

## ***01 Properties Group***

Condensed Consolidated Interim Financial Information  
30 June 2020 (Unaudited)

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## **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 2020 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

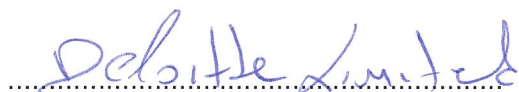
Based on our review, nothing has come to our attention that causes us to believe that this condensed consolidated interim financial information does not present fairly, in all material respects, the financial position of O1 Properties Limited as at 30 June 2020, and its financial performance and cash 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 Information concerning the Group's ability to continue as a going concern. The Group incurred a loss of RR 11 819 million during the six-month period ended 30 June 2020 and, as of that date the Group's current liabilities exceeded its current assets by RR 44 778 million and the Group's total liabilities exceeded its total assets by RR 5 356 million. The Group is currently in breach of the last two six month bond coupon payments in the amount of RR 1 014 million (USD14,5 million) each which were due in March 2020 and in September 2020. As a result the bond holders have the right to request immediate repayment of the principal amount of RR 24 483 million (USD 350 million).

In performing their assessment of going concern, the Directors have considered forecast cash flows for a period of more than 12 months from the date of issuance of the Financial Information. The timing and realisation of a number of key assumptions within the forecasts are not wholly within management's control and require the consent of the Bond holders and other creditors of the Group. Moreover, uncertainties resulting from the anticipated negative impact on the Russian economy as a result of the COVID 19 pandemic as well as other changes in the economic environment as explained in Note 3, may materially affect these assumptions, particularly the cash flows from its rental agreements.

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.



**Deloitte Limited**  
**Certified Public Accountants and Registered Auditors**  
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**213 Arch. Makariou III Avenue**  
**CY-3030 Limassol, Cyprus**

Limassol, 15 October 2020

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

<i>In millions of RR</i>	<i>Note</i>	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1 278	1 300
Investment property	6	191 318	192 714
Other investments		574	538
Loans issued	7	18 511	14 684
Trade and other receivables	8	723	513
Deferred income tax asset		6 347	6 185
<b>Total non-current assets</b>		<b>218 751</b>	<b>215 934</b>
<b>Current assets</b>			
Residential property under construction		796	864
Derivative financial instruments	18	-	756
Loans issued	7	116	2 815
Trade and other receivables	8	2 500	1 861
Cash and cash equivalents		2 909	2 129
<b>Total current assets</b>		<b>6 321</b>	<b>8 425</b>
<b>TOTAL ASSETS</b>		<b>225 072</b>	<b>224 359</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	9	171 026	179 330
Tenant deposits		2 418	2 491
Deferred income tax liability		5 885	6 403
<b>Total non-current liabilities</b>		<b>179 329</b>	<b>188 224</b>
<b>Current liabilities</b>			
Borrowings	9	33 682	7 487
Derivative financial instruments	18	484	-
Tenant deposits		679	358
Deferred rental income		2 035	3 084
Provisions	10	4 639	4 459
Financial guarantees liabilities	11	4	11 781
Trade and other payables and other liabilities	12	9 576	2 504
<b>Total current liabilities</b>		<b>51 099</b>	<b>29 673</b>
<b>TOTAL LIABILITIES</b>		<b>230 428</b>	<b>217 897</b>
<b>EQUITY</b>			
Share capital and share premium	13	73 938	82 973
Property revaluation reserve		959	1 088
Currency translation reserve		1	(6 297)
Retained earnings		(81 692)	(72 512)
<b>Equity attributable to the owners of the Company</b>		<b>(6 794)</b>	<b>5 252</b>
<b>Non-controlling interest</b>		<b>1 438</b>	<b>1 210</b>
<b>TOTAL EQUITY</b>		<b>(5 356)</b>	<b>6 462</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>225 072</b>	<b>224 359</b>

Approved for issue by the Board of Directors and signed on its behalf on 15 October 2020.

