income of joint venture		75	31 120
Reclassification of exchange difference on disposal of joint venture from other comprehensive income/loss to the profit or loss	19	6 860	-
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment		1 551	(1 224)
Deferred tax asset movement on the property revaluation		(305)	289
Total other comprehensive income for the period		**(38 176)**	**55 699**
Total comprehensive loss for the period		**(499 357)**	**(32 232)**
Loss is attributable to:			
- Owners of the Company		(459 471)	(86 998)
- Non-controlling interest		(1 710)	(933)
Total comprehensive (loss)/income is attributable to:			
- Owners of the Company		(492 218)	(33 506)
- Non-controlling interest		(7 139)	1 274

Condensed Consolidated Interim Statement of Changes in Equity (Unaudited)

		Attributable to owners of the Company							
In thousands of US Dollars	Note	Share capital	Share premium	Property revaluation reserve	Currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2017		**1 140**	**1 193 219**	**15 898**	**(60 063)**	**(200 004)**	**950 190**	**44 991**	**995 181**
Total comprehensive (loss)/income for the period									
Loss for the period		-	-	-	-	(86 998)	(86 998)	(933)	(87 931)
Other comprehensive (loss)/income for the period		-	-	(935)	54 427	-	53 492	2 207	55 699
Total comprehensive (loss)/income for the period		-	-	(935)	54 427	(86 998)	(33 506)	1 274	(32 232)
Balance at 30 June 2017		**1 140**	**1 193 219**	**14 963**	**(5 636)**	**(287 002)**	**916 684**	**46 265**	**962 949**
Balance at 31 December 2017		**1 140**	**1 193 219**	**15 006**	**(27 122)**	**(314 840)**	**867 403**	**42 087**	**909 490**
Adjustment on initial application of IFRS 9 (Note 3)		-	-	-	-	(6 121)	(6 121)	-	(6 121)
Balance at 1 January 2018		**1 140**	**1 193 219**	**15 006**	**(27 122)**	**(320 961)**	**861 282**	**42 087**	**903 369**
Total comprehensive (loss)/income for the period									
Loss for the period		-	-	-	-	(459 471)	(459 471)	(1 710)	(461 181)
Other comprehensive income/(loss) for the period		-	-	1 246	(33 993)	-	(32 747)	(5 429)	(38 176)
Total comprehensive income/(loss) for the period		-	-	1 246	(33 993)	(459 471)	(492 218)	(7 139)	(499 357)
Balance at 30 June 2018		**1 140**	**1 193 219**	**16 252**	**(61 115)**	**(780 432)**	**369 064**	**34 948**	**404 012**

The accompanying notes on pages 8 to 38 are an integral part of this condensed consolidated interim financial information.

In thousands of US Dollars	Note	For the six months ended 30 June 2018	2017
Loss before income tax		**(450 297)**	**(96 150)**
Adjustments for:			
Depreciation	13	319	318
Net (gain)/loss from fair value adjustment on investment property	6	(151 378)	143 753
Impairment of residential property under construction	13	14 335	-
Net loss on disposal of subsidiaries and joint venture	19	40	-
Provisions		78 739	-
Net impairment losses on financial assets and guarantees		94 867	-
Financial guarantees loss	10	176 442	-
Finance costs	14	146 906	123 836
Finance income	14	(11 317)	(14 918)
Share in previous year loss of joint venture recovery/Share of result of joint venture		(10 763)	31 525
Foreign exchange translation losses less gains/(gains less losses)		217 188	(62 720)
Other non-cash adjustments		82	(532)
Operating cash flows before working capital changes		**105 163**	**125 112**
Net (increase)/decrease in VAT receivable		(879)	1 814
Net increase in trade and other receivables		(1 205)	(3 243)
Net decrease/(increase) in prepayments		1 380	(1 673)
Net decrease in tenant deposits		(4 827)	(9 196)
Net decrease in deferred rental income		(12 079)	(21 447)
Net increase/(decrease) in trade and other payables		9 175	(5 580)
Effect of translation to presentation currency		8 791	4 266
Changes in working capital		**356**	**(35 059)**
Income tax paid		(4 413)	(2 937)
Net cash from operating activities		**101 106**	**87 116**
Cash flow from/(used in) investing activities			
Expenditures on subsequent improvements of investment property	6	(2 340)	(2 936)
Payments for land lease		(979)	(1 893)
Expenditures on subsequent improvements of residential property under construction		(4 897)	-
Cash outflow on acquisition of subsidiaries	19	-	(35 001)
Cash inflow from sale of shares in subsidiary and joint venture net of cash disposed	19	8 565	-
Loans issued		(21 047)	(38 079)
Repayment of loans issued		20 671	17 154
Interest received		800	491
Net cash from/(used in) investing activities		**773**	**(60 264)**
Cash flows used in financing activities			
Proceeds from borrowings		12 085	492 610
Repayment of borrowings		(34 463)	(414 864)
Interest paid		(88 548)	(101 892)
Derivatives termination payment		(1 350)	-
Dividends paid		(5 178)	(5 000)
Net cash used in financing activities		**(117 454)**	**(29 146)**
Effect of exchange rate changes on cash and cash equivalents		(72)	(1 436)
Net decrease in cash and cash equivalents		**(15 647)**	**(3 730)**
Cash and cash equivalents at beginning of the period		44 177	107 988
Cash and cash equivalents at the end of the period		**28 530**	**104 258**

The cash flow includes the movements relating to assets held for sale.

Refer to Note 19 for the information on significant non-cash transactions.

1 General Information

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("EU") for O1 Properties Limited (the "Company") and its subsidiaries ("O1 Properties Group" or the "Group").

The Company was incorporated on 24 August 2010 as a private limited liability company and is domiciled in Cyprus. The address of its registered office is 18, Spyrou Kyprianou, 2nd floor, 1075 Nicosia, Cyprus.

At 30 June 2018 the Company's principal immediate shareholders were Agdalia Holdings Limited (Cyprus), Parmera Assets Limited (BVI) and certain other companies which owned 70.038%, 14.410% and 15.552% of Class "A" shares respectively (31 December 2017: 70.545% of Class "A" shares were owned by Agdalia Holdings Limited, 18.051% by ICT Holding Ltd (Cyprus) and 11.404% of Class "A" shares were owned by certain other companies). At 30 June 2018 the owners of Class "B" shares were Agdalia Holdings Limited and Parmera Assets Limited which owned 58.391% and 21.695% of Class "B" shares respectively (31 December 2017: 56.522% of Class "B" shares were owned by Agdalia Holdings Limited, 23.9% of Class "B" shares by ICT Holding Ltd and 7.391% of Class "B" shares by Goldman Sachs International (UK)) and certain other companies and number of the members of the key management. Refer to Note 11 for an overview of the differences in rights and obligations of "A" and "B" shareholders.

At 30 June 2018 the Group was ultimately controlled by Mr. Boris Mints, citizen of the Russian Federation (the "Ultimate Controlling Shareholder"), and from 4 July 2018 following the Change of Control Mr. Pavel Vashchenko became the ultimate controlling party of the Group. Refer to Notes 3 and 20 for the information relating to the Change of Control.

Principal activity: The principal activities of the Company are the holding and financing of investments. The Group operates in the Russian real estate market. In particular, the Group is focused on buying both active and developing real estate in the Russian Federation to derive profit from their activities. During the six months ended 30 June 2018, the Group also engaged in construction of premium class residential apartments for further sale to private residents. Refer to Note 5 for the segment information. Refer to Note 19 for information on disposal of the project Avrasis, the owner of premium class residential apartments.

At 30 June 2018 the Company's long-term corporate credit rating assigned by the international agency Standard & Poor's is B- (31 December 2017: B).

At 30 June 2018 and 31 December 2017 the consolidated subsidiaries and joint ventures of the Group were as follows:

Entity	Country of incorporation/ continuation	Principal activity	% of effective ownership at 30 June 2018	% of effective ownership at 31 December 2017
Almos CJSC	Russian Federation	Investment property	82.34	82.34
Avrasis Limited (Note 19)	Cyprus	Investment property	-	100 [1]
JSC "Bolshevik" (Note 19)	Russian Federation	Investment property	-	49.95[3]
Business Center Stanislavsky (Cyprus) Limited	Cyprus	Investment property	100 [1]	100 [1]
Finance Marekkon LTD (Note 19)	Cyprus	Investment property	-	50+1 share[1,3]
Firma "Morava" LLC	Russian Federation	Investment property	85	85
Gasheka Realty Limited	Russian Federation	Investment property	100 [1]	100 [1]
Goldstyle Holdings Limited	Cyprus	Investment property	50.5[1]	50.5[1]
Krugozor Business Center (Cyprus) Limited	Cyprus	Investment property	100 [1]	100 [1]
OOO Kvartal 674-675	Russian Federation	Investment property	100 [1]	100 [1]
Le Fortaco Limited	Cyprus	Investment property	100 [1]	100 [1]
Levisoma Trading Limited	Cyprus	Investment property	100 [1]	100 [1]
Levium Limited	Russian Federation	Investment property	50.52[1]	50.52[1,4]
Merissania Holding Limited (Note 19)	Cyprus	Investment property	-	50+1 share[1,3]
Mervita Holdings Limited	Cyprus	Investment property	100 [1]	100 [1]
Meteolook Investments Limited	Cyprus	Investment property	100 [1]	100 [1]
Nezoral Ltd (Note 19)	Cyprus	Investment property	-	50+1 share [1,3]
Pianconero Investments Limited	Cyprus	Investment property	100 [1]	100 [1]
Semela Limited (Note 19)	Russian Federation	Investment property	100	100
"Silver city" LLC	Russian Federation	Investment property	100 [1]	100 [1]
Tzortis Limited	Cyprus	Investment property	100 [1]	100 [1]
VKS INVEST LTD	Russian Federation	Investment property	100	100
Zarechie Limited (Note 19)	Russian Federation	Investment property	-	100 [1]

