

01 Properties Group

Condensed Consolidated Interim Financial Information
30 June 2019 (Unaudited)

CONTENTS

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Condensed Consolidated Interim Statement of Financial Position	4
Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income....	5
Condensed Consolidated Interim Statement of Changes in Equity	6
Condensed Consolidated Interim Statement of Cash Flows	7

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1	General Information	8
2	Operating Environment of the Group	10
3	Basis of Preparation and Summary of Significant Accounting Policies.....	11
4	Critical Accounting Estimates and Judgements in Applying Accounting Policies	14
5	Adoption of New and Revised Standards and Interpretations	15
6	Investment Property.....	17
7	Loans Issued	19
8	Trade and Other Receivables.....	19
9	Borrowings.....	20
10	Provisions	22
11	Financial Guarantees Liabilities.....	23
12	Share Capital and Share Premium	24
13	Net Rental Income	25
14	General and Administrative Expenses and Other Operating Expenses.....	25
15	Finance Income and Finance Costs	26
16	Financial Risk Management	26
17	Contingencies, Commitments and Operating Risks.....	28
18	Fair Value	31
19	Related Party Transactions	33
20	Acquisitions and Disposals	35
21	Subsequent Events.....	37

Report on Review of Condensed Consolidated Interim Financial Information

To the Board of Directors of O1 Properties Limited

We have reviewed the accompanying Condensed Consolidated Interim Financial Information ("Financial Information") of O1 Properties Limited (the "Company") and its subsidiaries (together with the Company, the "Group"), which is presented in pages 4 to 37, and comprises the condensed consolidated interim statement of financial position as of 30 June 2019 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 information 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 information 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 Information based on our review. 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.

Scope of Review

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

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 information do not present fairly, in all material respects, the financial position of O1 Properties Limited as at 30 June 2019, 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 163 646 thousand during the six-month period ended 30 June 2019 and, as of that date the Group's current liabilities exceeded its current assets by USD 356 907 thousand. 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.

Restatement of comparative information

We draw attention to Note 3 to the Financial Information which presents details of the restatement of the comparative information for the six-month period ended 30 June 2018. Our conclusion is not modified in respect of this matter.


.....

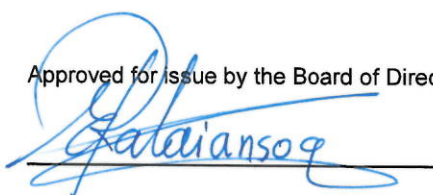
Deloitte Limited
Certified Public Accountants and Registered Auditors
Maximos Plaza, Tower 1, 3rd Floor
213 Arch. Makariou III Avenue
CY-3030 Limassol, Cyprus

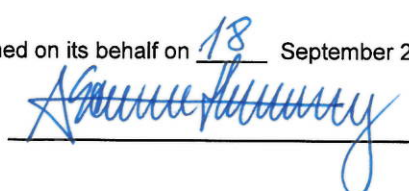
Limassol, 18 September 2019

O1 Properties Group
Condensed Consolidated Interim Statement of Financial Position (Unaudited)

<i>In thousands of US Dollars</i>	Note	30 June 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment		21 925	22 043
Investment property	6	3 212 942	3 207 953
Other investments		8 085	8 946
Loans issued	7	197 760	219 498
Prepayments and deferred expenses		10 386	5 207
Other non-current receivables	8	4 597	-
Deferred income tax asset		130 280	119 987
Total non-current assets		3 585 975	3 583 634
Current assets			
Residential property under construction		9 075	9 643
Derivative financial instruments	17	97	-
Loans issued	7	2 282	7 998
Prepayments and deferred expenses		-	3 747
VAT receivable		641	1 513
Trade and other receivables	8	61 444	23 766
Current income tax prepayments		2 306	2 001
Cash and cash equivalents		40 683	39 787
Non-current assets classified as held for sale	7	-	11 060
Total current assets		116 528	99 515
TOTAL ASSETS		3 702 503	3 683 149
LIABILITIES			
Non-current liabilities			
Borrowings	9	2 867 701	2 509 781
Tenant deposits		32 995	38 844
Deferred income tax liability		109 342	129 014
Total non-current liabilities		3 010 038	2 677 639
Current liabilities			
Borrowings	9	99 049	281 064
Derivative financial instruments	17	1 662	24 510
Tenant deposits		12 254	5 388
Deferred rental income		53 372	52 510
Provisions	10	81 746	79 225
Financial guarantees liabilities	11	187 759	185 746
Current income tax liability		7 377	4 476
Trade and other payables and other liabilities		30 216	27 891
Liabilities directly associated with non-current assets classified as held for sale	9	-	13 008
Total current liabilities		473 435	673 818
TOTAL LIABILITIES		3 483 473	3 351 457
EQUITY			
Share capital and share premium	12	1 194 359	1 194 359
Property revaluation reserve		16 444	18 065
Currency translation reserve		(54 628)	(108 116)
Retained earnings		(959 271)	(801 825)
Equity attributable to the owners of the Company		196 904	302 483
Non-controlling interest		22 126	29 209
TOTAL EQUITY		219 030	331 692
TOTAL LIABILITIES AND EQUITY		3 702 503	3 683 149

Approved for issue by the Board of Directors and signed on its behalf on 18 September 2019.





O1 Properties Group
Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
(Unaudited)

<i>In thousands of US Dollars</i>	Note	For the six months ended 30 June	
		2019	2018 (Restated)
Rental revenue		139 451	148 494
Operating expenses of investment property	13	(22 487)	(28 075)
Net rental income	13	116 964	120 419
Net (loss)/gain from fair value adjustment on investment property	6	(312 196)	151 378
Gain from disposal of residential property under construction		144	-
General and administrative expenses	14	(10 186)	(13 015)
Provisions	10	(2 520)	(78 739)
Other operating expenses	14	(2 439)	(17 501)
Other operating income		1 298	524
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	20	-	(40)
Finance income	15	38 831	87 863
Finance costs	15	(131 880)	(150 059)
Financial guarantees loss	11	-	(176 442)
Net impairment loss on financial assets and guarantees	7,8,11	(59 675)	(94 867)
Share in previous year loss of joint venture recovery/Share of result of joint venture		-	10 763
Foreign exchange translation gains less losses/(losses less gains)		178 733	(219 199)
Loss before income tax		(182 926)	(378 915)
Income tax credit/(expenses)		19 280	(10 884)
Loss for the period		(163 646)	(389 799)
Other comprehensive (loss)/income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Effect of translation to presentation currency of the financial statements of foreign operations		52 605	(42 282)
Reclassification of exchange difference on disposal of the investments from other comprehensive income/loss to the profit or loss	20	-	(4 075)
Share of other comprehensive income of joint venture		-	75
Reclassification of exchange difference on disposal of joint venture from other comprehensive income to the profit or loss	20	-	6 860
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of property, plant and equipment		(2 026)	1 551
Deferred tax asset movement on the property revaluation		405	(305)
Total other comprehensive income/(loss) for the period		50 984	(38 176)
Total comprehensive loss for the period		(112 662)	(427 975)
Loss is attributable to:			
- Owners of the Company		(157 446)	(388 089)
- Non-controlling interest		(6 200)	(1 710)
Total comprehensive loss is attributable to:			
- Owners of the Company		(105 580)	(420 836)
- Non-controlling interest		(7 083)	(7 139)