Director

  
**THEONITSA ANDRIANA CONSTANTINOU**  
**DIRECTOR**

Director

  
**ADINA VIVIANA SZEMETHY**  
**DIRECTOR**

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

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

<i>In millions of R\$</i>	Note	For the six months ended 30 June	
		2020	2019
Rental revenue		9 496	9 111
Operating expenses of investment property	14	(1 678)	(1 469)
<b>Net rental income</b>	<b>14</b>	<b>7 818</b>	<b>7 642</b>
Net (loss)/gain from fair value adjustment on investment property	6	(1 419)	(20 398)
General and administrative expenses	15	(583)	(666)
Provisions	10	(180)	(165)
Other operating expenses	15	(80)	(150)
Other (expenses)/income		14	85
Net gain from disposal of subsidiaries	21	11	-
Finance income	16	1 232	2 537
Finance costs	16	(9 193)	(8 617)
Net impairment loss on financial assets and guarantees	7,8,11	(257)	(3 899)
Foreign exchange translation (losses less gains)/gains less losses		(10 976)	11 678
<b>Loss before income tax</b>		<b>(13 613)</b>	<b>(11 953)</b>
Income tax credit/(expenses)		1 794	1 260
<b>Loss for the period</b>		<b>(11 819)</b>	<b>(10 693)</b>
<b>Other comprehensive (loss)/income:</b>			
<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		-	3 437
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of property, plant and equipment		-	(134)
Deferred tax asset movement on the property revaluation		-	28
<b>Total other comprehensive income/(loss) for the period</b>		<b>-</b>	<b>3 331</b>
<b>Total comprehensive loss for the period</b>		<b>(11 819)</b>	<b>(7 362)</b>
<b>Loss is attributable to:</b>			
- Owners of the Company		(11 859)	(10 287)
- Non-controlling interest		40	(405)
<b>Total comprehensive loss is attributable to:</b>			
- Owners of the Company		(11 859)	(6 898)
- Non-controlling interest		40	(464)

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

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

	Attributable to owners of the Company					Total	Non-controlling interest	Total equity
	Share capital	Share premium	Property revaluation reserve	Currency translation reserve	Retained earnings			
<i>In millions of R\$</i>								
Balance at 1 January 2019	79	82 884	1 255	(7 511)	(55 703)	21 014	2 028	23 043
<b>Total comprehensive (loss)/income</b>								
Loss for the period	-	-	-	-	(10 287)	(10 287)	(405)	(10 692)
Other comprehensive (loss)/income for the period	-	-	(106)	1 571	-	1 465	-	1 465
Balance at 30 June 2019	79	82 884	1 149	(5 940)	(65 990)	12 182	1 624	13 818
Change in equity due to change of functional currency	(8)	(9 027)	(129)	6 298	2 679	(188)	188	-
Balance at 1 January 2020	71	73 867	959	1	(69 834)	5 064	1 398	8 462
<b>Total comprehensive (loss)/income</b>								
(Loss)/income for the period	-	-	-	-	(11 859)	(11 859)	40	(11 819)
Other comprehensive income/(loss) for the period	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	-	-	(11 859)	(11 859)	40	(11 819)
Balance at 30 June 2020	71	73 867	959	1	(81 692)	(6 794)	1 438	(5 356)

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

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

<i>In millions of RR</i>	<i>Note</i>	<b>For the six months ended 30</b>	
		<b>2020</b>	<b>June 2019</b>
Loss before income tax		(13 613)	(11 953)
Adjustments for:			
Depreciation	15	18	20
Net loss from fair value adjustment on investment property	6	1 419	20 398
Gain from disposal of residential property under construction		-	(9)
Net gain from disposal of subsidiaries	21	(11)	-
Provisions	10	180	165
Net impairment loss on financial assets and guarantees	7,8,10,11	257	3 899
Finance costs	16	9 193	8 617
Finance income	16	(1 232)	(2 537)
Foreign exchange translation losses less gains/(gains less losses)		10 976	(11 689)
Other non-cash adjustments		(33)	(39)
<b>Operating cash flows before working capital changes</b>		<b>7 154</b>	<b>6 872</b>
Net decrease in VAT receivable		-	57
Net increase in trade and other receivables		(592)	(3 003)
Net decrease/(increase) in prepayments		33	(55)
Net increase in inventories		68	-
Net decrease in tenant deposits		(270)	(100)
Net decrease/(increase) in deferred rental income		(1 049)	144
Net increase/(decrease) in trade and other payables		96	(25)
<b>Changes in working capital</b>		<b>(1 714)</b>	<b>(2 982)</b>
Income tax paid		(107)	(115)
<b>Net cash from operating activities</b>		<b>5 333</b>	<b>3 775</b>
<b>Cash flow from/(used in) investing activities</b>			
Expenditures on subsequent improvements of investment property	6	(23)	(194)
Proceeds from disposal of residential property under construction		-	177
Loans issued		(389)	(370)
Repayment of loans issued		129	25
Interest received		2	-
<b>Net cash (used in)/from investing activities</b>		<b>(281)</b>	<b>(362)</b>
<b>Cash flows used in financing activities</b>			
Proceeds from borrowings		(82)	31 168
Repayment of borrowings		(575)	(28 142)
Interest paid		(3 581)	(6 318)
Payments for land lease		(14)	(66)
<b>Net cash used in financing activities</b>		<b>(4 252)</b>	<b>(3 358)</b>
Effect of exchange rate changes on cash and cash equivalents		(20)	(34)
<b>Net decrease in cash and cash equivalents</b>		<b>780</b>	<b>21</b>
Cash and cash equivalents at beginning of the period		2 129	2 637
<b>Cash and cash equivalents at the end of the period</b>		<b>2 909</b>	<b>2 658</b>