1 General Information (Continued)

Entity	Country of incorporation/ continuation	Principal activity	% of effective ownership at 30 June 2018	% of effective ownership at 31 December 2017
Afelmor Overseas Limited	Cyprus	Holding company	100 [1]	100 [1]
Aldino Holding Limited	Cyprus	Holding company	100	100
Amortilla Holding Limited	Cyprus	Holding company	100 [1]	100 [1]
Argam Limited	Cyprus	Holding company	100 [1]	100 [1]
Asabelle Limited (Note 19)	Cyprus	Holding company	-	50+1 share [1,3]
Bayroad Group Limited (Note 19)	British Virgin Islands	Holding company	-	50+1 share [1,3]
Bitlena Holdings Limited	Cyprus	Holding company	100 [1]	100 [1]
Blackheart Limited (Note 19)	Cyprus	Holding company	-	100
Blandid Limited (Note 19)	Cyprus	Holding company	-	100
Cemvertia Investments Ltd	Cyprus	Holding company	100	100
Collins Crest Limited (Note 19)	British Virgin Islands	Holding company	-	100
Filmotinia Ventures LTD (Note 19)	Cyprus	Holding company	-	100 [1]
Freyamoon Limited	Cyprus	Holding company	100 [1]	100 [1]
Granisforth Investment Limited	Cyprus	Holding company	50.52 [1]	50.52 [1]
Gunilla Limited	Cyprus	Holding company	50.5	50.5
Hannory Holdings Limited	Cyprus	Holding company	100	100
Isida Limited	Russian Federation	Holding company	50.52 [1]	50.52 [1]
Letvion Investments Limited	Cyprus	Holding company	85	85
Minesign Limited	Cyprus	Holding company	100	100
Mistalda Holdings Limited	Cyprus	Holding company	50.52 [1]	50.52 [1]
Mokati Limited	Cyprus	Holding company	100	100
Moonbow Limited (Note 19)	Cyprus	Holding company	-	100
Mooncrown Limited	Cyprus	Holding company	100	100
Moonpeak Limited	Cyprus	Holding company	100	100
Narvi Finance Limited	Cyprus	Holding company	50.5 [1]	50.5 [1]
Niceta Trading Limited (Note 19)	Cyprus	Holding company	100	100
Paremos Limited	Cyprus	Holding company	100	100
Persey CJSC (note 19)	Russian Federation	Holding company	100	100
Quintiliano Limited	Cyprus	Holding company	100	100
Quotex Limited	Cyprus	Holding company	100 [1]	100 [1]
Ratado Holding Limited	Cyprus	Holding company	100 [2]	100 [2]
Sabaton Holdings Limited	Cyprus	Holding company	100	100
Sharezone Capital Limited	Cyprus	Holding company	100 [1]	100 [1]
Solorita Holding Limited (Note 19)	Cyprus	Holding company	-	50+1 share [1,3]
Stoneface Limited	Cyprus	Holding company	100	100
Taavo Enterprises Limited	Cyprus	Holding company	85	85
Thabit Holdings Limited	Cyprus	Holding company	100	100
Theochristel Limited	Cyprus	Holding company	100	100
Vielle Limited	Cyprus	Holding company	100	100
Vivaldi Holdings Limited	Cayman Islands	Holding company	100 [1]	100 [1]
Wakovia Limited	Cyprus	Holding company	100 [1]	100 [1]
Wizgate Holding Limited	Cyprus	Holding company	100 [1]	100 [1]
Starglance Limited (former Balaton Holding S.à r.l.)	Cyprus	Financing company	100 [1]	100 [1]
Belegar Limited	Cyprus	Financing company	100 [1]	100 [1]
Chainlord Limited (former Vardarac S.à.r.l.)	Cyprus	Financing company	50.5 [1]	50.5 [1]
Dipotravi Holdings Limited (Note 19)	Cyprus	Financing company	-	50+1 share [1,3]
Goldflavour Limited	Cyprus	Financing company	100 [1]	100
Eagleman Limited	Cyprus	Financing company	100	100
Fundin Investments Limited	Cyprus	Financing company	100	100
Gisoral Holdings Limited (Note 19)	Cyprus	Financing company	-	50+1 share [3]
Kinevart Investments Limited	Cyprus	Financing company	100 [1]	100 [1]
Kolston Group Limited (Note 19)	British Virgin Islands	Financing company	-	100
Lemondo Limited	Cyprus	Financing company	100 [1]	100 [1]
Lomnia Services Limited	Cyprus	Financing company	100 [1]	100 [1]
Moonshard Limited (former Margo S.à r.l.)	Cyprus	Financing company	50.52[1]	50.52[1]
Mistmoores Holding Limited (former Silver City Finance S.à r.l.)	Cyprus	Financing company	100 [1]	100 [1]
Nokana Limited	Cyprus	Financing company	100 [1]	100 [1]
O1 Properties Finance Plc (former Pareso Limited)	Cyprus	Financing company	100	100
Silverflair Limited	Cyprus	Financing company	100 [1]	100
Vivaldi Plaza Finance S.à r.l.	Luxembourg	Financing company	100 [1]	100 [1]
Wallasey Limited	Cyprus	Financing company	100 [1]	100 [1]
City-Developer LLC	Russian Federation	Management company	100	100
Nash Standart CJSC	Russian Federation	Management company	100	100

1 General Information (Continued)

Entity	Country of incorporation/ continuation	Principal activity	% of effective ownership at 30 June 2018	% of effective ownership at 31 December 2017
O1 Advisory LTD	Cyprus	Management company	100	100
O1 Properties Management CJSC	Russian Federation	Management company	100	100
Teplovik LLC (Note 19)	Russian Federation	Management company	-	100
Annabeth Services Limited	Cyprus	Inactive	85	85
Barkmere Limited	Cyprus	Inactive	100	100
Diamondreef Limited (Note 19)	Cyprus	Inactive	-	100
Enlor Limited (Note 19)	Cyprus	Inactive	-	50+1 share[1,3]
Gardin Limited	Cyprus	Inactive	100	100
Jale Holdings Limited (Note 19)	Cyprus	Inactive	-	100
Labiumo Holdings Ltd (Note 19)	Cyprus	Inactive	-	50.52
Nikkon Global Ltd	British Virgin Islands	Inactive	100	100
Pieva Limited	Cyprus	Inactive	100	100
Raincloud Trading Limited	Cyprus	Inactive	100	100
Silvershade Limited (Note 19)	Cyprus	Inactive	-	50+1 share [3]
Simeona Limited	Cyprus	Inactive	100	100
Starye serebryaniki CJSC	Russian Federation	Inactive	100	100
Unisure Limited (Note 19)	Cyprus	Inactive	-	50.52

1 Pledged in relation to borrowings (Note 9).

2 Refer to Note 16 for the information on pledge of shares in Ratado Holding Limited.

3 Investment of the Group in these entities is classified as a joint venture.

4 Only 0.1% in the share capital of Levium Limited owned by Mistalda Holdings Limited was pledged as at 31 December 2017.

Refer to Note 19 for the information on acquisitions and disposals by the Group during 2018 and 2017.

2 Operating Environment of the Group

The Group through its operations has a significant exposure to the economic, legal and tax conditions in the Russian Federation and in Cyprus. The management of the Group constantly monitors the developments in the operating environment of the Group in order to estimate the full impact that these developments may have on the business of the Group.

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 16).

The conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Rouble ("RR"), a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

As a result during the six months ended 30 June 2018:

- the CBRF exchange rate was RR 57.6002 and RR 62.7565 per USD as of 1 January 2018 and 30 June 2018 respectively and varied between 55.6717 and 64.0683 during the six months ended 30 June 2018;
- the CBRF key refinancing interest rate decreased from 7.75% p.a. to 7.25% p.a.;
- bank lending activity decreased as banks continued to reassess the business models of their borrowers and their ability to withstand the increased volatility of exchange rates;

2 Operating Environment of the Group (Continued)

- during the six months ended 30 June 2018, Fitch Ratings stated Russia's credit rating at BBB-, and Moody's Investors Service at Ba1. Standard & Poor's upgraded Russia's credit rating to the investment grade BBB- and changed the outlook from "positive" to "stable" and kept Russia's sovereign rating below the investment grade. Fitch Ratings kept the outlook "stable" and kept Russia's sovereign rating at the investment grade. Moody's Investors Service kept the outlook for the future "stable";
- access to international financial markets to raise funding was limited for certain entities.

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Subsequent to 30 June 2018:

- the CBRF exchange rate fluctuated between RR 62.098 per USD and RR 69.9744 per USD;
- the CBRF key refinancing interest rate increased from 7.25% p.a. to 7.50% p.a.

Whilst a significant percentage of the Group's rental income is denominated in US dollars, the tenants are operating in Russia and earning a significant proportion of their income in Russian Roubles.

These events may have a further significant impact on the Group's future operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation and its impact on the Group's operations may differ from management's current expectations.

Cyprus. The Cyprus Government exited its economic adjustment programme in March 2016 and began to record significant economic growth. Remarkable is the achievement of the positive rate of change of GDP the last twelve (12) successive quarters. The economy recorded remarkable performance in 2017. GDP increased by 3,9% compared to 3,4% for 2016.

During September 2018, the Cyprus economy has been upgraded by the credit rating agency Standard and Poor's (S&P) to BBB-, investment category.

According to the forecasts of the European Commission, the economic growth will continue; a growth of 3.2% is expected for 2018 and 2.8% for 2019.

Despite the significant steps towards economic recovery, a degree of uncertainty still exists, as certain issues remain to be resolved, such as the high index of non-performing loans. Public debt remains a challenge currently being at the level of 103% of the GDP.