O1 Properties Group
Condensed Consolidated Interim Statement of Changes in Equity (Unaudited)

In thousands of US Dollars	Note	Attributable to owners of the Company						Total	Non-controlling interest	Total equity
		Share capital	Share premium	Property revaluation reserve	Currency translation reserve	Retained earnings				
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		-	-	-	-	(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										
Loss for the period (Restated)		-	-	-	-	(388 089)	(388 089)	(1 710)	(389 799)	
Other comprehensive (loss)/income for the period		-	-	1 246	(33 993)	-	(32 747)	(5 429)	(38 176)	
Total comprehensive (loss)/income for the period (Restated)		-	-	1 246	(33 993)	(388 089)	(420 836)	(7 139)	(427 975)	
Balance at 30 June 2018 (Restated)		1 140	1 193 219	16 252	(61 115)	(709 051)	440 446	34 948	475 394	
Balance at 1 January 2019		1 140	1 193 219	18 065	(108 116)	(801 825)	302 483	29 209	331 692	
Total comprehensive (loss)/income										
Loss for the period		-	-	-	-	(157 446)	(157 446)	(6 200)	(163 646)	
Other comprehensive income/(loss) for the period		-	-	(1 621)	53 488	-	51 867	(883)	50 984	
Total comprehensive income/(loss) for the period		-	-	(1 621)	53 488	(157 446)	(105 579)	(7 083)	(112 662)	
Balance at 30 June 2019		1 140	1 193 219	16 444	(54 628)	(959 271)	196 904	22 126	219 030	

The accompanying notes on pages 8 to 37 are an integral part of these consolidated financial statements.

O1 Properties Group
Condensed Consolidated Interim Statement of Cash Flows (Unaudited)

<i>In thousands of US Dollars</i>	Note	For the six months ended 30 June	
		2019	2018 (Restated)
Loss before income tax		(182 926)	(378 915)
Adjustments for:			
Depreciation	14	304	319
Net loss/(gain) from fair value adjustment on investment property	6	312 196	(151 378)
Gain from disposal of residential property under construction		(144)	-
Impairment of residential property under construction		-	14 335
Net loss on disposal of subsidiaries and joint venture	20	-	40
Provisions	10	2 520	78 739
Net impairment loss on financial assets and guarantees	7,8,10	59 675	94 867
Financial guarantees loss	11	-	176 442
Finance costs	15	131 880	150 059
Finance income	15	(38 831)	(87 863)
Share of result of joint venture		-	(10 763)
Foreign exchange translation losses less gains/(gains less losses)		(178 733)	219 199
Other non-cash adjustments		(594)	82
Operating cash flows before working capital changes		105 347	105 163
Net decrease/(Increase) in VAT receivable		873	(879)
Net increase in trade and other receivables		(45 962)	(1 205)
Net (increase)/decrease in prepayments		(838)	1 380
Net decrease in tenant deposits		(1 529)	(4 827)
Net decrease in deferred rental income		2 206	(12 079)
Net (decrease)/increase in trade and other payables		(377)	17 966
Changes in working capital		(45 627)	356
Income tax paid		(1 765)	(4 413)
Net cash from operating activities		57 955	101 106
Cash flow from/(used in) investing activities			
Expenditures on subsequent improvements of investment property	6	(3 140)	(2 340)
Proceeds from disposal of residential property under construction		2 703	-
Expenditures on subsequent improvements of residential property under construction		-	(4 897)
Cash inflow from sale of shares in subsidiary and joint venture net of cash disposed	20	-	8 565
Loans issued		(5 659)	(21 047)
Repayment of loans issued		387	20 671
Interest received		6	800
Net cash from/(used in) investing activities		(5 703)	1 752
Cash flows used in financing activities			
Proceeds from borrowings		477 019	12 085
Repayment of borrowings		(430 719)	(34 463)
Interest paid		(96 701)	(88 548)
Derivatives termination payment		-	(1 350)
Payments for land lease		(1 005)	(979)
Dividends paid		-	(5 178)
Net cash used in financing activities		(51 406)	(118 433)
Effect of exchange rate changes on cash and cash equivalents		(519)	(72)
Net decrease in cash and cash equivalents		327	(15 647)
Cash and cash equivalents at beginning of the period		40 356	44 177
Cash and cash equivalents at the end of the period		40 683	28 530

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

In June 2018 the outstanding payable to Cesium Limited in the amount USD 10 000 thousand was set off against the receivable amount under the Loan Agreement dated 28 December 2015.

Refer to Note 20 for the other information on significant non-cash transactions.

1 General Information

This condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU") and the requirements of the Cyprus Companies Law, Cap 113, for O1 Properties Limited (the "Company") and its subsidiaries (the "Group" or "O1 Properties 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 2019 and 31 December 2018 the Company's principal immediate shareholders were Riverstretch Trading and Investments Limited (Cyprus), Yofoura Holding Limited (Cyprus) and certain other companies which owned 70.038%, 14.410% and 15.552% of Class "A" shares respectively. At 30 June 2019 and 31 December 2018 the owners of Class "B" shares were Riverstretch Trading and Investments Limited, Yofoura Holding Limited and certain other companies which owned 58.391%, 21.695% and 19.915% of Class "B" shares respectively. Refer to Note 12 for an overview of the differences in rights and obligations of "A" and "B" shareholders.

From 4 July 2018 following the Change of Control Mr. Pavel Vashchenko, citizen of the Russian Federation (the "Ultimate Controlling Shareholder"), became the ultimate controlling party of the Group (30 June 2018: the Group was ultimately controlled by Mr. Boris Mints, citizen of the Russian Federation).

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-month period ended 30 June 2019, the Group also engaged in construction of premium class residential apartments for further sale to private residents.

At 30 June 2019 the Company's long-term corporate credit rating assigned by the international agency Moody's was B3 (31 December 2018: B3).

At 30 June 2019 and 31 December 2018 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 2019	% of effective ownership at 31 December 2018
Almos CJSC	Russian Federation	Investment property	82.34 ¹	82.34
Business Center Stanislavsky (Cyprus) Limited	Cyprus	Investment property	100 ¹	100 ¹
Firma "Morava" LLC	Russian Federation	Investment property	85 ¹	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
ООО 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
Mervita Holdings Limited	Cyprus	Investment property	100 ¹	100 ¹
Meteolook Investments Limited	Cyprus	Investment property	100 ¹	100 ¹
Pianconero Investments Limited	Cyprus	Investment property	100 ¹	100 ¹
Semela Limited (Note 17)	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
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
Bitlena Holdings Limited	Cyprus	Holding company	100 ¹	100 ¹
Cemvertia Investments Ltd	Cyprus	Holding company	100	100
Freyamoon Limited	Cyprus	Holding company	100 ¹	100 ¹
Granisforth Investment Limited	Cyprus	Holding company	50.52	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	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