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



## **O1 Properties Group**

### **Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2020**

#### **1 General Information**

This condensed consolidated interim financial information for the six months ended 30 June 2020 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, 2<sup>nd</sup> floor, 1075 Nicosia, Cyprus.

At 30 June 2020 and 31 December 2019 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 2020 and 31 December 2019 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 13 for an overview of the differences in rights and obligations of "A" and "B" shareholders.

Mr. Pavel Vashchenko, citizen of the Russian Federation is the ultimate controlling party of the Group.

**Principal activity:** The principal activities of the Company are the holding and financing of investments. The Group operates in Moscow real estate market (Russian Federation). In particular, the Group is focused on buying both active and developing real estate in Moscow to derive profit from their activities. During the six months period ended 30 June 2020, the Group also engaged in the construction of residential apartments for further sale to private residents.

At 30 June 2020 the Company's long-term corporate credit rating assigned by the international agency Moody's was Caa3 (31 December 2019: Baa3). Refer to Note 2 for changes subsequent to the year end.

At 30 June 2020 and 31 December 2019 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 2020	% of effective ownership at 31 December 2019
Almos CJSC	Russian Federation	Investment property	96.67 <sup>1</sup>	82.34 <sup>1</sup>
Business Center Stanislavsky (Cyprus) Limited	Cyprus	Investment property	100 <sup>1</sup>	100 <sup>1</sup>
Firma "Morava" LLC	Russian Federation	Investment property	85 <sup>1</sup>	85 <sup>1</sup>
Gasheka Realty Limited Liability Company	Russian Federation	Investment property	100 <sup>1</sup>	100 <sup>1</sup>
Goldstyle Holdings Limited	Cyprus	Investment property	50.5 <sup>1</sup>	50.5 <sup>1</sup>
Krugozor Business Center (Cyprus) Limited	Cyprus	Investment property	100 <sup>1</sup>	100 <sup>1</sup>
ООО Квартал 674-675	Russian Federation	Investment property	100 <sup>1</sup>	100 <sup>1</sup>
Le Fortaco Limited	Cyprus	Investment property	100 <sup>1</sup>	100 <sup>1</sup>
Levisoma Trading Limited	Cyprus	Investment property	100 <sup>1</sup>	100 <sup>1</sup>
Levium Limited	Russian Federation	Investment property	50.52 <sup>1</sup>	50.52 <sup>1</sup>
Mervita Holdings Limited	Cyprus	Investment property	100 <sup>1</sup>	100 <sup>1</sup>
Meteolook Investments Limited	Cyprus	Investment property	100 <sup>1</sup>	100 <sup>1</sup>
Pianconero Investments Limited	Cyprus	Investment property	100 <sup>1</sup>	100 <sup>1</sup>
Semela Limited	Russian Federation	Investment property	100	100
LLC "Silver city"	Russian Federation	Investment property	100 <sup>1</sup>	100 <sup>1</sup>
Tzortis Limited	Cyprus	Investment property	100 <sup>1</sup>	100 <sup>1</sup>
VKS INVEST LTD	Russian Federation	Investment property	100	100
Afelmor Overseas Limited	Cyprus	Holding company	100 <sup>1</sup>	100 <sup>1</sup>
Aldino Holding Limited	Cyprus	Holding company	100	100
Amortilla Holding Limited	Cyprus	Holding company	100 <sup>1</sup>	100 <sup>1</sup>
Argam Limited	Cyprus	Holding company	100 <sup>1</sup>	100 <sup>1</sup>
Bilena Holdings Limited	Cyprus	Holding company	100 <sup>1</sup>	100 <sup>1</sup>
Cemveria Investments Ltd	Cyprus	Holding company	100	100
Freyamoon Limited	Cyprus	Holding company	100 <sup>1</sup>	100 <sup>1</sup>
Gunilla Limited	Cyprus	Holding company	50.5	50.5
Hannory Holdings Limited	Cyprus	Holding company	100	100
Letvion Investments Limited	Cyprus	Holding company	85	85
Minesign Limited	Cyprus	Holding company	100	100
Mistalda Holdings Limited	Cyprus	Holding company	50.52	50.52