The Group's management is unable to predict all developments which could have an impact on the Cyprus economy and consequently, what effect, if any, they could have on the future financial performance, cash flows and financial position of the Group.

To the extent that information is available, the Group's management believes it is taking all the necessary measures to maintain the viability of the Group and the development of its business in the current business and economic environment and that the Group will be able to continue as a going concern.

3 Basis of Preparation

Basis of preparation. This condensed consolidated interim financial information of the Group for the six months ended 30 June 2018 has been prepared in accordance with IAS 34 "Interim Financial Reporting". The condensed consolidated interim financial information does not include all of the information required for a complete set of IFRS financial statements. However, selected notes are included to explain events and transactions that are significant to obtain an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

Going concern basis. As also described in Notes 1 and 20, on the 4 July 2018 O1 Group Limited transferred the control of O1 Properties Limited to Riverstretch Trading & Investments Limited ("Riverstretch"), a company registered and existing under the laws of Cyprus. This constitutes a "Change of Control", as defined in the terms of issuance of the Eurobonds (issued by a subsidiary) and loan facility agreements with all key banks of the Group (together the "Creditors"). In accordance with the terms of the agreements, the Creditors have the right to claim earlier redemption of the outstanding debt.

3 Basis of Preparation (Continued)

As of the date of approval of this condensed consolidated interim financial information, the Group did not receive notices from Creditors to redeem any debt. The Group's management is in constructive dialogue with the bondholders and the banks in order to receive waivers in relation to the Creditors' rights to claim early debt redemption and / or to renegotiate existing terms. Management of the Group believes that waivers from key Creditors will be received in due course without significant adverse impact on the terms of the existing facility agreements. In case certain non-key Creditors of the Group will decide to withdraw their facilities as a result of the above "Change of Control", the Group's management, based on current discussions with banking institutions is confident that alternative financing will be available.

The Group incurred a loss of USD 461 181 thousand for six months ended 30 June 2018 (Six months ended 30 June 2017: USD 87 931 thousand) and as of that date, the Group's current liabilities exceeded its current assets by USD 320 453 thousand (31 December 2017: USD 41 445 thousand). Described below are the main reasons for this shortfall and the main actions taken by management to service the liabilities of the Group in the foreseeable future:

- The recognized financial guarantees and indemnity liabilities in the amount of USD 217 561 thousand (Notes 10 and 16), though being part of the current liabilities, based on the ongoing discussions with the relevant stakeholders, management expects that the above amounts will not become payable before April 2020.
- The Group has recognized a provision in the amount of USD 44 263 thousand in relation to probable obligations as a result of legal proceedings affecting the subsidiary company Semela Limited (Note 1 and 16). It is not expected that there will be a cash outflow in the next 12 months in relation to the above-recognized liability.
- An amount of USD 48 362 thousand within current liabilities relates to deferred income representing advance payments received from tenants and non-cash liabilities which resulted from discounting of tenant deposits in accordance with IFRS requirements. Therefore, the above amounts will not require a cash outflow from the Group.
- Subsequently to the reporting period end, the Group entered into negotiations to extend existing loan facilities. The Group's management is confident that negotiations will result in reducing of short-term borrowings level and new facilities will be received with enhanced credit terms which will improve liquidity position of the Group.
- In addition to the above the Group may raise funds from unused credit facilities.
- Moreover, management of the Group is closely monitoring the forecasted yields and market conditions of the property market in Russia (as described in Note 2) and projects continued profitability and positive operating cash inflows for the Group. A cash flow forecast for the next 12 months from date of approval of these financial statements prepared by the Group's management indicates that the Group will have sufficient cash inflow to meet its debts as and when they are due.

The events and conditions discussed above indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

The Group's management has reviewed the viability of the Group from liquidity and solvency perspective over a period covering at least 12 months from the reporting date. This includes the belief that the necessary waivers from key Creditors will be received in due course without significant adverse impact on the terms of the existing facility agreements. Management has also assessed the sufficiency of Group's capital (significant net asset position) and liquidity (unused credit and new financing if needed).

Based on the above, the Group's condensed consolidated interim financial statements have been prepared on a going concern basis. Therefore, the financial statements do not include any adjustments relating to the recovery of assets recorded and the amount and classification of liabilities or any other adjustments that should have been necessary should the Company and the Group were unable to continue as a going concern.

3 Basis of Preparation (Continued)

The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Functional currency. The individual financial statements of each of the companies within the Group are prepared in the currency of the primary economic environment in which they operate (functional currency). The functional currency of the Company is the US Dollar ("USD"). The functional currency of the property holding companies is the Russian Rouble. Refer to Note 4.

Presentation currency. All amounts in this condensed consolidated interim financial information are presented in thousands of USD.

At 30 June 2018 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 62.7565 (31 December 2017: USD 1 = RR 57.6002) and the average exchange rate calculated on daily basis used for translating income and expenses for the six months ended 30 June 2018 was USD 1 = RR 59.3536 (for the six months ended 30 June 2017: USD 1 = RR 57.9862).

The principal accounting policies applied in the preparation of this condensed consolidated interim financial information are consistent with the principal accounting policies applied in the preparation of the consolidated financial statements for the year ended 31 December 2017 except as described below and for amendments relating to standards which have become effective after 1 January 2018 .

Interim period tax measurement. Income tax expense is recorded in the condensed consolidated interim financial information based on management's best estimate of the weighted average effective income tax rate expected for the full financial year. The income tax rate applicable to the majority of the Group's income (the Russian Federation) is 20%. The income tax rate on the Group's income in Cyprus is 12.5%.

Assets held for sale. Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on premeasurement are recognized in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

Provisions. Provision for legal claims and guarantees obligations are recognized when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be requires in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of the time is recognized as interest expense.

IFRS 15 Revenue from Contracts with Customers. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs.

3 Basis of Preparation (Continued)

IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group has not early adopted IFRS 15 in its consolidated financial statements for the year ended 31 December 2017.

The Group adopted IFRS 15 only to agreements which were not yet completed as at 1 January 2018. In relation to agreements already completed at this date, exemption provided by the standard was applied allowing not to recalculate such agreements. The Group adopted IFRS 15 retrospectively recognising the combined effect of the first adoption at the date of initial application from 1 January 2018. Thus the Group has not adopted the IFRS 15 requirements to comparative period which was presented in the statements in accordance with IAS 18 and IFRIC 18.

The Group has concluded that there is no impact on its condensed consolidated interim financial information from the adoption of this Standard.

IFRS 9 "Financial Instruments". IFRS 9 Financial Instruments sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group has not early adopted IFRS 9 in its consolidated financial statements for the year ended 31 December 2017.

i. Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Based on its assessment, the Group does not believe that the new classification requirements have a material impact on its accounting for trade receivables and loans issued.

ii. Impairment – Financial assets and contract assets

In relation to impairment, IFRS 9 introduces a new future oriented model of expected credit loss (ECL) which replaces the 'incurred loss' model established by IAS 39.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Currently the Group's financial instruments in the scope of the IFRS 9 impairment model relate to loans issued and trade and other receivables.

In relation to trade and other receivables the expected credit losses have been calculated based on actual historical credit loss experience taking into account the economic environment expected by the Group during the receivables lifetime using the matrix approach.

The application of IFRS 9's impairment requirements at 1 January 2018 resulted in increase of impairment loss recognised under IAS 39 for USD 738 thousand.

In relation to loans issued, based on the estimated credit losses, the application of IFRS 9's impairment requirements at 1 January 2018 resulted in additional impairment losses of USD 3 670 thousand.

3 Basis of Preparation (Continued)

iii. Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

The Group's classification of financial liabilities as at 1 January 2018 did not have any material impact on this condensed consolidated interim financial information.

As to financial guarantees issued, the application of IFRS 9's impairment requirements at 1 January 2018 results in additional impairment losses of USD 1 713 thousand.

The Group applied IFRS 9 retrospectively. The Group also applied exemption allowing not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the previous carrying amount of financial instruments and their carrying amounts in accordance with IFRS 9 were recognised in the retained earnings as at 1 January 2018.

The effect of adoption of IFRS 9 on the Group's condensed consolidated interim financial information as at 1 January 2018 is disclosed in the table below:

In thousands of US Dollars	As at 31 December 2017 (as reported)	Effect of adoption of IFRS 9	As at 31 December 2017 (recalculated)
ASSETS			
Non-current assets			
Loans issued	324 527	(3 670)	320 857
Other non-current assets	3 735 216	-	3 735 216
Total non-current assets	**4 059 743**	**(3 670)**	**4 056 073**
Current assets			
Trade and other receivables	63 677	(738)	62 939
Other assets	103 970	-	103 970
Total current assets	**167 647**	**(738)**	**166 909**
TOTAL ASSETS	**4 227 390**	**(4 408)**	**4 222 982**
LIABILITIES			
Total non-current liabilities	**3 108 808**	**-**	**3 108 808**
Current liabilities			
Financial guarantees liabilities	-	1 713	1 713
Other current liabilities	209 092	-	209 092
Total current liabilities	**209 092**	**1 713**	**210 805**
TOTAL LIABILITIES	**3 317 900**	**1 713**	**3 319 613**
EQUITY			
Retained earnings	(314 840)	(6 121)	(320 961)
Other equity	1 182 243	-	1 182 243
Equity attributable to the owners of the Company	**867 403**	**(6 121)**	**861 282**
Non-controlling interest	**42 087**	**-**	**42 087**
TOTAL EQUITY	**909 490**	**(6 121)**	**903 369**
TOTAL LIABILITIES AND EQUITY	**4 227 390**	**(4 408)**	**4 222 982**

Adoption of New and Revised Standards and Interpretations.

During the six months ended 30 June 2018 the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2018. This adoption did not have a material effect on the accounting policies of the Group.