1 General Information (Continued)

Entity	Country of incorporation/ continuation	Principal activity	% of effective ownership at 30 June 2019	% of effective ownership at 31 December 2018
Mokati Limited	Cyprus	Holding company	100	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	Cyprus	Holding company	100	100
Paremos Limited	Cyprus	Holding company	100	100
Persey CJSC	Russian Federation	Holding company	100	100
Quintiliano Limited	Cyprus	Holding company	100	100
Quotex Limited	Cyprus	Holding company	100	100 ¹
Ratado Holding Limited	Cyprus	Holding company	100 ²	100 ²
Sabatón Holdings Limited	Cyprus	Holding company	100	100
Sharezone Capital Limited	Cyprus	Holding company	100 ¹	100 ¹
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
Goldflavour Limited	Cyprus	Financing company	100 ¹	100 ¹
Eagleman Limited	Cyprus	Financing company	100	100
Fundin Investments Limited	Cyprus	Financing company	100	100
Kinevart Investments Limited	Cyprus	Financing company	100 ¹	100 ¹
Lermondo 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 ¹
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
O1 Standard JSC (former Nash Standart CJSC)	Russian Federation	Management company	100	100
O1 Advisory LTD	Cyprus	Management company	100	100
O1 Properties Management CJSC	Russian Federation	Management company	100	100
Annabeth Services Limited	Cyprus	Inactive	85	85
Barkmere Limited	Cyprus	Inactive	100	100
Briz Limited	Russian Federation	Inactive	100	-
"FENIX" LLC	Russian Federation	Inactive	100	-
Gardin Limited	Cyprus	Inactive	100	100
Genovius Ltd	Cyprus	Inactive	100	-
Nikkon Global Ltd	British Virgin Islands	Inactive	100	100
Pieva Limited	Cyprus	Inactive	100	100
Raincloud Trading Limited	Cyprus	Inactive	100	100
Simeona Limited	Cyprus	Inactive	100	100
Somertal Ltd	Cyprus	Inactive	100	-
Starye serebryaniki JSC	Russian Federation	Inactive	100	100

¹ Pledged in relation to borrowings (Note 9).

² Refer to Note 17 for the information on pledge of shares in Ratado Holding Limited.

Refer to Note 20 for the information on acquisitions and disposals by the Group during the six months period ended 30 June 2019 and 2018.

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. Refer to Note 17.

Given that Russia produces and exports large volumes of oil and gas, the Russian economy is particularly sensitive to the prices of oil and gas on the world market. Following high volatility in natural resources prices, the ruble exchange rate and interest rates in 2017 and 2018 have been relatively stable. The Russian economy continued to be negatively impacted by ongoing political tension in the region and continuing international sanctions imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. The above mentioned events have led to reduced access of the Russian businesses to international capital markets, increased inflation, economic recession and other negative economic consequences. The impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

There has continued to be increased economic challenges to the Russian consumers and corporates, which have led to higher defaults in the retail and commercial banking sector. This operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could significantly differ from actual results.

As a result during the six months ended 30 June 2019:

- the CBRF exchange rate was RR 69.4706 and RR 63.0756 per USD as of 1 January 2019 and 30 June 2019 respectively and varied between 62.5229 and 69.4706 during the six months ended 30 June 2019;
- the CBRF key refinancing interest rate decreased from 7.75% p.a. to 7.5% 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;
- in 2019, Fitch Ratings upgraded Russia's credit rating to BBB from BBB-. Moody's Investors Service stated credit rating at Baa3. Standard & Poor's stated Russia's credit rating at the investment grade BBB- and with "stable" outlook and kept Russia's sovereign rating at 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 2019:

- the CBRF exchange rate fluctuated between RR 62.8129 per USD and RR 66.9072 per USD;
- the CBRF key refinancing interest rate decreased from 7.5% p.a. to 7.00% 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 due to the government's fiscal consolidation efforts. Cyprus continues to enjoy a remarkable post crisis rebound. Real GDP growth in 2018 was 3.9 %, while 2017 data has been again revised up, to 4.5 %, making Cyprus one of the fastest growing economies in the EU for the last 3 years.

2 Operating Environment of the Group (Continued)

The sovereign risk ratings of the Cyprus government improved considerably. In October 2018 Fitch Ratings upgraded its Long-Term Issuer Default ratings for Cyprus to investment grade (BBB-) with a stable outlook. In September 2018, S&P Global Ratings also upgraded Cyprus to investment grade (BBB-) with stable outlook. In July 2018 Moody's Investors Service upgraded Cyprus' sovereign rating to Ba2 from Ba3. The improvement in the ratings since the crisis in 2013 reflects the government's fiscal consolidation efforts, the generation of primary fiscal surpluses, a gradual stabilisation in the banking sector and the successful implementation of the economic adjustment programme.

The unemployment rate dropped to 6.5% in the second half of 2019 from 8.4% in 2018.

According to the forecasts of the European Commission, the economic growth will continue; a growth in GDP of 3.1% is expected in 2019 and 2.7% in 2020.

Also, the Cyprus government took additional steps for strengthening of foreclosure and insolvency framework as well as the securitisation on non-performing loans. These steps aim to the decrease of non-performing loans' index.

Public debt remains a challenge currently being at the level of 106% of the GDP up from 96% in 2017. However, its underlying dynamics remain stable and it is expected to decline significantly in coming years. The debt ratio will decline to 96.4% by end of 2019 and to below 90% in 2020 according to the European Commission (Post-Programme Surveillance Report Cyprus, Spring 2019).

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 and Summary of Significant Accounting Policies

Basis of preparation. This condensed consolidated interim financial information of the Group for the six month period ended 30 June 2019 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 for the understanding of the changes in the Group's financial position and performance since the last annual financial statements.

The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2018, 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.

Going concern basis. As also described in Note 1, 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 had the right to claim earlier redemption of the outstanding debt.

Following the above developments, the management of the Group initiated discussions with all the above Creditors and as a result, as of the date of approval of these condensed consolidated interim financial information, the Group received waivers and/or restructured/refinanced its debts with all the above key Creditors. The above was achieved without significant adverse impact on the terms of the existing facility agreements.

The Group incurred a loss of USD 163 646 thousand for the six month period ended 30 June 2019 (For the six month period ended 30 June 2018 (Restated): USD 389 799 thousand) and as of that date, the Group's current liabilities exceeded its current assets by USD 356 907 thousand (31 December 2018: USD 574 303 thousand).

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Described below are the main reasons for the above 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 224 521 thousand (Notes 10 and 11), though being part of the current liabilities, based on the ongoing discussions with the relevant stakeholders, including the Company's parent, management expects that the above amounts will not become payable in April 2020 when they are due for payment. It is expected that the above current obligations will be refinanced and/or their maturity will be extended.
- The Group has recognized a provision in the amount of USD 44 984 thousand in relation to probable obligations as a result of legal proceedings affecting the subsidiary company Semela Limited (Note 1 and 10). 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 53 372 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.
- Within the reporting period and subsequently to the reporting period end, the Group entered into negotiations to extend existing loan facilities. At 30 June 2019 a part of loan portfolio has already been refinanced. 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 that will improve the liquidity position of the Group. Current liabilities include a loan payable of USD25 million which is expected to be refinanced when it expires in June 2020.
- 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 condensed consolidated interim financial information 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 are 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 (new financing if needed).

Based on the above, the Group's condensed consolidated interim financial information 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.

The principal accounting policies applied in the preparation of these condensed consolidated interim financial information are set out below.

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 ("RR"). Refer to Note 4.

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

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

At 30 June 2019 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 63.0756 (31 December 2018: USD 1 = RR 69.4706) and the average exchange rate calculated on daily basis used for translating income and expenses for the six months ended 30 June 2019 was USD 1 = RR 65.3384 (for the six months ended 30 June 2018: USD 1 = RR 59.3536).