# O1 Properties Group

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2020

### 1 General Information (Continued)

Entity	Country of incorporation/ continuation	Principal activity	% of effective ownership at 30 June 2020	% of effective ownership at 31 December 2019
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 <sup>1</sup>	50.5 <sup>1</sup>
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
Ratado Holding Limited	Cyprus	Holding company	100 <sup>1</sup>	100 <sup>2</sup>
Sabatón Holdings Limited	Cyprus	Holding company	100	100
Sharezone Capital Limited	Cyprus	Holding company	100 <sup>1</sup>	100 <sup>1</sup>
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 <sup>1</sup>	100 <sup>1</sup>
Wakovia Limited	Cyprus	Holding company	100 <sup>1</sup>	100 <sup>1</sup>
Wizgate Holding Limited	Cyprus	Holding company	100 <sup>1</sup>	100 <sup>1</sup>
Starglance Limited (former Balaton Holding S.à r.l.)	Cyprus	Financing company	100 <sup>1</sup>	100 <sup>1</sup>
Belegar Limited	Cyprus	Financing company	100 <sup>1</sup>	100 <sup>1</sup>
Chainlord Limited (former Vardarac S.à r.l.)	Cyprus	Financing company	50.5 <sup>1</sup>	50.5 <sup>1</sup>
Goldflavour Limited	Cyprus	Financing company	100 <sup>1</sup>	100 <sup>1</sup>
Eagleman Limited	Cyprus	Financing company	100	100
Fundin Investments Limited	Cyprus	Financing company	100	100
Kinevart Investments Limited	Cyprus	Financing company	100 <sup>1</sup>	100 <sup>1</sup>
Lemondo Limited	Cyprus	Financing company	100 <sup>1</sup>	100 <sup>1</sup>
Lomnia Services Limited	Cyprus	Financing company	100 <sup>1</sup>	100 <sup>1</sup>
Moonshard Limited (former Margo S.à r.l.)	Cyprus	Financing company	50.52 <sup>1</sup>	50.52 <sup>1</sup>
Mistmoors Holding Limited (former Silver City Finance S.à r.l.)	Cyprus	Financing company	100 <sup>1</sup>	100 <sup>1</sup>
Nokana Limited	Cyprus	Financing company	-	100 <sup>1</sup>
O1 Properties Finance Plc (former Pareso Limited)	Cyprus	Financing company	100	100
Silverflair Limited	Cyprus	Financing company	100 <sup>1</sup>	100 <sup>1</sup>
Vivaldi Plaza Finance S.à r.l.	Luxembourg	Financing company	100 <sup>1</sup>	100 <sup>1</sup>
Wallasey Limited	Cyprus	Financing company	100 <sup>1</sup>	100 <sup>1</sup>
City-Developer Limited	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
LLC "FENIX"	Russian Federation	Inactive	100	100
Gardin Limited	Cyprus	Holding company	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	100
Starye šerebryaniki JSC	Russian Federation	Inactive	100	100
Amneris Limited	Cyprus	Inactive	50.5	50.5

<sup>1</sup> Pledged in relation to borrowings (Note 9).

<sup>2</sup> Refer to Note 9, 11, 18 for the information on pledge of shares in Ratado Holding Limited.

Refer to Note 21 for the information on acquisitions and disposals by the Group during the six months period ended 30 June 2020 and 2019.

## **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.

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

Industries such as tourism, hospitality and entertainment are expected to be directly disrupted significantly by these measures. Other industries such as manufacturing and financial services are expected to be indirectly affected and their results to also be negatively affected.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome.

Management of the Group has considered the unique circumstances and the risk exposures of the Group while the disruption is currently expected to be temporary, economic uncertainties have arisen whose impact is expected to evolve. The event is not expected to have an immediate material impact on the business operations. However Management will continue to monitor the situation closely and will assess the need for additional actions in case the period of disruption becomes prolonged. At the same time the Group's management is in the process of reassessing their cash flows model using revised assumptions and incorporating downside scenarios in assessing actual and potential financing needs, taking into consideration the potential impacts identified above (Note 3).

**Russian Federation.** Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political, social, legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. Refer to Note 18. The future of economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory and political environment.

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 Russian Rouble ("RR") exchange rate and interest rates in 2019 and 2018 have been relatively stable. However in early 2020 oil prices dropped significantly and this resulted in immediate weakening of RR against major currencies.