At the date of approval of this financial information the following accounting standards were issued by the International Accounting Standards Board but were not yet effective:

3 Basis of Preparation (Continued)

(i) Adopted by the European Union

- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019).
- IFRS 9 (Amendments) "Prepayment Features with Negative Compensation" (effective for annual periods beginning on or after 1 January 2019).
- IFRIC 23 "Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 1 January 2019).

(ii) Not adopted by the European Union

- IFRS 3 (Amendments) "Business Combinations" (effective for annual periods beginning on or after 1 January 2020).
- IAS 1 and IAS 8 (Amendments) "Definition of material" (effective for annual periods beginning on or after 1 January 2020).
- IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021).
- IAS 28 (Amendments) "Long-term Interest in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 Cycle (effective for annual periods beginning on or after 1 January 2019).
- IAS 19 (Amendments) "Plan Amendment, Curtailment or Settlement" (effective for annual periods beginning on or after 1 January 2019).
- "Amendments to References to the Conceptual Framework in IFRS Standards" (effective for annual periods beginning on or after 1 January 2020).

The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a material effect on the financial statements of the Group.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

In preparing this condensed consolidated interim financial information, management makes judgments, estimates and assumptions that affect the application of accounting policies and the carrying amounts of assets and liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the condensed consolidated interim financial information and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Valuation of investment properties. Refer to Note 17.

Functional currencies of different entities of the Group. Different entities within the Group have different functional currencies, based on the underlying economic conditions of their operations. This determination of what the specific underlying economic conditions are requires judgment. In making this judgment, the Group's management evaluates among other factors, the location of activities, the sources of revenue and expense, risks associated with activities, and denomination of currencies of operations of different entities.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

The Group's management concluded that the functional currency of O1 Properties Limited, the parent company of the Group, is the US Dollar, the currency in which (1) funds are obtained and invested, (2) receipts from activities are retained, (3) the business risks and exposures are measured and (4) performance of the business is measured. The Group's management concluded that the functional currency of the property holding subsidiaries of the Group is the Russian Rouble since the primary economic environment in which these entities generate and spend cash is the Russian Federation where the properties are located. The Group's management concluded that the functional currency of other, mainly financing, subsidiaries of the Group is either the Russian Rouble or the US Dollar depending on their operations. The above analysis and conclusions were based on consideration of the own activities of the respective entities and not on the basis of consideration of activities of their subsidiaries, if any.

Given the significant exposure of the Group to the economy and markets of the Russian Federation, the alternative to the US Dollar functional currency of the Company and some of its subsidiaries would have been the Russian Rouble. In such case the Company and respective subsidiaries would have recorded foreign exchange translation gains or losses related to the US Dollar balances in the profit or loss.

Foreign exchange translation gains or losses are attributable mostly to the borrowings.

Tax, currency and customs legislation. Russian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 16.

Acquisitions of investment property. The Group concluded that the acquisitions of subsidiaries holding properties constituted acquisition of assets and liabilities rather than acquisition of businesses as defined in IFRS 3 "Business combinations". The Group purchased assets and not the accompanying processes. The Group identified and recorded the individual identifiable assets acquired and liabilities assumed. The purchase price was allocated to those assets and liabilities on the basis of their relative fair values at the date of acquisition. The Group has not recorded any goodwill or deferred taxation arising from the assets acquired and liabilities assumed (including those paid by shares of the Company) as no business combination was recognised.

Initial recognition of related party transactions. In the normal course of business the Group enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgment is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is the pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

Recognition of reimbursement of operating expenses on investment property. Certain operating expenses related to investment property (security, utilities, cleaning, etc.) are reimbursed by tenants to the Group. Such receipts from the tenants are recorded by the Group as rental revenues since (1) usually there is a significant time period between respective payments and receipts and (2) the expenses are allocated to the tenants on the basis stipulated by a respective lease agreement which does not completely reflect the volume of specific services actually consumed by a particular tenant.

Impairment of financial assets. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Valuation of financial guarantees. At the end of each reporting period, the Financial guarantee contracts are measured at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

During the period the Group was party to financial guarantees for companies under common control for their obligation to pay to the financial institution in case of default. The Group's management recognised financial guarantees liability of USD 182 286 thousand for guarantees given to O1 Group (Note 10).

5 Segment Information

The Group has determined that its Chief Operating Decision Maker ("CODM") is the Board of Directors of the Company.

As the property under development and the residential property under construction are considered insignificant compared to the yielding property the CODM considers all operations of the Group as one segment "Investment Property".

As the Group's activities are concentrated in Moscow, the Group's portfolio of investment property is not geographically diversified. Investment decisions of the CODM are based on analysis of the local Moscow market and on the characteristics of a building within its local environment in terms of location, size and quality.

6 Investment Property

In thousands of US Dollars		2018	2017
Total investment property at 1 January		**3 601 187**	**3 674 942**
Subsequent expenditure		2 340	2 936
Transfer to property, plant and equipment		(5 090)	-
Disposal of investment property	19	(122 303)	-
Fair value adjustment		151 378	(143 753)
Effect of translation to presentation currency		(303 444)	100 356
Total investment property at 30 June		**3 324 068**	**3 634 481**

The investment property represents land and office buildings located in Moscow, Russia. Land is leased from the Moscow City Authorities under renewable leases (from 2 to 45 years). Under the relevant Russian legislation and the lease contract the owner of the building has priority right to lease and renew the lease of the land on which the building is located. The lease rates are indexed annually.

6 Investment Property (Continued)

Investment property comprises the following premises intended for use as Class A, Class B+ and Class B office accommodation:

Property name	Note	30 June 2018 Net rentable area (square metres)	30 June 2018 Amount (in thousands of US Dollars)	31 December 2017 Net rentable area (square metres)	31 December 2017 Amount (in thousands of US Dollars)
WHITE SQUARE - Lesnaya Str., 5, Butyrsky Val st., 10		76 407	798 500	76 407	832 800
LeFORT - Elektrozavodskaya Str., 27, bldg. 1, 1A, 2, 3, 3A, 3D, 4-11		55 376	184 500	55 366	181 900
KRUGOZOR - Obrucheva Str., 30/1, bldg. 1-3		50 979	231 200	50 965	255 700
VIVALDI PLAZA - Letnikovskaya Str., 2, bldg. 1-3		48 202	374 000	48 202	377 100
SILVER CITY - Serebryanicheskaya Emb., 29		41 909	268 100	41 912	266 400
LEGENDA TSVETNOGO - Tsvetnoy Boulevard, 2		40 148	337 700	40 194	347 400
WHITE STONE (formerly "LESNAYA PLAZA") - 4th Lesnoy Lane, bldg. 4		39 698	240 700	39 698	251 300
STANISLAVSKY FACTORY - Stanislavskogo Str. 21, bldg. 1-3, 5, 16-20		34 568	216 100	34 556	212 000
DUCAT III - Gasheka Str., 6		33 540	324 500	33 492	343 300
LIGHTHOUSE - Valovaya Str., 26		27 426	221 600	27 426	230 000
ICUBE - Nakhimovsky Prospect, 58		19 177	83 100	19 177	86 000
NEVIS -Schepkina str., 61/2, bldg. 12		10 998	36 900	10 998	40 200
GREENDALE - Oktyabrskaya Str., 98		under development	23 320	under development	25 180
KUTUZOV - Vasilisy Kozhinoy Str., 25		under development	8 880	under development	10 390
ZARECHIE - Novokuznetskya str. 7/11 bldg. 1, 3, Staryi Tolmachevskiy Pereulok 5	19	-	-	15 517	90 800
AVRASIS - Sadovnicheskaya embank, 82	19	-	-	9 223	71 800
Total fair value of property per valuation reports		**478 428**	**3 349 100**	**503 133**	**3 622 270**
Less: Reclassification of owner occupied premises in LIGHTHOUSE			(25 348)		(21 034)
Total investment property at fair value			**3 323 752**		**3 601 236**
Add: Finance lease liabilities accounted for separately	9		20 554		24 522
Less: Straight line adjustment on rental income accounted for separately within trade and other receivables			(20 238)		(24 571)
Total carrying value of investment property			**3 324 068**		**3 601 187**

6 Investment Property (Continued)

At 30 June 2018 and 31 December 2017 the fair value of investment property was based on a report issued by the independent firm of valuers CB Richard Ellis. The basis used for the valuation was the income approach using the discounted cash flow technique. The critical assumptions used in the valuation are disclosed in Note 17.

IAS 40 requires the fair value of investment property to exclude prepaid lease income because the entity recognises it as a separate liability. The Group already considered the prepaid lease income in determining the fair value of investment property and thus no additional adjustment for deferred rental income is required to arrive to the carrying value of investment property.

The minimum future rental income of the Group under non-cancellable operating leases was as follows:

In thousands of US Dollars	30 June 2018	31 December 2017
- not later than one year	274 627	298 319
- later than 1 year and not later than 5 years	712 313	899 247
- later than 5 years	45 674	122 365
Total future rental income	**1 032 614**	**1 319 931**

7 Loans Issued

In thousands of US Dollars	30 June 2018	31 December 2017
Loans issued - due in more than 12 months	231 250	324 527
Loans issued - current portion	1 469	1 316
Total loans issued	**232 719**	**325 843**
Loans issued to related parties (Note 18)	-	180 260
Loans issued to other companies	232 719	145 583
Total loans issued	**232 719**	**325 843**

At 30 June 2018 the Group had one counterparty (31 December 2017: two counterparties) with balances of loans issued above 10% of the aggregate balances of loans issued. This counterparty did not have credit rating provided by external agency. Aggregate balances of loans issued to the above counterparty as at 30 June 2018 were not secured, bore fixed interest at rates from 4 % to 9% per annum and amounted to USD 226 848 thousand. At 31 December 2017 aggregate balances of loans issued to two above counterparties amounted to USD 273 409 thousand.