Restatement effect. The restatement as reflected in the note below, relates to a gain recognized as a result of a derecognition and subsequent recognition at fair value of the MOEX USD bonds of nominal value USD 335 000 thousand and USD 150 000 thousand. The gain was the result of a significant change of terms occurring during April 2018. Though the gain was recorded in the financial statements for the year ended 31 December 2018 it was erroneously omitted from the condensed consolidated interim financial information for the period ended on 30 June 2018.

The effect of restatement in the condensed consolidated interim financial information as of and for the six month period ended 30 June 2019 is summarized below:

<i>In thousands of US Dollars</i>	As at 30 June 2018	Effect of recognition at fair value of the MOEX USD bonds	As at 30 June 2018 (Restated)
Gain from financial liability extinguishment	-	76 546	76 546
Interest expense on borrowings (excluding lease liability)	(123 431)	(3 153)	(126 584)
Foreign exchange translation gains less losses/(losses less gains)	(217 188)	(2 011)	(219 200)
Total comprehensive loss for the period	(499 357)	71 382	(427 975)

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 2018 except as described below and for amendments relating to standards which have become effective after 1 January 2019.

Leases. The Group as lessee. The Group lease contracts in which the Group is lessee are contracts with government for land lease on which investment properties are located, therefore policies described below relates to land leases.

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented within Borrowings in the condensed consolidated interim statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. The right-of-use assets meets definition of investment property and therefore subsequently measured at fair value through profit or loss, in accordance with Group accounting policies.

The right-of-use assets are presented within Investment Property in the condensed consolidated interim statement of financial position.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other expenses' in the statement of profit or loss.

Leases. The Group as lessor. The Group enters into lease agreements as a lessor with respect to its investment properties.

Leases for which the Group is a lessor are classified as operating leases as the terms of the lease does not transfer substantially all the risks and rewards of ownership to the lessee.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

If a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

In preparing these 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 consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Calculation of loss allowance. When measuring expected credit losses (ECL) the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Refer to Note 16.

Valuation of investment properties. Refer to Note 18.

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

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 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.

The Group 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 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 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 17.

Principal versus agent considerations – services to tenants. The Group arranges for certain services provided to tenants of investment property included in the contract the Group enters into as a lessor, to be provided by third parties. The Group has determined that it controls the services before they are transferred to tenants, because it has the ability to direct the use of these services and obtain the benefits from them. In making this determination, the Group has considered that it is primarily responsible for fulfilling the promise to provide these specified services because it directly deals with tenants' complaints and it is primarily responsible for the quality or suitability of the services. In addition, the Group has discretion in establishing the price that it charges to the tenants for the specified services. Therefore, the Group has concluded that it is the principal in these contracts. In addition, the Group has concluded that it transfers control of these services over time, as services are rendered by the third-party service providers, because this is when tenants receive and at the same time, consume the benefits from these services.

5 Adoption of New and Revised Standards and Interpretations

New and amended IFRS Standards that are effective for the current year

In the current year, the Group, for the first time, has applied the following standards and amendments. The date of initial application of these standards and amendments for the Group is 1 January 2019:

IFRS 16 Leases. In the current year, the Group, for the first time, has applied IFRS 16 Leases. The date of initial application of IFRS 16 for the Group is 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease requires and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.

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

5 Adoption of New and Revised Standards and Interpretations (Continued)

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

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

Impact on Lessee Accounting. Long-term leasehold land of the Group held under an operating lease, was already accounted for as a finance lease in accordance with IAS 40 "Investment Property" and IAS 17 "Leases. Based on these facts the Group concluded that new requirements of the standard have no material impact on its financial statements.

The company applied practical expedient C9(B) of IFRS16 which allows not to make adjustments on transition for leases previously accounted for as investment property using the fair value model in IAS 40 Investment Property.

Impact on Lessor Accounting. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The major change is that under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17). As the Group has no subleases, IFRS 16 did not have an impact for leases where the Group is the lessor.

Based on its preliminary assessment, the Group does not believe that the new requirements of the standard would have had a material impact on its financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities.

The Group examined the effect of the interpretation on the interim consolidated financial statements of the Group and concluded that there is no impact on its condensed consolidated interim financial information additional to amounts and disclosures, included in Note 17.

5 Adoption of New and Revised Standards and Interpretations (Continued)

During the six months ended 30 June 2019 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 2019. This adoption did not have a material effect on the accounting policies of the Group except as mentioned above.

- IFRS 9 (Amendments) "Prepayment Features with Negative Compensation".
- IAS 19 (Amendments) "Plan Amendment, Curtailment or Settlement".
- IAS 28 (Amendments) "Long-term Interest in Associates and Joint Ventures".
- Annual Improvements to IFRSs 2015-2017 Cycle.

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:

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).
- "Amendments to References to the Conceptual Framework in IFRS Standards" (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).

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.

6 Investment Property

<i>In thousands of US Dollars</i>	Note	2019	2018
Total investment property at 1 January		3 207 953	3 601 187
Subsequent expenditure		3 140	2 340
Transfer to property, plant and equipment		-	(5 090)
Disposal of investment property	20	-	(122 303)
Fair value adjustment		(312 196)	151 378
Effect of translation to presentation currency		314 045	(303 444)
Total investment property at 30 June		3 212 942	3 324 068

The investment property represents land and office buildings located in Moscow, Russia. Land is leased from the Moscow City Authorities under renewable leases (from 1 to 48 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.

Carrying amounts of the Group's right-of-use assets and the movements during the period:

<i>In thousands of US Dollars</i>	2019
As at 1 January	22 977
FV adjustment	39
Effect of translation to presentation currency	2 246
As at 30 June	25 262

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 2019		31 December 2018	
		Net rentable area (square metres)	Amount (in thousands of US Dollars)	Net rentable area (square metres)	Amount (in thousands of US Dollars)
WHITE SQUARE					
- Lesnaya Str., 5, Butyrsky Val Str., 10 LeFORT		76 440	794 100	76 407	790 400
- Elektrozavodskaya Str., 27, bldg. 1, 1A, 2, 3, 3A, 3D, 4-11 KRUGOZOR		55 114	166 900	55 458	165 900
- Obruchevo Str., 30/1, bldg. 1-3 VIVALDI PLAZA		51 004	223 100	50 979	222 100
- Letnikovskaya Str., 2, bldg. 1-3 SILVER CITY		48 202	361 000	48 202	361 100
- Serebryanicheskaya Emb., 29 LEGENDA TSVETNOGO		41 909	251 100	41 909	244 700
- Tsvetnoy Boulevard, 2 WHITE STONE (formerly "LESNAYA PLAZA)		40 111	329 700	40 148	331 800
- 4th Lesnoy Lane, bldg. 4 STANISLAVSKY FACTORY		39 697	214 800	39 697	219 700
- Stanislavskogo Str. 21, bldg. 1-3, 5, 16-20 DUCAT III		34 568	210 100	34 568	209 600
- Gashka Str., 6 LIGHTHOUSE		33 558	311 000	33 559	313 200
- Valovaya Str., 26 ICUBE		27 426	218 300	27 426	219 700
- Nakhimovsky Prospect, 58 NEVIS		19 177	81 600	19 177	80 100
- 61/2, Schepkina street, building 12 GREENDALE	17	10 988	37 100	10 988	36 900
- Oktyabrskaya Str., 98 KUTUZOV		development	17 700	development	17 420
- Vasilisy Kozhinoy Str., 25		development	6 400	development	6 600
Total fair value of property per valuation reports		478 194	3 222 900	478 518	3 219 220
Less: Reclassification of owner occupied premises in LIGHTHOUSE			(21 813)		(21 952)
Total investment property at fair value			3 201 087		3 197 268
Add: Lease liabilities accounted for separately	9		25 262		23 000
Less: Straight line adjustment on rental income accounted for separately within trade and other receivables			(13 407)		(12 316)
Total carrying value of investment property			3 212 942		3 207 952

At 30 June 2019 and 31 December 2018 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. Nevis valuation has been carried out using the sales comparison approach, which involves comparison of the subject property with market evidence from other comparable office centers within the local market and making adjustments, using valuer's professional judgement.