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-month period ended 30 June 2020:

- the Central Bank of the Russian Federation ("CBRF") exchange rate was RR 61.9057 and RR 69.9513 per USD as of 1 January 2020 and 30 June 2020 respectively and varied between 60.9474 and 80.8815 during the six months ended 30 June 2020;

## **2 Operating Environment of the Group (Continued)**

- the CBRF key refinancing interest rate decreased from 6.25% p.a. to 4.50% 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;
- the Group is in engagement with eurobonds holders with a view to negotiate a consensual current terms review. Within this process the Group's coupon payments was postponed, which was effected on the Company's rating. In April 2020, Moody's Investors Service downgraded the credit rating of the Company to Caa3 kept the outlook for the future "stable". Standard & Poor's downgraded the credit rating to D from CCC. Rating outlook is "negative";
- 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 2020:

- the CBRF exchange rate fluctuated between RR 70.4413 per USD and RR 79.6845 per USD;
- the CBRF key refinancing interest rate decreased from 4.5% p.a. to 4.25% 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.

The economic environment and conditions as those emerged from the pandemic of COVID-19, the volatility of oil prices and the sharp depreciation of the Russian Ruble are expected to negatively affect the Russian economy and elevate the level of uncertainty in relation to the Group's operations. Tenants are experiencing difficulties in complying with their rent obligations as they fall due. As a result, Management expects a decrease in its short term cash flows and liquidity. These conditions are expected to impact the ability of the Group to meet its own obligations as they fall due. In addition, if the effect of the above economic conditions are significant and prolonged the resulted profitability impact could affect loan covenants associated with Debt Service Cover Ratios and/or Loan to Value ratios. However at this stage the magnitude of this impact is not material.

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 enjoyed a remarkable post crisis rebound. While remaining strong, economic growth is gradually decelerating. In 2019 real GDP increased by 3.2%, following an increase of 4.1% in 2018.

In early 2020, Cyprus was still on a robust growth path. However, the global outbreak of Covid-19 and the related containment measures resulted to GDP decreasing by 11.6% in the second quarter of 2020, according to Fitch. In the first quarter, the decrease was 2.1%.

The sovereign risk ratings of the Cyprus Government improved considerably in recent years. In October 2018 Fitch Ratings upgraded its Long-Term Issuer Default ratings for Cyprus to investment grade (BBB-) with a stable outlook with a change in October 2019 to a positive outlook. In October 2020 Fitch Ratings decreased its Long-Term Issuer Default ratings for Cyprus to investment grade the outlook was safed as stable. 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 with a stable outlook with a change in October 2019 to a positive outlook. 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 decreased to 7.7% in the second half of 2019 from 8.4% in 2018 with a further decrease to 6.7% in the first half of 2020.

Inflation remained low at 0.5% in 2019 compared to 0.8% in 2018. Overall, inflation at September 2020 is around (0.9)%.

## **2 Operating Environment of the Group (Continued)**

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. Following the sizable reduction in NPLs in the banking sector in 2018, progress has slowed throughout 2019. Prior to the Covid-19 outbreak, non-performing loans were expected to decline significantly in 2020 due to sizeable portfolio sales. However, the final negotiations are delayed due to the current environment.

Public debt remains a challenge after rising to 100.6% of GDP in 2018 due to the public support to the banking sector. In 2019 the public debt fell to 95.5% of GDP. The outlook is severely affected by the COVID-19 outbreak. The public debt is expected to increase to 117% by the end of 2020. In 2021, the deficit is expected to decline on the back of the expected recovery and the reversal of crisis measures.

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 2020 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 2019, 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, under the historical cost convention as modified to include the fair value of premises, investment property, investments in funds and derivative financial instruments.

**Going concern basis.** The Group incurred a loss of RR 11 819 million for the period ended 30 June 2020 (For the six month period ended 30 June 2019: RR 10 693 million) and as of that date, the Group's current liabilities exceeded its current assets by RR 44 778 million (31 December 2019: RR 21 248 million) and the Group's total liabilities exceeded its total assets by RR 5 356 million (31 December 2019: the Group's total assets exceeded its total liabilities by RR 6 462 million). In addition, the Group is highly leverage with equity levels that have been deteriorating over the last years.

The economic environment and conditions as those emerged from the pandemic of COVID-19, the volatility of oil prices and the sharp depreciation of the Russian Ruble are expected to negatively affect the Russian economy and elevate the level of uncertainty in relation to the Group's operations. Tenants are experiencing difficulties in complying with their rent obligations as they fall due. As a result, management expects a decrease in its short term cash flows and liquidity. These conditions are expected to impact the ability of the Group to meet its own obligations as they fall due. In addition, if the effect of the above economic conditions are significant and prolonged the resulted profitability impact could affect loan covenants associated with Debt Service Cover Ratios and/or Loan to Value ratios. However it is not possible at this stage to estimate the magnitude of this impact.