At 30 June 2018 and 31 December 2017 loans issued were neither past due nor impaired, were not secured, were denominated in USD and RR, had maturity dates from 1 November 2018 to 15 December 2025 (31 December 2017: 31 August 2018 to 28 December 2021) and fixed interest at rates from 2.25% to 14% per annum (31 December 2017: from 7% to 14% per annum).

At 30 June 2018 the loss allowance per IFRS 9 relating to the loans issued was USD 91 982 thousand with corresponding charge in the Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income of USD 88 312 thousand for the six month period then ended.

The fair value of loans issued is disclosed in Note 17.

8 Trade and other receivables

The increase of trade and other receivables is a result of the disposal of the subsidiaries and a joint venture in the amount of USD 39 859 thousand.

At 30 June 2018 the loss allowance per IFRS 9 relating to the trade and other receivables was USD 6 576 thousand with corresponding charge in the Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income of USD 5 838 for the six month period then ended.

9 Borrowings

In thousands of US Dollars	30 June 2018	31 December 2017
Non-current borrowings		
Loans from banks	1 977 160	2 093 745
MOEX EUR bonds	458 044	-
Eurobonds	343 936	342 608
MOEX Rouble bonds	35 113	38 972
Loans from other companies and individuals	1 000	1 000
MOEX USD bonds	-	486 369
Loans from related parties	-	9 610
Finance lease liabilities	18 016	21 495
Total non-current borrowings	**2 833 269**	**2 993 799**
Current borrowings		
Loans from banks	59 289	40 723
MOEX Rouble bonds	7 436	5 642
Eurobonds	7 068	7 275
MOEX EUR bonds	2 507	-
Loans from other companies and individuals	132	161
MOEX USD bonds	-	10 976
Loans from related parties	-	1 381
Finance lease liabilities	2 538	3 027
Total current borrowings	**78 970**	**69 185**

In 2017 MOEX USD bonds of nominal value USD 335 000 thousand and USD 150 000 thousand were issued by a company controlled by the Ultimate Controlling Shareholder on Moscow Exchange (MOEX).

In March 2018 the MOEX USD bonds of nominal value USD 335 000 thousand and USD 150 000 thousand were converted in EUR.

MOEX Rouble and MOEX EUR bonds (former MOEX USD bonds) represent funding received by the Group as a result of the issue of MOEX Rouble and USD bonds by a company controlled by the Ultimate Controlling Shareholder. The MOEX Rouble and EUR bonds (former MOEX USD bonds) are guaranteed by the Company.

As disclosed in Note 3 to this condensed consolidated interim financial information, as a result of the Change of Control of the Group as described in Notes 1 and 20, Eurobond holders as well as all key banks have the right to claim earlier redemption of their outstanding debt.

9 Borrowings (Continued)

The detailed information on borrowings at 30 June 2018 is presented below:

Name of Lender	Facility	Carrying amount in thousands of US Dollars	Currency	Contractual interest rate, % per annum		Repayment terms	Investment property pledged
Sberbank Russia	Facility Agreement dated 5 December 2012	587 930	USD	3 months LIBOR + 5.5%	payable quarterly	by quarterly installments by 5 December 2023	WHITE SQUARE
Sberbank Russia	Facility Agreement dated 20 March 2013	230 791	USD	3 months LIBOR + 5.6%	payable quarterly	by quarterly installments by 20 March 2023	VIVALDI PLAZA
Sberbank Russia	Facility Agreement dated 13 March 2014	155 549	USD	6.9%	payable quarterly	by quarterly installments by 13 March 2022	WHITE STONE
MOEX EUR bonds	Agreement dated 3 February 2017	317 525	EUR	6 months EURIBOR + 2.2%	payable semi-annually	by 23 January 2026	-
MOEX EUR bonds	Agreement dated 23 May 2017	143 026	EUR	6 months EURIBOR + 2%	payable semi-annually	by 14 May 2024	-
Eurobonds	Agreement dated 27 September 2016	351 004	USD	8.25%	payable semi-annually	by 27 September 2021	-
Aareal Bank	Facility Agreement dated 20 July 2007	341 028	USD	3 months LIBOR + 4.45%	payable quarterly	by quarterly installments by 31 January 2020	KRUGOZOR, STANISLAVSKY FACTORY, LeFORT
VTB PJSC	Facility Agreement dated 16 August 2016	156 361	RR	CBR Key Rate + 2.0%	payable quarterly	by 2 August 2022	SILVER CITY
VTB Bank Europe SE	Facility Agreement dated 6 June 2012	144 858	USD	6.5%	payable quarterly	by quarterly installments by 2 August 2022	LIGHTHOUSE
UniCredit Bank AG London	Facility Agreement dated 3 June 2013	191 231	USD	3 months LIBOR + 4.8%	payable quarterly	by quarterly installments by 31 January 2021	DUCAT III
AO UniCredit Bank	Facility Agreement dated 17 April 2014	38 787	USD	3 months LIBOR + 5.7%	payable quarterly	by quarterly installments by 4 June 2021	ICUBE
Gazprombank	Facility Agreement dated 16 December 2013	189 914	EUR	3 months EURIBOR + 4.75%	payable quarterly	by quarterly installments by 1 September 2021	LEGENDA TSVETNOGO
MOEX Rouble bonds	Agreement dated 5 October 2015	42 549	RR	13.0%	payable semi-annually	by 2 October 2020	-
Other	-	1 132	-	8.0%	payable at maturity date	-	-
Finance lease liabilities	-	20 554	RR	-	-	-	-
Total borrowings		**2 912 239**					

9 Borrowings (Continued)

The detailed information on borrowings at 31 December 2017 is presented below:

Name of Lender	Facility	Carrying amount in thousands of US Dollars	Currency	Contractual interest rate, % per annum		Repayment terms	Investment property pledged
Sberbank Russia	Facility Agreement dated 5 December 2012	582 428	USD	3 months LIBOR + 5.5%	payable quarterly	by quarterly installments by 5 December 2023	WHITE SQUARE
Sberbank Russia	Facility Agreement dated 20 March 2013	232 796	USD	3 months LIBOR + 5.6%	payable quarterly	by quarterly installments by 20 March 2023	VIVALDI PLAZA
Sberbank Russia	Facility Agreement dated 13 March 2014	157 542	USD	6.9%	payable quarterly	by quarterly installments by 13 March 2022	WHITE STONE
Eurobonds	Agreement dated 27 September 2016	349 883	USD	8.25%	payable semi-annually	by 27 September 2021	-
MOEX USD bonds	Agreement dated 3 February 2017	345 787	USD	7.0%	payable semi-annualy	by 29 January 2021	-
MOEX USD bonds	Agreement dated 23 May 2017	151 558	USD	6.0%	payable semi-annually	by 18 May 2021	-
Aareal Bank	Facility Agreement dated 20 July 2007	339 444	USD	3 months LIBOR + 4.45%	payable quarterly	by quarterly installments by 31 January 2020	KRUGOZOR, STANISLAVSKY FACTORY, LeFORT
Gazprombank	Facility Agreement dated 16 December 2013	194 382	EUR	3 months EURIBOR + 4.75%	payable quarterly	by quarterly installments by 1 September 2021	LEGENDA TSVETNOGO
UniCredit Bank AG London	Facility Agreement dated 3 June 2013	190 588	USD	3 months LIBOR + 4.8%	payable quarterly	by quarterly installments by 31 January 2021	DUCAT III
AO UniCredit Bank	Facility Agreement dated 17 April 2014	38 574	USD	3 months LIBOR + 5.7%	payable quarterly	by quarterly installments by 4 June 2021	ICUBE
VTB PJSC	Facility Agreement dated 16 August 2016	166 788	RR	CBR Key Rate + 2.0%	payable quarterly	by 2 August 2022	SILVER CITY
VTB Bank Europe SE	Facility Agreement dated 6 June 2012	143 864	USD	6.5%	payable quarterly	by quarterly installments by 2 August 2022	LIGHTHOUSE
VTB Bank Europe SE	Facility Agreement dated 28 August 2017	31 922	EUR	3 months EURIBOR + 5.1%	payable quarterly	by quarterly installments by 28 August 2022	AVRASIS
PPF Banka A.S.	Facility Agreement dated 14 April 2015	56 140	USD	6.0%	payable quarterly	by quarterly installments by 15 April 2020	ZARECHIE
MOEX Rouble bonds	Agreement dated 5 October 2015	44 614	RR	13.0%	payable semi-annually	by 2 October 2020	-
Other	-	12 152	-	from 10.0% to 14.0%	payable at maturity date	-	-
Finance lease liabilities	-	24 522	RR	-	-	-	-
Total borrowings		**3 062 984**					

9 Borrowings (Continued)

At 30 June 2018 the undrawn facilities totalled USD 163 716 thousand (31 December 2017: USD 182 824 thousand) which included USD 113 716 thousand relating to the companies held for sale.

The Group is subject to a number of financial covenants related to its borrowings including the following key ratios and indices:

- Loan to Value Ratios – represented by different types of ratios expressed as a percentage of the aggregate loans outstanding under the specific credit facility (subject to certain adjustments and depending on the amount of the committed loan facility) to the aggregate market value of a specific property or the property portfolio according to the most recent valuation;
- Debt Service Cover Ratios – represented by different types of ratios expressed as a percentage of the net rental income of the Group or its subsidiaries for the specified period to the aggregate of principal, interest and other amounts payable under the specific credit facility for the same period;
- Equity ratios – expressed as a percentage of total equity to the aggregate amount of debt;
- Occupancy ratio - expressed as a percentage of the total area of the property subject to long term leases to the gross leasable area of the Property; and
- Minimum amounts of total equity.

The Group is also subject to compliance with a number of various non-financial covenants. Additional information on covenants is disclosed in Note 16.

The Group was in compliance with or had waivers on all covenants related to borrowings at 30 June 2018 and 31 December 2017.