The critical assumptions used in the valuation are disclosed in Note 18. The pledges on investment properties are disclosed in Note 17.

6 Investment Property (Continued)

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:

<i>In thousands of US Dollars</i>	30 June 2019	31 December 2018
- not later than one year	265 524	269 975
- later than 1 year and not later than 5 years	624 954	660 740
- later than 5 years	47 939	58 994
Total future rental income	938 417	989 709

7 Loans Issued

<i>In thousands of US Dollars</i>	30 June 2019	31 December 2018
Loans issued - due in more than 12 months	197 760	219 498
Loans issued - current portion	2 282	7 998
Total loans issued	200 042	227 496
Loans issued to other companies	200 042	227 496
Total loans issued	200 042	227 496

At 30 June 2019 the Group had one counterparty (31 December 2018: one counterparty) 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 2019 were not secured, bore fixed interest at rates from 4% to 9% per annum and amounted to USD 172 934 thousand (31 December 2018: USD 218 072 thousand).

At 30 June 2019 and 31 December 2018 loans other than described above were not secured, were denominated in USD and RUR, had maturity dates from 17 October 2019 to 15 December 2025 (31 December 2018: 01 February 2019 to 31 December 2021) and fixed interest at rates from 2.25% to 17% per annum.

At 30 June 2019 the loss allowance per IFRS 9 relating to the loans issued was USD 162 992 thousand with corresponding charge in the Consolidated Statement of Profit or Loss and Other Comprehensive Income of USD 56 441 thousand for the period ended 30 June 2019.

In 2019 the Group changed the approach for long term loans issued of USD 11 648 thousand at 30 June 2019, previously classified as assets held for sale, due to management decision.

The fair value of loans issued is disclosed in Note 18. The exposure of the Group to credit risk in relation to loans issued is reported in Note 16.

8 Trade and Other Receivables

In April 2019 Riverstretch Trading & Investments Limited and the Company signed a "Funded Participation Agreement" according to which the Company funded its parent company's participation in a syndicated loan facility guaranteed by the Company and fully provided in its financial statements. The total amount of the parent's participation which has been assigned in favour of the Company, is USD 53 million. The Company's share in the above participation which is included in trade and other receivables amounts to USD 43 million.

8 Trade and Other Receivables (Continued)

At 30 June 2019 the loss allowance per IFRS 9 relating to the trade and other receivables was USD 7 517 thousand with corresponding charge in the Consolidated Statement of Profit or Loss and Other Comprehensive Income of USD 3 230 for the period ended 30 June 2019.

Receivables of USD 4 547 thousand were classified as long term at 30 June 2019 due to the change in management expectations regarding maturity of those receivables.

9 Borrowings

<i>In thousands of US Dollars</i>	30 June 2019	31 December 2018
Non-current borrowings		
Loans from banks	2 078 185	1 728 246
MOEX EUR bonds	384 038	381 184
Eurobonds	342 856	346 793
MOEX Rouble bonds	35 328	31 921
Loans from other companies and individuals	4 078	999
Finance lease liabilities	23 216	20 638
Total non-current borrowings	2 867 701	2 509 781
Current borrowings		
Loans from banks	89 683	268 214
MOEX EUR bonds	3 268	4 040
Eurobonds	1 809	4 954
MOEX Rouble bonds	1 814	1 361
Loans from other companies and individuals	429	133
Finance lease liabilities	2 046	2 362
Total current borrowings	99 049	281 064
Total borrowings	2 966 750	2 790 845

The amounts above include unamortised loan origination costs of USD 19 372 thousand (31 December 2018: USD 2 750 thousand), notional principal amount of USD 2 926 082 thousand (31 December 2018: USD 2 749 961 thousand) and interest accruals of USD 34 778 thousand (31 December 2018: USD 32 965 thousand). The significant change in the amount of notional principal amount is due to Eurobonds consent fee paid during 2019 capitalized and the new bank commissions on refinanced loans.

In March 2018 the MOEX USD bonds of nominal value USD 335 000 thousand and USD 150 000 thousand were converted to EUR. Taking into account new terms, including the extension, the Group took the decision to apply a modified model to MOEX EUR bonds recognition with market level of EUR interest rate. Main changes relate to interest rates (from 6-7% to 2-2.2%) and change in bonds maturity from 2021-2022 to 2024-2026 respectively. The gain on extinguishment of the previous liability was recognized in the amount USD 76 546 thousand.

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 Company (Under Common Control). The MOEX Rouble and EUR bonds (former MOEX USD bonds) are guaranteed by the Company.

In October 2018 a loan from bank with nominal outstanding principal amount USD 571 575 thousand was redenominated into RUR.

In January 2019 the Group refinanced a secured debt facility, with nominal outstanding principal amount USD 189 000 thousand. The new ruble denominated facility has a five year term.

In April 2019 the Group refinanced a secured debt facility, with nominal outstanding principal amount EUR 164 438 thousand (equivalent USD 184 894 thousand translated using the rate on final repayment date). The new ruble denominated facility has a five year term.

9 Borrowings (Continued)

In April 2019 the Group refinanced a secured debt facility, with nominal outstanding principal amount USD 38 469 thousand. Along with the above refinancing, the Group borrowed additional USD 44 000 thousand (the amount above is an equivalent of Rouble denominated loan) that were utilized for the purchase of portion of O1 Group Limited debt guaranteed by the Company referred to in Note 11. These new ruble denominated facilities have a ten year term.

In May 2019 a loan from bank with nominal outstanding principal amount USD 338 762 thousand was redenominated into EUR. The new facility has a three and a half year term.

For all loans being refinanced within 2018 and 2019, no gain/loss on extinguishment arose since the carrying amount of the financial liability extinguished and the fair value of the new financial liability were approximately the same.

In 2019 the Group changed the approach for borrowings of USD 9 112 at 30 June 2019, previously classified as liabilities directly associated with non-current assets classified as held for sale, due to management decision.