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

In March and September 2020 the Group was in breach of its six months coupon payments in the amount of RR 1 014 million (USD 14.5 million) each in relation of the Eurobonds, issued by a subsidiary of the Group and guaranteed by the Company, (the "Bonds"). This breach constitutes an event of default and as a result, the Bond holders have the right to request immediate repayment of the principal amount of RR 24 483 million (USD 350 million) together with accrued interest. Due to the facts described above, the Group's obligations in the amount of RR 25 528 million have been classified as a short-term liabilities in these consolidated financial statements. The issuer and the Company as guarantor are committed to resolving the above situation to the satisfaction of all parties involved. In this respect a consent solicitation through the submission of a restructuring proposal will be pursued in the immediate future. Following the submission of the restructuring proposal management intends to enter into discussions with the Bond holders, however the outcome of these discussions cannot be predicted with sufficient level of certainty.

Notwithstanding the above, Management is confident that it can successfully manage the risks associated with the above conditions. Subject to the uncertainties underpinning current circumstances and future estimates, Management is deriving its confidence from the following mitigating factors and assumptions as described below:

- The Group management initiated discussions with main banks and as of the date of signing of these financial information it has successfully agreed to postpone or partially postpone quarterly debt and/or interest service payments. Based on its ongoing discussions with the main banks, Management believes that if further deferrals are required, those will be provided by its banks.
- As further explained in Note 10, the Group recognized as current liabilities, A provision with respect to an indemnity for the amount of RR 2 461 million. Based on discussions with the relevant stakeholders, management expects that the above amount will not become payable in the next 12 months.
- The Group has recognized a provision in the amount of RR 2 178 million 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 RR 6 230 million within current liabilities relates to payables for ex-guarantee which has been settled through topping up of the existing senior debt facilities in July 2020. Therefore, the above amount will not require a cash outflow from the Group in the next 12 month. Refer to Note 12.
- An amount of RR 2 035 million 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.
- As a result of COVID 19 until the date of these interim financial information the Group had not suffered material disruption in the operations, except for the retail segment, which however represent only 7% of the total revenue.
- As of the date hereof, the Group has not received any notification of claim from the Bond trustee requesting that all outstanding amounts under the Bond are immediately repaid in full. As noted above, Management has already engaged professional experts to advise on the preparation of an appropriately structured proposal taking into account current market conditions and prevailing rates to be submitted to the Bond holders. Management believes that following a constructive discussion which is expected to take place in due course a consensus would be reached resulting in the current default position of the Group being rectified to the satisfaction of all parties involved.
- Further to the above, it is noted that the Group has a history of successful debt restructurings including a restructuring of RR 28 407 million (USD 485 million) of Russian Ruble denominated bonds concluded in March 2018. Under the restructured terms maturity of the above bonds was extended for 3-4 years and coupon interest was reduced from 6-7% to 2-2.2% (refer to Note 9). The latest restructuring achieved by the Group was in relation to its Russian Rouble denominated bonds with a carrying amount of RR 2355 million for which the maturity date was extended from October 2020 for 4 years.

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

Management believes that the timing and realisation of the above assumptions are reasonable and reflect their assessment of the most likely outcome. However the potential outcome of the above are not wholly within management's control and as a result 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.

Management 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. Cash flow forecasts for the next 12 months from date of approval of these financial information prepared by management, on the basis of the above assumptions, indicates that the Group, will have sufficient cash inflows to meet its debts as and when they fall due. This assumes that there will be no adverse consequences in relation to the default on the Eurobonds as explained above and that the Group will be in a position to agree further bank repayment deferrals if the magnitude and duration of the current economic environment will have a worse impact than presently estimated.

For the reasons stated above, the Group's condensed consolidated interim financial information has 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 would 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). Effective from 1 January 2020, most companies of the Group have changed functional currency from the US to the RR due to the changes in the loan portfolio. The functional currency of the Company is the RR. The functional currency of the property holding companies is the RR. Refer to Note 4.

**Presentation currency.** Up to 2019, the Group's financial statements were presented in US Dollars. In 2020, management has decided to change the presentation currency to Russian Rouble. The Group believes that the presentation of financial results in Russian Roubles, following the change in functional currency of the Company and a number of its subsidiaries from 1 January 2020 onwards, will provide greater transparency in the light of recent volatility of the RUB exchange rate and provide shareholders and other users of the financial statements with reliable and more relevant information, providing a more accurate reflection of the Group's underlying financial performance and financial position. The change has been applied retrospectively in line with IAS 8 "Accounting Policies, Changes in accounting Estimates and Errors".