The finance lease liabilities are related to the lease of land under investment properties (Note 6). The reconciliation between the total future minimum lease payments and their present value is set out below:

In thousands of US Dollars	30 June 2018	31 December 2017
Minimum lease payments:		
- not later than one year	2 395	2 871
- later than 1 year and not later than 5 years	9 092	10 749
- later than 5 years	68 335	83 424
Total minimum lease payments	**79 822**	**97 044**
Less future finance charges	(59 268)	(72 522)
Present value of minimum lease payments	**20 554**	**24 522**

At 30 June 2018 the interest rate implicit in the leases was 11.37% (31 December 2017: 11.37%).

The fair value of borrowings is disclosed in Note 17.

10 Financial guarantees liabilities

The main amount of financial guarantees liabilities is a result of the obligation recognition in the amount of USD 182 286 thousand guaranteed by the Group in relation to the borrowing of O1 Group Limited (Cyprus), a company controlled by the Ultimate Controlling Shareholder (Note 1).

O1 Group Limited as the Borrower under USD 175 million borrowing has defaulted on its obligations. The borrowing is guaranteed by the Company and secured by all shares in Ratado Holding Limited ("Ratado") (Refer to Note 1). In order to avoid seizure of "Ratado" shares by the Creditors and as a Guarantor under the borrowing, the Group acknowledged the liability in full, started to service the debt and is going to repay the facility in full on its maturity in April 2020 (Refer to Note 3). In the meantime it is expected that the Group will be paying part of the accrued interest, which currently stands at the rate of 9%, throughout the period up to April 2020 and the remaining will be paid on the loan maturity in April 2020

10 Financial guarantees liabilities (Continued)

During the six months ended 30 June 2018 the financial guarantees loss relating to this financial liabilities in the amount USD 176 442 thousand was recognised.

At 30 June 2018 the loss allowance per IFRS 9 relating to the financial guarantees liabilities other than described above was USD 799 thousand with corresponding charge in the Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income of USD 717 thousand for the six month period then ended.

11 Share Capital and Share Premium

Share capital issued and fully paid comprises:

In thousands of US Dollars	Number of class A shares issued	Number of class B shares issued	Nominal amount	Share premium	Total
Balance at 1 January 2017	**21 694 704**	**69 175 017**	**1 140**	**1 193 219**	**1 194 359**
Balance at 30 June 2017	**21 694 704**	**69 175 017**	**1 140**	**1 193 219**	**1 194 359**
Balance at 1 January 2018	**21 694 704**	**69 175 017**	**1 140**	**1 193 219**	**1 194 359**
Balance at 30 June 2018	**21 694 704**	**69 175 017**	**1 140**	**1 193 219**	**1 194 359**

At 30 June 2018 and 31 December 2017 the authorized share capital of the Company was 21 694 704 Class "A" shares of nominal value USD 0.01 each and 200 000 000 Class "B" shares of nominal value EUR 0.01 each.

In accordance with the Articles of Association of the Company class "A" shares (1) do not have voting rights in the event that the holders of class A shares do receive dividends in the preceding calendar quarter, (2) are entitled to non-cumulative quarterly dividends at the absolute discretion of directors of the Company not exceeding USD 2.17 per share p.a. and in priority to other shares, (3) receive maximum USD 18.11 per share upon liquidation and (4) give the holder the right to convert its class "A" shares into class "B" shares. Class "B" shares (1) have voting rights, (2) may receive dividends only if at least minimum amount of dividends has been distributed to the holders of class "A" shares within the same period, and (3) are entitled to distributions upon liquidation.

The Board of Directors does not recommend the payment of dividends for the results of the six months ended 30 June 2018 and 30 June 2017.

Nature and purpose of reserves

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

The revaluation reserve comprises the revaluation of property, plant and equipment immediately before its reclassification as investment property and any surplus or deficit from the revaluation of property, plant and equipment after initial recognition.

12 Net Rental Income

In thousands of US Dollars	Note	For the six months ended 30 June 2018	2017
White Square		28 445	32 273
Vivaldi Plaza		14 504	15 551
Ducat III		12 565	13 506
Legenda Tsvetnogo		10 794	13 405
White Stone		9 215	10 404
Krugozor		7 961	9 602
Silver City		7 793	9 307
Stanislavsky Factory		7 581	8 509
Lighthouse		7 169	7 605
Zarechie	19	5 350	6 665
LeFort		4 812	5 642
Avrasis	19	2 469	2 454
Icube		855	529
Other		906	1 618
Total net rental income		**120 419**	**137 070**

The operating expenses for the six months ended 30 June 2018 and 30 June 2017:

In thousands of US Dollars	For the six months ended 30 June 2018	2017
Property tax	12 507	11 668
Property management fees	6 853	6 711
Cleaning and utilities	5 858	5 944
Security	1 154	1 402
Repairs and maintenance	498	890
Insurance	649	674
Other	556	640
Total operating expenses of investment property	**28 075**	**27 929**

All operating expenses relate to the Investment property generating the revenue.

13 General and Administrative Expenses and Other Operating Expenses

In thousands of US Dollars	For the six months ended 30 June 2018	2017
Employees compensation and related social contributions	7 399	6 666
Marketing and advertising	2 812	371
Professional services	1 006	829
Own premises related expenses	483	291
Depreciation of property, plant and equipment	319	318
Travel	154	256
Bank fees	130	195
Information services	115	108
Taxes other than income	45	9
Other	552	507
Total general and administrative expenses	**13 015**	**9 550**

13 General and Administrative Expenses and Other Operating Expenses (Continued)

In thousands of US Dollars	For the six months ended 30 June 2018	2017
Impairment of residential property under construction	14 335	-
Leasing commissions	1 186	1 410
Professional services	822	1 264
Fines	612	-
Impairment of receivables	-	164
Other	546	73
Total other operating expenses	**17 501**	**2 911**

The professional services stated above for the six months ended 30 June 2017 include the fees related to raising funds and incremental expenses related to administering of individual investment properties and related holding structures.

Information on transactions with related parties is presented in Note 18.

14 Finance Income and Finance Costs

In thousands of US Dollars	For the six months ended 30 June 2018	2017
Interest income on loans	11 249	10 474
Interest income on deposits	50	138
Income from guarantees issued	-	489
Net gain from derivatives	-	3 778
Other	18	39
Total finance income	**11 317**	**14 918**
Interest expense on borrowings (excluding finance lease liability)	123 431	113 813
Loss on initial recognition of financial assets	16 132	-
Interest expense on accretion of interest on tenants deposits	3 949	4 665
Net loss from derivatives	2 130	-
Finance charge on lease liabilities	1 264	1 237
Impairment of loan issued	-	4 121
Total finance costs	**146 906**	**123 836**

Information on transactions with related parties is presented in Note 18.

15 Financial Risk Management

The Group is exposed to the following risks arising from the financial instruments it holds:

(a) Credit risk
(b) Liquidity risk
(c) Market risk

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. There were no significant changes to the risk management policies described in the consolidated financial statements for the year ended 31 December 2017.

16 Contingencies, Commitments and Operating Risks

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of management's own estimates and internal professional advice, management is of the opinion that no material losses will be incurred in respect of any such claims, and accordingly no provision has been recorded in this condensed consolidated interim financial information.

As of the date of approval of this financial information, there are court proceedings in Russia and in Cyprus brought by certain financial institutions against the previous shareholders of the Company, the Company and other related parties in relation to transactions entered into by the previous majority shareholders of the Company. As those proceedings are still at the initial stages (except with respect to the case of Semela Limited, specific details of which are discussed under the section "Assets pledged and restricted" below), their impact, if any for the Company and the Group cannot presently be assessed.

Tax contingencies. Russian tax legislation which was recently enacted is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

As Russian tax legislation does not provide definitive guidance in certain areas, from time to time, the Group adopts interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the relevant authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), with certain specific features. This legislation allows tax authorities to assess additional taxes for controllable transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's length basis.

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the Company's operations.

Most of the Group's companies are incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia, except for those entities that have registered commercial branches in the Russian Federation. This interpretation of relevant legislation may be challenged, but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

Certain changes into Russian Tax Code that came into force starting 1 January 2015, which introduced the following concepts: (i) the "controlled foreign companies rules" (the "CFC Rules"). Under the Russian CFC Rules, in certain circumstances, undistributed profits of foreign companies and non-corporate structures (e.g., trusts, funds or partnerships) domiciled in foreign jurisdictions, which are ultimately owned and/ or controlled by Russian tax residents (legal entities and individuals), shall be subject to taxation in Russia; (ii) the concept of tax residency for legal entities. Under this concept a legal entity may be recognized as Russian tax resident if such entity is in fact managed from Russia. When an entity is recognized as Russian tax resident it is obligated to register, calculate tax on its worldwide income and comply with other tax-related rules established for Russian entities; (iii) the concept of "beneficial ownership". Under the Federal Law, a beneficial owner is defined as a person holding directly, through its direct and/or indirect participation in other organizations or otherwise, the right to own, use or dispose of income, or the person on whose behalf another person is authorized to use and/or dispose of such income.

16 Contingencies, Commitments and Operating Risks (Continued)

Tax liabilities of the Group's companies are determined based on the underlying assumption that Group's companies except those registered in the Russian Federation are not Russian tax residents and are beneficial owners of income received from Russia. It is possible, with the evolution of the above concepts, that such approach could be challenged both for the reporting period and in certain cases for previous years open for tax audits. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the Company's operations.

Management assessed the impact of these changes and believe that it is not probable that the manner of doing operations by, and with, the foreign Group's companies will give rise to material tax liabilities other than those provided in this condensed consolidated interim financial information. The tax legislation in Russia is subject to varying interpretations which can change frequently and as such an unquantifiable risk remains that the tax authorities could seek to challenge this position in the future and levy additional tax on the Group. Accordingly as of 30 June 2018 no provision for potential tax liabilities had been recognized.