The detailed information on borrowings at 30 June 2019 is presented below:

In thousands of US Dollars	Contractual interest rate, % per annum	Maturity (years)	Carrying amount
	CBR Key Rate + Margin 1.1%-2%	1-5	1 003 317
Secured on investment property and investment property under construction	3 months LIBOR + Margin 5.2% - 5.6%	1-5	377 958
	6,5% - 11.15%	1-5	350 201
	3 months EURIBOR + 3%	1-5	346 255
	CBR Key Rate + Margin 1.85%	over 5	84 390
	EURIBOR + 1.75%	1-5	5 747
Unsecured facility of the Group	1% - 13 %	1-5	385 183
	6 months EURIBOR + Margin 2.2%	over 5	266 477
	6 months EURIBOR + Margin 2%	1-5	120 829
Finance lease liabilities	8%	over 5	1 131
			25 262
Total borrowings			2 966 750

The detailed information on borrowings at 31 December 2018 is presented below:

In thousands of US Dollars	Contractual interest rate, % per annum	Maturity (years)	Carrying amount
Secured on investment property and investment property under construction	6.5% - 11.15%	1-5	485 185
	CBR Key Rate + Margin 2%	1-5	144 018
	CBR Key Rate + Margin 1.1%	1-5	379 486
	3 months EURIBOR + Margin 4.75%	1-5	187 709
	3 months LIBOR + Margin 4.45% - 5.7%	1-5	800 062
Unsecured facility of the Group	8.25% - 13%	1-5	386 161
	6 months EURIBOR + Margin 2% - 2.2%	over 5	385 224
Finance lease liabilities			23 000
Total borrowings			2 790 845

At 30 June 2019 the undrawn facilities totalled USD nil (31 December 2018; USD 50 000 thousand).

9 Borrowings (Continued)

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 17.

The Group was in compliance with or had waivers on all covenants related to key borrowings at 30 June 2019 and 31 December 2018.

The 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:

<i>In thousands of US Dollars</i>	30 June 2019	31 December 2018
Minimum lease payments:		
- not later than one year	2 716	2 495
- later than 1 year and not later than 5 years	10 862	9 835
- later than 5 years	79 301	78 330
Total minimum lease payments	92 878	90 660
Less future finance charges	(67 616)	(67 660)
Present value of minimum lease payments	25 262	23 000

At 30 June 2019 the interest rate implicit in the leases was 11.04% (31 December 2018: 11.04%). The fair value of borrowings is disclosed in Note 18.

Carrying amounts of the Group's lease liabilities and the movements during the period:

<i>In thousands of US Dollars</i>	2019
As at 1 January	(22 977)
Interest expense	(1 212)
Effect of translation to presentation currency	(2 328)
Interest and principal repayments	1 255
As at 30 June	(25 262)

10 Provisions

At 30 June 2019 the amount of provisions in the statement of financial position, includes the amount of USD 44 984 thousand (31 December 2018: USD 42 999 thousand) which was recognized during 2018 in relation to probable obligations as a result of legal proceedings affecting the subsidiary company Semela Limited (Notes 1, 17). It is not expected that there will be a cash outflow in the next 12 months in relation to the above-recognized liability.

10 Provisions (Continued)

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 each of the guarantees provided by the Group (Refer to Note 17). During 2018 these indemnity liabilities were acknowledged and the respective amount in the statement of financial position as at 30 June 2019 is USD 36 762 thousand (31 December 2018: USD 36 226 thousand). The amount of the indemnity was determined as the percentage of the losses from the guarantee that corresponded to their shareholdings in the Company. Refer to Note 11.

11 Financial Guarantees Liabilities

The main amount of financial guarantees liabilities of USD 187 759 (31 December 2018: USD 185 746) is a result of the obligation recognition in the amount of USD 187 568 thousand (31 December 2018: USD 185 098) guaranteed by the Group in relation to borrowings of O1 Group Limited (Cyprus), a company controlled by the previous ultimate controlling shareholder (Note 1). The Group initially recognized the financial guarantee loss in 2018 in the amount USD 179 254. Refer to Note 16.

O1 Group Limited as the borrower under USD 175 million mezzanine loan facility involving a limited number of syndicate participants is unable to perform its obligations due to its poor financial condition. The borrowing is guaranteed by the Group and secured by all shares of the Company's subsidiaries in Ratado Holding Limited ("Ratado") (Refer to Note 1). In order to avoid potential seizure of "Ratado" shares by the Creditors and as a Guarantor under the borrowing, the Group acknowledged the liability in full and started to service the debt. Under the previous borrowing terms of O1 Group, the above debt matures in April 2020. The management of the Group entered into discussions with all the participants which include the Company's parent Riverstreich Trading & Investments Limited (RTI). As disclosed in Note 8 RTI signed with O1 Properties Limited a Funded Participation Agreement under which the Company is participating in RTI's share in the syndicate loan with the amount of USD43 million.

In the meantime the Group pays part of the accrued interest, which currently stands at the rate of 9%, throughout the period up to April 2020 and the remaining, if not prolonged, will be paid on the loan maturity in April 2020.

At 30 June 2019 the Group guaranteed liabilities of its previous joint venture (Note 20) in the amount of USD 20 088 thousand (31 December 2018: USD 20 088 thousand). The Group was indemnified by a guarantee issued by Cesium Limited for 49.9% of the guaranteed liability which amounts to USD 10 024 thousand (31 December 2018: USD 10 024 thousand). As a result, the total exposure of the Group in relation to this guarantee is USD 10 064 thousand (31 December 2018: USD 10 064 thousand).

At 30 June 2019 the Group guaranteed liabilities of its former subsidiary in the amount of USD 36 896 thousand (EUR 32 257 thousand in the contract currency).

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

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 was valid the latest by 20 August 2022 but it was released during 2019 due to the loan repayment.

At 30 June 2019 the loss allowance per IFRS 9 relating to these financial guarantees liabilities described above was USD 191 thousand with corresponding charge in the Consolidated Statement of Profit or Loss and Other Comprehensive Income of USD 457 thousand for the period ended 30 June 2019. Refer to Note 16.

12 Share Capital and Share Premium

Share capital issued and fully paid comprises:

<i>In thousands of US Dollars</i>	Number of class A shares issued	Number of class B shares issued	Nominal amount	Share premium	Total
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
Balance at 1 January 2019	21 694 704	69 175 017	1 140	1 193 219	1 194 359
Balance at 30 June 2019	21 694 704	69 175 017	1 140	1 193 219	1 194 359

At 30 June 2019 and 31 December 2018 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 from the results of the year ended 30 June 2019 and 31 December 2018.

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.

O1 Properties Group**Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2019****13 Net Rental Income**

<i>In thousands of US Dollars</i>	Note	For the six months ended 30 June	
		2019	2018
White Square		31 192	28 445
Vivaldi Plaza		14 215	14 504
Legenda Tsvetnogo		12 530	10 794
Ducat III		11 882	12 565
White Stone		10 398	9 215
Silver City		8 119	7 793
Krugozor		7 812	7 961
Stanislavsky Factory		6 996	7 581
Lighthouse		6 125	7 169
LeFort		5 598	4 812
Icube		1 271	855
Zarechie	20	-	5 350
Avrasis	20	-	2 469
Other		825	906
Total net rental income		116 964	120 419

The operating expenses for the six months ended 30 June 2019 and 30 June 2018:

<i>In thousands of US Dollars</i>	For the six months ended 30 June	
	2019	2018
Property tax	8 716	12 507
Property management fees	6 546	6 853
Cleaning and utilities	5 217	5 858
Security	1 012	1 154
Insurance	493	649
Repairs and maintenance	288	498
Other	215	556
Total operating expenses of investment property	22 487	28 075

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

14 General and Administrative Expenses and Other Operating Expenses

<i>In thousands of US Dollars</i>	For the six months ended 30 June	
	2019	2018
Employees compensation	4 168	6 172
Own premises related expenses	1 785	483
Professional services	1 187	1 006
Social contributions	860	1 227
Taxes other than income	833	45
Marketing and advertising	589	2 812
Depreciation of property, plant and equipment	304	319
Bank fees	135	130
Travel	61	154
Information services	29	115
Other	235	553
Total general and administrative expenses	10 186	13 015

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

An average number of employees during the six months ended 30 June 2019 were 199.