All amounts in these condensed consolidated interim financial information are presented in millions of RR.

At 30 June 2020 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 69.9513 (31 December 2019: USD 1 = RR 61.9057) and the average exchange rate calculated on daily basis used for translating income and expenses was USD 1 = RR 69.37144 (2019: USD 1 = RR 64.7362).

### **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:

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

**Deferred tax.** Deferred tax assets are reviewed at each reporting date and reduced to extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. The estimation of that probability includes estimates based on expected performance and tax planning strategies.

**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 17.

**Valuation of investment properties.** Refer to Note 19.

**Tax, currency and customs legislation.** Russian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 18.

**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 six month ended 30 June 2020***

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

**Adopted by the European Union**

- Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions (effective for annual periods beginning on or after 1 June 2020).

**Not adopted by the European Union**

- IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current – Deferral of Effective Date (effective for annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 January 2022).



**01 Properties Group****Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2020****5 Adoption of New and Revised Standards and Interpretations (Continued)**

- Amendments to IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2022).
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (effective for annual periods beginning on or after 1 January 2022).
- Annual Improvements 2018-2020 (effective for annual periods beginning on or after 1 January 2022).
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19 (effective for annual periods beginning on or after 1 January 2021).
- Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (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 millions of RR</i>	<b>2020</b>	<b>2019</b>
<b>Total investment property at 1 January</b>	<b>192 714</b>	<b>198 591</b>
Subsequent expenditure	23	194
Fair value land lease adjustment	(16)	-
Fair value IP adjustment	(1 403)	(20 398)
Effect of translation to presentation currency	-	20 514
<b>Total investment property at 30 June</b>	<b>191 318</b>	<b>198 901</b>

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 47 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.

**01 Properties Group**
**Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2020**
**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	30 June 2020		31 December 2019	
	Net rentable area (square meters)	Amount (in millions of RR)	Net rentable area (square meters)	Amount (in millions of RR)
WHITE SQUARE				
- Lesnaya Str., 5, Butyrsky Val Str., 10	76 495	48 678	76 440	47 166
LeFORT				
- Elektrozavodskaya Str., 27, bldg. 1, 1A, 2, 3, 3A, 3D, 4-11	55 305	9 177	55 114	9 484
KRUGOZOR				
- Obrucheva Str., 30/1, bldg. 1-3	51 004	12 481	51 004	13 359
VIVALDI PLAZA				
- Letnikovskaya Str., 2, bldg. 1-3	48 289	21 450	48 202	21 791
SILVER CITY				
- Serebryanicheskaya Emb., 29	41 909	14 109	41 909	14 604
LEGENDA TSVETNOGO				
- Tsvetnoy Boulevard, 2	40 201	20 257	40 111	19 872
WHITE STONE (formerly "LESNAYA PLAZA")				
- 4th Lesnoy Lane, bldg. 4	39 739	13 554	39 697	13 774
STANISLAVSKY FACTORY				
- Stanislavskogo Str., 21, bldg. 1-3, 5, 16-20	34 571	11 178	34 568	11 904
DUCAT III				
- Gasheka Str., 6	33 558	19 267	33 558	18 807
LIGHTHOUSE				
- Valovaya Str., 26	27 404	12 455	27 426	12 833
ICUBE				
- Nakhimovsky Prospect, 58	19 176	4 981	19 177	5 206
NEVIS				
- 61/2, Schepkina street, building 12	10 988	2 352	10 988	2 396
GREENDALE				
- Oktyabrskaya Str., 98	under development	1 204	under development	1 225
KUTUZOV				
- Vasilisy Kozhinoy Str., 25	under development	342	under development	359
<b>Total fair value of property per valuation reports</b>	<b>478 639</b>	<b>191 485</b>	<b>478 194</b>	<b>192 780</b>
Less: Reclassification of owner occupied premises in LIGHTHOUSE		(1 244)		(1 282)
<b>Total investment property at fair value</b>		<b>190 241</b>		<b>191 498</b>
Add: Land lease accounted for separately		1 603		1 619
Less: Straight line adjustment on rental income accounted for separately within trade and other receivables		(526)		(403)
<b>Total carrying value of investment property</b>		<b>191 318</b>		<b>192 714</b>

**6 Investment Property (Continued)**

At 30 June 2020 and 31 December 2019 the fair value of investment property was based on a report issued by the independent firm of valuers CB Richard Ellis (CBRE), who have issued their report with a "Valuation uncertainty" emphasis paragraph. More specifically CBRE included in their valuation the following note: "Our valuation is reported on the basis of 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case."