The Group is assessing the impact that the changes introduced by the above laws may have on its operations and/or reporting.

In addition to the above matters, management estimates that at 30 June 2018 the Group had possible obligations from exposures to other than remote tax risks of approximately up to USD 66 346 thousand (31 December 2017: approximately up to USD 53 032 thousand). In the event that these possible tax risks crystallise as liabilities in the near future, the tax losses could be used to settle these liabilities. These exposures are estimates that result from uncertainties in interpretation of applicable legislation and related documentation requirements. Based on various valid arguments Management will vigorously defend the Group's positions and interpretations that were applied in determining taxes recognised in this condensed consolidated interim financial information if these are challenged by the authorities.

Capital commitments. At 30 June 2018 the Group has no contractual capital expenditure commitments (31 December 2017: USD 17 815 thousand).

Assets pledged and restricted. At 30 June 2018 investment properties and owner occupied premises with a fair value of USD 3 252 352 thousand and USD 25 348 thousand respectively (31 December 2017: USD 3 525 466 thousand and USD 21 034 thousand respectively) and related land lease and lease proceeds were pledged in relation to borrowings (Notes 6 and 9).

All shares in Ratado Holding Limited (a holding company for subsidiaries of the Group which owns Vivaldi, Lighthouse, Silver City, Ducat III, Legenda Tsvetnogo, White Square and White Stone properties (Note 1)) were pledged as securities in relation to a USD 175 million borrowing by a company which is controlled by the Ultimate Controlling Shareholder (Note 1). Also refer to Note 1 for the information on shares of subsidiaries of the Group pledged.

Under the legal proceeding between the certain financial institutions and the companies controlled by the Ultimate Controlling Shareholder, the participatory interest of Semela Limited and investment property owned by Semela Limited (constituting Nevis Business Center) have been arrested as the injunction under the specified legal proceeding. In September 2018 an unfavourable judgement was handed down against the Group in this respect. At 30 June 2018 the Group recognised the provision in the amount USD 44 263 thousand which is equal to the net assets value of Semela Limited.

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. Refer to Note 9.

In relation to the Borrowings detailed above in the section "Assets pledged and restricted" the Company accepted an obligation to comply with certain covenants and conditions.

At 30 June 2018 and 31 December 2017 the Group was in compliance with main covenants.

Management is currently in active discussion with a number of lenders with a view to amend certain covenants in order to introduce more favourable covenants for the Group in future.

16 Contingencies, Commitments and Operating Risks (Continued)

Share based payments to employees. As at 30 June 2018 and 31 December 2017 there is no liability from the directors' share based payments plan.

Derivatives. The Group uses derivatives to manage interest rate and currency risk. Derivative financial instruments have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The valuation of the derivatives is performed based on discounted cash flows models. The key inputs to the models are the interest rate curves and future foreign exchange rates which are based on the market information. The valuations are performed internally and for interest rate swap and interest rate cap contracts values are validated against the valuations of the transactions obtained independently from the counterparty banks.

At 30 June 2018 the Group had interest rate swap contracts with a total notional amount of USD 574 700 thousand (31 December 2017: USD 839 050 thousand) whereby the Group was paying a fixed interest rate in exchange for floating interest rate. At 30 June 2018 the positive fair value of these contracts was USD 1 287 thousand (31 December 2017: USD 1 922 thousand).

At 30 June 2018 the Group had an interest rate cap contract with a total notional amount of USD 300 742 thousand (31 December 2017: USD 304 508 thousand) whereby the Group fixes the highest level of the floating part of the interest rate. At 30 June 2018 the positive fair value of this contract was USD 1 108 thousand (31 December 2017: USD 274 thousand).

At 30 June 2018 the Group had no currency swap contracts. At 31 December 2017 the Group had currency swap contracts with a total notional amount of USD 185 385 thousand whereby the Group was paying fixed rate interest and principal in USD in exchange for fixed rate interest and principal in Russian Rouble. At 31 December 2017 the positive fair value of these contracts was USD 10 580 thousand.

Guarantees. In relation to a USD 20 million facility agreement between one of the non-controlling shareholders of the Company (the "Shareholder") and Public Joint-Stock Company Promsvyazbank (the "Bank"), the Group guaranteed the performance of the Shareholder in respect to this facility. The guarantee is valid the latest by 5 July 2025.

At 30 June 2018, the Group and O1 Group Limited have jointly and severally provided an indemnity to two non-controlling shareholders of the Company, regarding losses that might arise from the above guarantee provided by the Group. At 30 June 2018 these indemnity liabilities were acknowledged in the amount USD 34 476 thousand. The amount of the indemnity was determined as the percentage of the losses from the above guarantee that corresponded to their shareholdings in the Company.

At 30 June 2018 the Group guaranteed liabilities of its joint venture (Note 19) in the amount of USD 21 088 thousand (31 December 2017: USD 20 241 thousand). The Group was indemnified by a guarantee issued by Cesium Limited for 49.9% of the guaranteed liability which amounts to USD 10 523 thousand (31 December 2017: USD 10 100 thousand). As a result, the total exposure of the Group in relation to this guarantee is USD 10 565 thousand (31 December 2017: USD 10 141 thousand).

At 30 June 2018 the Group guaranteed liabilities of its former subsidiary in the amount of EUR 32 752 thousand.

The Company is in the process of negotiation to release the last two guarantees mentioned above.

17 Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The estimated fair values have been determined by the Group using available market information, when such information exists and is considered a reliable indicator, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market (Note 2). Market quotations may be outdated or reflect distressed sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) Level 3 measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Valuation of investment properties. The fair value of investment properties represents Level 3 measurement. In determining the fair value of the Group's investment property, management have regard to reports of independent appraisers who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category.

Since the information on current or recent prices of comparable investment properties was limited, the fair value of investment properties was determined mainly using discounted cash flow valuation techniques. The Group used assumptions that were mainly based on market conditions existing and contracted rental agreements as at each reporting date. Changes in assumptions used in the valuation techniques could affect reported fair values.

The methodology used for the valuation of investment property has not changed since 31 December 2017.

The valuation technique, inputs used in the fair value measurement of the investment property and premises, and related sensitivity to reasonably possible changes in those inputs were as follows at 30 June 2018:

In thousands of US Dollars	**Valuation technique**	**Inputs used**	**Range of inputs**	**Reasonable change (% of input)**	**Sensitivity of fair value measurement**	**Fair value**
Yielding Investment property	Discounted Cash Flow Technique	Discount rates	10.0 - 12.0%	+10 %	(165 900)	
				-10 %	178 200	
		Estimated rental value	250-590 USD/ sq.m.	+10 %	257 000	
				-10 %	(257 000)	
		Exit capitalization rates	8.25 - 10.25%	+10 %	(175 200)	
				-10 %	214 400	3 316 900
Investment property under development	Discounted Cash Flow Technique	Discount rates	20.0%	+10 %	(1 740)	
				-10 %	1 850	
		Expected sq.m price	2400-2900 USD/ sq.m.	+10 %	9 730	
				-10 %	(9 740)	32 200
Total fair value of investment property per valuation reports at 30 June 2018 (Note 6)						**3 349 100**

17 Fair Value (Continued)

The valuation technique, inputs used in the fair value measurement of the investment property, including premises, and related sensitivity to reasonably possible changes in those inputs were as follows at 31 December 2017:

In thousands of US Dollars	Valuation technique	Inputs used	Range of inputs	Reasonable change (% of input)	Sensitivity of fair value measurement	Fair value
Yielding investment property	Discounted Cash Flow Technique	Discount rates	10.0 - 12.5%	+10 %	(180 100)	
				-10 %	193 400	
		Estimated rental value	230-730 USD/ sq.m.	+10 %	261 400	
				-10 %	(260 800)	
		Exit capitalization rates	8.25 - 10.0%	+10 %	(190 100)	
				-10 %	232 100	3 586 700
Investment property under development	Discounted Cash Flow Technique	Discount rates	19.0-20.0%	+10 %	(1 900)	
				-10 %	2 030	
		Expected sq.m price	2600-5900 USD/ sq.m.	+10 %	10 580	
				-10 %	(10 570)	35 570
Total fair value of investment property per valuation reports at 31 December 2017 (Note 6)						**3 622 270**

Refer to Note 6 for information on movements in fair value of the investment property. The sensitivity of fair value measurement to change of inputs is estimated by adjusting the variable and assuming that other variables remain the same.

During the six months ended 30 June 2018 and 2017 there were no reclassifications from or into Level 3 measurements.

All loss from valuation of investment property is unrealised and is presented in net loss from fair value adjustment on investment property line in the condensed consolidated interim statement of profit and loss and other comprehensive income.

All loss from revaluation of owner occupied premises is unrealised and is presented in revaluation of property, plant and equipment line in consolidated other comprehensive income.

Cash and cash equivalents. Cash and cash equivalents are carried at amortised cost which approximates their current fair value.

Financial assets carried at amortised cost. The estimated fair value of financial assets carried at amortised cost is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Interest rates used depend on the perceived credit risk of the counterparty and ranged at 30 June 2018 from 2.25% p.a. to 14% p.a. (31 December 2017: from 7% p.a. to 14% p.a.).

Liabilities carried at amortised cost. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. Interest rates used ranged from 2% p.a. to 13% p.a. (31 December 2017: from 4.45% p.a. to 14% p.a.).