<i>In thousands of US Dollars</i>	For the six months ended 30 June	
	2019	2018
Impairment of residential property under construction	-	14 335
Leasing commissions	975	1 186
Fines	657	612
Professional services	603	822
Other	204	546
Total other operating expenses	2 439	17 501

The professional services for the six months ended 30 June 2019 and 2018 stated above 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 19.

15 Finance Income and Finance Costs

<i>In thousands of US Dollars</i>	For the six months ended 30 June	
	2019	2018 (Restated)
Net gain from derivatives	26 486	-
Interest income on loans	12 269	11 249
Interest income on deposits	76	50
Gain from financial liability extinguishment (Note 3)	-	76 546
Other	-	18
Total finance income	38 831	87 863
Interest expense on borrowings (excluding lease liability)	127 301	126 584
Loss on initial recognition of financial assets	-	16 132
Net loss on revaluation of other investments	2 113	-
Charge on lease liabilities	1 263	1 264
Interest expense on accretion of interest on tenants deposits	1 203	3 949
Net loss from derivatives	-	2 130
Total finance costs	131 880	150 059

In 2018 expenses in the amount USD 16 132 thousand represent the loss on initial recognition of financial assets, issued at below market term, which although to unrelated party as defined by IAS 24, they represented a contribution to that party.

Information on transactions with related parties is presented in Note 19.

16 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 2018.

16 Financial Risk Management (Continued)

Credit risk

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is > 90 days past due (depending on type and nature of financial asset) or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – non credit-impaired
In default	Amount is > 180 days past due (depending on type and nature of financial asset) or there is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The tables below detail the credit quality of the Group's financial assets, contract assets and financial guarantee contracts, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

	Note	External credit rating	Internal credit rating	Basis for recognising expected credit losses	Gross carrying amount	Loss allowance	Net carrying amount
30 June 2019							
Loans issued	7	N/A	Performing	12-month ECL	16 149	(386)	15 763
Loans issued	7	N/A	Doubtful	Lifetime ECL (not credit impaired)	346 885	(162 606)	184 279
Trade and other receivables	8	N/A	(**)	Lifetime ECL (simplified approach)	53 133	(3 351)	49 782
Receivables from sale of subsidiaries	8	N/A	Doubtful	Lifetime ECL (not credit impaired)	8 713	(4 166)	4 547
Deposits in banks		BBB-	N/A	12-month ECL	18 732	(2)	18 730
Deposits in banks		N/A	Performing	12-month ECL	2 879	(1)	2 878

Guarantees issued:

	Note	External credit rating	Internal credit rating	Basis for recognising expected credit losses	Nominal amount of guarantee (*)	Provision recognised
30 June 2019						
Financial guarantee contracts	11	N/A	Performing	12-month ECL	56 253	(191)
Financial guarantee contracts	11	N/A	In default	Amount is provided for	187 568	(187 568)

* For Group guarantee, the nominal amount of guarantee represents the maximum amount the Group has guaranteed under the respective agreement.

16 Financial Risk Management (Continued)

** For trade receivables and other receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix below:

Days of payment delay	0-30	31-90	91-180	More than 180
Provision, % of outstanding amount	1%	20%	50%	100%

The following table shows the movement in expected credit losses that has been recognised for the respective financial assets and financial guarantees:

	12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (simplified approach)	Amount provided for	Total
Balance as at 1 January 2019 under IFRS 9	4 903	104 994	1 192	189 829	300 918
Increase/Decrease in loss allowance recognised in the year	(4 323)	61 778	2 159	(2 261)	57 353
Balance as at 30 June 2019	580	166 772	3 351	187 568	358 271

The significant increase in loss allowance arose from the recognition of lifetime ECL for these loans on 30 June 2019.

There has not been any significant change in the gross amounts of contract assets that has affected the estimation of the loss allowance.

None of the trade receivables that have been written off is subject to enforcement. The carrying amount of financial assets represents the maximum credit exposure (Notes 7 and 8). Also refer to Notes 17 and 11 for the information on derivatives financial instruments and guarantees respectively.

17 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 these 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.

17 Contingencies, Commitments and Operating Risks (Continued)

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 non-compliant 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 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.

Tax liabilities of the Group companies are determined based on the underlying assumption that Group 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 companies will give rise to material tax liabilities other than those provided in these 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 2019 no provision for potential tax liabilities had been recognized.

17 Contingencies, Commitments and Operating Risks (Continued)

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 2019 the Group had possible obligations from exposures to other than remote tax risks of approximately up to USD 67 500 thousand (31 December 2018: approximately up to USD 57 906 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 condensed consolidated interim financial information if these are challenged by the authorities.

Capital commitments. At 30 June 2019 and 31 December 2018 the Group has no contractual capital expenditure commitments.

Assets pledged and restricted. At 30 June 2019 investment properties and owner occupied premises with a fair value of USD 3 201 087 thousand and USD 21 813 thousand respectively (31 December 2018: USD 3 197 268 thousand and USD 21 952 thousand respectively) and related land lease and lease proceeds were pledged in relation to borrowings (Notes 6 and 9). Also refer to Note 1 for the information on shares of subsidiaries of the Group pledged.

According to the signed loan agreements with the bank, the Group has no pledges on cash, but restrictions on deposits accounts are possible. If the Group violates the terms of the agreements (non-payments under credit agreement), the bank has the opportunity to withdraw the debt from such accounts. As at 30 June 2019 all payments were done in an appropriate time and such bank restrictions were not applicable.

At 30 June 2019 a residential property in the amount USD 9 075 thousand was pledged in relation to borrowings (Note 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 previous Ultimate Controlling Shareholder (Note 1). Also refer to Note 1 for the information on shares of subsidiaries of the Group pledged and Note 11 for information on the guarantee.

Under the legal proceeding between certain financial institutions and the companies controlled by the previous 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 2019 the Group recognised the provision in the amount USD 44 984 thousand (31 December 2018: USD 42 999 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 2019 and 31 December 2018 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.

Share based payments to employees. As at 30 June 2019 and 31 December 2018 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.

17 Contingencies, Commitments and Operating Risks (Continued)

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 2019 and 31 December 2018 the Group had no interest rate swap contracts.

At 30 June 2019 the Group had interest rate cap contracts with a total notional amount of USD 243 934 thousand (31 December 2018: USD 298 430 thousand) whereby the Group fixes the highest level of the floating part of the interest rate. At 30 June 2019 the positive fair value of these contracts was USD 97 thousand (31 December 2018: USD 672 thousand).

At 30 June 2019 the Group had a currency swap contract with a total notional amount of USD 178 643 thousand (the RUR amount of 11 268 023 thousand) (31 December 2018: USD 162 198 thousand) whereby the Group was paying fixed rate interest in EUR in exchange for fixed rate interest in Russian Rouble. At 30 June 2019 the negative fair value of this contract was USD 1 662 thousand (31 December 2018: the negative fair value of USD 25 182 thousand).

18 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 (Refer to Note 3).

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. Nevis valuation has been carried out using the sales comparison approach. 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 2018.