17 Fair Value (Continued)

The comparison of the fair value and the carrying value of main assets and liabilities carried at amortised cost was as follows:

	30 June 2018		31 December 2017	
In thousands of US Dollars	Fair value	Carrying value	Fair value	Carrying value
Loans issued (Level 3)	228 756	232 719	321 265	325 843
Trade and other receivables (Level 3)	68 666	68 666	63 677	63 677
Cash and cash equivalents (Level 2)	27 993	27 993	44 177	44 177
Loans from banks (Level 3)	2 173 658	2 036 449	2 261 835	2 134 468
Loans from other companies and individuals (Level 3)	977	1 132	999	1 161
Loans from related parties (Level 3)	-	-	11 659	10 991
MOEX EUR bonds (Level 1)	438 643	460 551	-	-
MOEX USD bonds (Level 1)	-	-	518 085	497 345
MOEX Rouble bonds (Level 1)	45 770	42 549	48 906	44 614
Eurobonds (Level 1)	387 806	351 004	394 074	349 883
Finance lease liabilities (Level 3)	20 554	20 554	24 522	24 522
Tenant deposits (Level 3)	53 597	45 913	52 952	46 787
Provisions (Level 3)	78 739	78 739	-	-
Financial guarantees liabilities (Level 3)	183 085	183 085	-	-
Trade and other payables (Level 3)	11 874	11 874	45 865	45 865

All of the Group's financial liabilities except for derivative financial instruments were carried at amortised cost.

Financial instruments carried at fair value. At 30 June 2018 and 31 December 2017 all derivative financial instruments were valued using valuation techniques (Discounted Cash Flow) with inputs observable in markets which is Level 2 measurement. Refer to Note 16.

18 Related Party Transactions

For the purposes of this condensed consolidated interim financial information, parties are considered to be related if they are under common control, or if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

18 Related Party Transactions (Continued)

The outstanding balances with related parties were as follows:

	30 June 2018			31 December 2017		
In thousands of US Dollars	Immediate shareholders (excluding key management personnel)	Companies under significant influence of ultimate controlling shareholder	Joint venture	Immediate shareholders (excluding key management personnel)	Companies under significant influence of ultimate controlling shareholder	Joint venture
Loans issued (Note 7)	-	-	-	8 365	-	171 895
Trade and other receivables	-	-	-	-	5 622	25 874
Borrowings (Note 9)	-	-	-	(1 187)	(9 804)	-
Trade and other payables	-	(10)	-	(86)	(724)	(134)
Dividends	(222)	(1 364)	-	(6 549)	(1 364)	-
Provisions	(34 476)	-	-	-	-	-
Financial guarantees liabilities (Note 10)	(202)	-	-	-	-	-
Guarantees issued	-	-	-	-	(4 212)	-

The income and expense items with related parties for the period were as follows:

	For the period ended 30 June							
	2018				2017			
In thousands of US Dollars	Immediate shareholders (excluding key management personnel)	Companies under significant influence of ultimate controlling shareholder	Joint venture	Key management personnel	Immediate shareholders (excluding key management personnel)	Companies under significant influence of ultimate controlling shareholder	Joint venture	Key management personnel
Rental revenue	-	823	502	-	-	122	655	-
Salaries and bonuses and related social contribution expense	-	-	-	(599)	-	-	-	(894)
Income from guarantees issued	-	-	-	-	489	-	-	-
Finance income	136	-	5 475	-	140	248	5 921	-
Finance costs	(26)	(208)	(62)	-	(346)	(761)	-	-

18 Related Party Transactions (Continued)

In addition the Group guaranteed obligations of related parties and pledged shares in certain subsidiaries in relation to liabilities of related parties (Notes 1, 10 and 16).

Non-controlling interests in companies holding Legenda Tsvetnogo and Icube properties are held by related companies.

Refer to Note 9 for the information funding received by the Group as a result of issue by a company controlled by the Ultimate Controlling Shareholder of Rouble and USD bonds guaranteed by the Company.

19 Acquisitions and Disposals

Acquisition of Nevis. On 28 September 2017 the Group acquired for a total consideration of USD 35 000 thousand a 100% interest in Niceta Trading Ltd (Cyprus) which owns 100% interest in Persey LLC (Russia). Persey LLC owns 100% interest in Semela LLC (Russia), the owner of the office center Nevis in Moscow. The companies acquired constituted a group of net assets, rather than businesses as defined in IFRS 3 "Business combinations", as the Group purchased physical assets and not the accompanying processes.

The details of the assets and liabilities acquired were as follows:

In thousands of US Dollars	**Attributed fair value**
Cash and cash equivalents	272
Prepayments	59
VAT recoverable	9
Deferred tax assets	9 805
Investment property	26 157
Land lease liability	(1 036)
Trade and other payables	(266)
Attributed value of identifiable net assets of subsidiaries acquired	**35 000**
Total purchase consideration	**(35 000)**
Less: Non-cash consideration	5 000
Less: Cash and cash equivalents of subsidiary acquired	272
Outflow of cash and cash equivalents on acquisition	**(29 728)**

Non-cash consideration represents the set-off of mutual obligations under the Loan Agreement and Deed of Novation.

Refer to Note 4 for Critical judgements on acquisition of investment properties.

Disposal of Zarechie. On 15 June 2018 the Group sold its 100% interest in Filmotinia Ventures LTD (Cyprus) which owns 100% interest in Zarechie LLC (Russia), company which owns the office center Zarechie in Moscow.

19 Acquisitions and Disposals (Continued)

The details of the assets and liabilities disposed and financial result arising were as follows:

In thousands of US Dollars	**Carrying amount**
Cash and cash equivalents	23
Prepayments	46
Trade and other receivables	1 653
Current income tax prepayments	613
Deferred tax assets	5 653
Investment property	63 382
Borrowings	(57 759)
Land lease liability	(1 845)
Deferred rental income	(1 255)
Trade and other payables	(1 057)
Carrying value of identifiable net assets of subsidiaries disposed	**9 454**
Result on disposal	-
Add: Reclassification of effect of translation to presentation currency	2 485
Net gain from disposal, including reclassification of currency translation reserve on disposal of subsidiary	**2 485**
Total sale consideration	**9 454**
Less: Cash and cash equivalents of subsidiary disposed	(23)
Inflow of cash and cash equivalents on disposal	**9 431**

19 Acquisitions and Disposals (Continued)

Disposal of Avrasis. On 16 June 2018 the Group sold its 100% interest in Moonbow Limited (Cyprus) which owns 100% interest in Avrasis Ltd (Cyprus), the company which owns the office center Avrasis and residential property under construction in Moscow .

The details of the assets and liabilities disposed and financial result arising were as follows:

In thousands of US Dollars	**Carrying amount**
Cash and cash equivalents	865
Loans issued	16 989
Prepayments	3 424
VAT recoverable	1 201
Trade and other receivables	3 116
Residential property under construction	22 916
Deferred tax assets	9 961
Investment property	58 921
Borrowings	(42 633)
Tenant deposits	(870)
Deferred tax liability	(12 629)
Deferred rental income	(1 660)
Current income tax liabilities	(63)
Trade and other payables	(21 690)
Carrying value of identifiable net assets of subsidiaries disposed	**37 848**
Result on disposal	**-**
Add: Reclassification of effect of translation to presentation currency	1 695
Net gain from disposal, including reclassification of currency translation reserve on disposal of subsidiary	**1 695**
Total sale consideration	**37 848**
Less: Cash and cash equivalents of subsidiary disposed	(865)
Less: Non-cash consideration	(7 940)
Inflow of cash and cash equivalents on disposal	**29 043**

Non-cash consideration represents the transfer of the consideration shareholding in Mumford Limited (Cyprus) which has rights for apartments with the market value RUR 497 696 thousand or USD 7 940 thousand at the exchange rate of the disposal date.

Disposal of Joint Venture. On 16 June 2018 the Group sold its 100% interest in Blandid Limited which owns a 50.1% interest in Solorita Holding Limited (Cyprus) and Enlor Limited (Cyprus). Solorita Holding Limited owns a 100% interest in Dipotravi Holdings Limited (Cyprus), Gisoral Holdings Limited (Cyprus) and Asabelle Limited (Cyprus). Asabelle Limited owns Nezoral Limited (Cyprus), Finance Marekkon Limited (Cyprus) and Merissania Limited (Cyprus). These three companies own the office center Bolshevik in Moscow.

19 Acquisitions and Disposals (Continued)

The details of the assets and liabilities disposed and financial result arising were as follows:

In thousands of US Dollars	**Carrying amount**
Cash and cash equivalents	928
Loans issued	7 318
Prepayments	11 088
VAT recoverable	1 913
Trade and other receivables	1 978
Current income tax prepayments	553
Residential property under construction	62 814
Deferred Tax Asset	799
Investment property	261 725
Borrowings	(297 979)
Tenant deposits	(3 036)
Land lease liability	(8 340)
Deferred tax liability	(1 318)
Deferred rental income	(2 932)
Trade and other payables	(87 037)
Carrying value of identifiable net assets of joint venture disposed	**(51 526)**
Carrying value of identifiable net assets of joint venture attributable to the Group	-
Gain on disposal	**2 015**
Less: Reclassification of effect of translation to presentation currency	(6 860)
Net loss from disposal, including reclassification of currency translation reserve on disposal of joint venture	(4 845)
Total sale consideration	**2 015**
Inflow of cash and cash equivalents on disposal	**2 015**

Other disposals. During the six months period ended 30 June 2018 and the year ended 31 December 2017 the Group also sold a number of minor joint venture companies and subsidiaries, which do not have a material impact on this condensed consolidated financial information. During the six months period ended 30 June 2018 the net gain from these disposals, including reclassification of currency translation reserve on disposal, was USD 625 thousand (During the year ended 31 December 2017: Nil).

20 Subsequent Events

Refer to Note 2 for the information on significant changes in foreign currency exchange rates during 2018.

On 4 July 2018 the Company's principal immediate shareholder became Riverstretch Trading & Investments Limited, a company registered and existing under the laws of Cyprus, which acquired 70.038% of Class "A" shares and 58.391% of Class "B" shares from Agdalia Holdings Limited, and the ultimate controlling party became Mr. Pavel Vashchenko (Refer to Note 3).