18 Fair Value (Continued)

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 2019:

<i>In thousands of US Dollars</i>	Valuation technique	Inputs used	Range of inputs	Reasonable change (% of input)	Sensitivity of fair value measurement	Fair value
		Discount rates	10.0 - 12.0%	+10 % -10 %	(160 100) 172 000	
			240-620 USD/sq.m.	+10 %	217 400	
Yielding Investment property	Discounted Cash Flow Technique	Estimated rental value	8.25 - 9.75%	-10 % +10 %	(217 100) (169 300)	
		Exit capitalization rates		-10 %	207 500	3 198 800
		Discount rates	17.0% - 20.0%	+10 % -10 %	(3 840) 4 240	
		Estimated rental value/ Expected sq.m price	300-2 100 USD/sq.m.	+10 % -10 %	8 670 (8 760)	
Investment property under development	Discounted Cash Flow Technique	Exit capitalization rates	9.0%	+10 % -10 %	(3 300) 4 000	24 100
Total fair value of investment property per valuation reports at 30 June 2019 (Note 6)						3 222 900

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 2018:

<i>In thousands of US Dollars</i>	Valuation technique	Inputs used	Range of inputs	Reasonable change (% of input)	Sensitivity of fair value measurement	Fair value
		Discount rates	10.0 - 12.0%	+10 % -10 %	(159 900) 171 400	
			240-620 USD/ sq.m.	+10 %	247 800	
Yielding Investment property	Discounted Cash Flow Technique	Estimated rental value	8.25 - 9.75%	-10 % +10 %	(247 300) (168 900)	
		Exit capitalization rates		+10 % -10 %	206 500	3 195 200
		Discount rates	17.0-20.0%	+10 % -10 %	(3 730) 4 230	
		Expected sq.m price	290-2100 USD/ sq.m.	+10 % -10 %	9 610 (9 500)	
Investment property under development	Discounted Cash Flow Technique	Expected sq.m price	9%	+10 % -10 %	(3 200) 4 000	24 020
		Exit capitalization rates				
Total fair value of investment property per valuation reports at 31 December 2018 (Note 6)						3 219 220

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 2019 and 2018 there were no reclassifications from or into Level 3 measurements.

18 Fair Value (Continued)

All gain/(loss) from valuation of investment property included unrealised as well as realised gain/(loss) from disposed investment property and presented in net gain from fair value adjustment on investment property line in the consolidated statement of profit and loss and other comprehensive income.

All gain/(loss) from revaluation of owner occupied premises is unrealised and 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 (Level 3). 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 2019 from 4% p.a. to 17% p.a. (31 December 2018: from 4% p.a. to 14% p.a.).

Liabilities carried at amortised cost (Level 3). 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 4.45% p.a. to 13% p.a. (31 December 2018: from 4.45% p.a. to 14% p.a.).

Financial instruments carried at fair value. At 30 June 2019 and 31 December 2018 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 17.

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

<i>In thousands of US Dollars</i>	30 June 2019		31 December 2018	
	Fair value	Carrying value	Fair value	Carrying value
Loans issued (Level 3)	199 944	200 042	227 709	227 496
Trade and other receivables (Level 3)	52 635	52 635	11 450	11 450
Cash and cash equivalents (Level 2)	40 683	40 683	39 787	39 787
Loans from banks (Level 3)	2 186 027	2 167 868	2 045 522	1 996 460
Loans from other companies and individuals (Level 3)	4 383	4 507	970	1 132
MOEX EUR bonds (Level 3)	387 306	387 306	385 224	385 224
MOEX Rouble bonds (Level 3)	38 359	37 142	35 649	33 282
Eurobonds (Level 3)	375 053	344 665	375 031	351 747
Lease liabilities (Level 3)	25 262	25 262	23 000	23 000
Tenant deposits (Level 3)	46 482	45 250	45 594	44 234
Trade and other payables (Level 3)	12 482	12 482	12 655	12 655

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

19 Related Party Transactions

For the purposes of these 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.

O1 Properties Group
Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2019

19 Related Party Transactions (Continued)

The outstanding balances with related parties were as follows:

	30 June 2019		31 December 2018	
	Immediate shareholders (excluding key management personnel)	Companies under significant influence of ultimate controlling shareholder	Immediate shareholders (excluding key management personnel)	Companies under significant influence of ultimate controlling shareholder
<i>In thousands of US Dollars</i>				
Trade and other receivables	42 733	-	-	-
Trade and other payables	-	(430)	(221)	(579)
Dividends	(222)	(1 364)	(1 364)	-

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

	2019				2018			
	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
<i>In thousands of US Dollars</i>								
Rental revenue	-	-	-	-	-	823	502	-
Salaries and bonuses	-	-	-	(107)	-	-	-	(598)
Other operating expenses	-	-	-	(74)	-	-	-	-
Social contribution	-	-	-	(16)	-	-	-	-
Interest income	-	53	-	-	136	-	5 475	-
Interest expense	-	-	-	-	(26)	(208)	(62)	-

For the six months ended 30 June

19 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 11).

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

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

20 Acquisitions and Disposals.

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.

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

<i>In thousands of US Dollars</i>	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

20 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:

<i>In thousands of US Dollars</i>	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 (Cyprus) 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). At the date of disposal Asabelle Limited owns Finance Marekkon Limited (Cyprus) and Enlor Limited (Cyprus) owns Nezorol Limited (Cyprus) and Merissania Limited (Cyprus). Nezorol Limited (Cyprus), Merissania Limited (Cyprus) and Finance Marekkon Limited (Cyprus) own the office center Bolshevik in Moscow.

On the same date the Group sold its 100% interest in Collins Crest Limited (BVI) which owns a 50.1% interest in Bayroad Group Limited (BVI) which owns 100% interest in Silvershade Limited (Cyprus) and 99.706% interest in Bolshevik JSC (Russian Federation).

20 Acquisitions and Disposals (Continued)

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

<i>In thousands of US Dollars</i>	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 year ended 31 December 2018 the Group also sold a number of minor joint venture companies and subsidiaries (Blackheart Limited, Kolston Group Limited, Teplovik LLC, Diamondreef Limited and Jale Holdings limited) which do not have a material impact on its consolidated financial statements. During the year ended 31 December 2018 the net gain from these disposals, including reclassification of the negative currency translation reserve on disposal in the amount USD 105 thousand, was USD 625 thousand.

21 Subsequent Events

Refer to Note 2 for the information on significant changes in foreign currency exchange rates during 2019.

In July 2019 the Group entered into amendment to its original facilities agreement with bank for the purpose to increase the total amount of credit facility in RUR 500 000 thousand (equivalent USD 7.927 thousand translated using the six month period 2019 closing rate).

In July 2019 the Group amended a secured debt facility, with nominal outstanding principal amount USD 145 143 thousand. The new EUR denominated facility has a five year term.

In July 2019 the Group amended a secured debt facility, with nominal outstanding principal amount USD 223 280 thousand. The two new RUR (50%) and EUR (50%) denominated facilities have a five year term.

In August 2019 the Group amended a secured debt facility, with nominal outstanding principal amount USD 149 812 thousand. The two new RUR (50%) and EUR (50%) denominated facilities have a five year term.

In August 2019 a new loan from bank with nominal outstanding principal amount RUR 7 150 000 thousand (equivalent USD 113 356 thousand translated using the six month period 2019 closing rate) was signed. This was to used to refinance an existing loan facility. This facility has a five year term.

In August 2019 the Group repaid a secured debt facility, with nominal outstanding principal amount EUR 5 668 thousand (equivalent USD 6 454 thousand translated using the six month period 2019 closing rate).