The fact that the current volatility and uncertainty in the Russian economy and financial markets together with continuing pressure on oil prices and weakening of local currency might create significant degree of turbulence in commercial real estate market.

Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that the valuation of the Property is kept under frequent review."

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 sensitivity adjustments, using valuer's professional judgement.

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 millions of RR</i>	<b>30 June 2020</b>	<b>31 December 2019</b>
- not later than one year	17 055	17 519
- later than 1 year and not later than 5 years	40 412	41 722
- later than 5 years	2 215	2 850
<b>Total future rental income</b>	<b>59 682</b>	<b>62 091</b>

**7 Loans Issued**

<i>In millions of RR</i>	<b>30 June 2020</b>	<b>31 December 2019</b>
Loans issued - due in more than 12 months	18 511	14 684
Loans issued - current portion	116	2 815
<b>Total loans issued</b>	<b>18 627</b>	<b>17 499</b>
Loans issued to related parties (Note 20)	-	2 608
Loans issued to other companies	18 627	14 891
<b>Total loans issued</b>	<b>18 627</b>	<b>17 499</b>

**7 Loans Issued (Continued)**

At 30 June 2020 the Group had one unrelated counterparty (31 December 2019: 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 2020 were not secured, bore fixed interest at rates from 4% to 9% per annum and amounted to RR 16 589 million (31 December 2019: RR 13 499 million).

At 30 June 2020 and 31 December 2019 loans other than described above were not secured, were denominated in USD, EUR and RR, had maturity dates from 31 October 2020 to 15 December 2025 (31 December 2019: 3 April 2020 to 15 December 2025) and weighted average rate as at 30 June 2020 was 7.4%.

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 RR 3 660 million. The Company's share in the above participation amounted to RR 2 923 million was set off against corresponding third party bank loan (31 December 2019: RR 2 608 million was included in the amount of loans issued). Loan balance bears no interest and is repayable on demand. Refer to Note 11 in respect of set-off took place as at 30 June 2020.

At 30 June 2020 the loss allowance per IFRS 9 relating to the loans issued was RR 7 255 million with corresponding charge in the Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income of RR 172 million for the period ended 30 June 2020.

At 31 December 2019 the loss allowance per IFRS 9 relating to the loans issued was RR 8 742 million. Charge in loss allowance in the Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income was of RR 3 531 million for the period ended 30 June 2019.

The fair value of loans issued is disclosed in Note 19. The exposure of the Group to credit risk in relation to loans issued is reported in Note 17.

**8 Trade and Other Receivables**

At 30 June 2020 the loss allowance per IFRS 9 relating to the trade and other receivables was RR 1 250 million with corresponding credit charge in the Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income of RR 228 million for the period ended 30 June 2020.

At 31 December 2019 the loss allowance per IFRS 9 relating to the trade and other receivables was RR 1 416 million. Charge in loss allowance in the Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income was of RR 238 million for the period ended 30 June 2019.

Receivables of RR 391 million were classified as long term at 30 June 2020 due to management expectations regarding maturity of those receivables.

**O1 Properties Group**  
**Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2020**

**9 Borrowings**

<i>In millions of RR</i>	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>Non-current borrowings</b>		
Loans from banks	141 762	132 215
MOEX EUR bonds	27 248	23 728
Eurobonds	-	21 406
Loans from other companies and individuals	607	523
Lease liabilities	1 409	1 458
<b>Total non-current borrowings</b>	<b>171 026</b>	<b>179 330</b>
<b>Current borrowings</b>		
Loans from banks	5 316	4 628
MOEX Rouble bonds	2 355	2 350
MOEX EUR bonds	257	215
Eurobonds	25 528	111
Loans from other companies and individuals	29	23
Loans from related parties	3	-
Lease liabilities	194	160
<b>Total current borrowings</b>	<b>33 682</b>	<b>7 487</b>
<b>Total borrowings</b>	<b>204 708</b>	<b>186 817</b>

The amounts above include unamortised loan origination costs of RR 987 million (31 December 2019: RR 1 124 million), principal amount of RR 199 709 million (31 December 2019: RR 184 167 million) and interest accruals of RR 4 383 million (31 December 2019: RR 1 536 million).

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 which is under common control with the Company. The MOEX Rouble and EUR bonds (former MOEX USD bonds) are guaranteed by the Company.

In March 2020 the Group was in breach of its coupon payment in respect of the Eurobonds, issued by the Group. In the light of this, the Group's obligations in the amount of RR 25 854 million have been classified as a short-term liabilities in these consolidated financial information.

In 2020, due to negative impact of COVID-19 on real estate market, the Group entered into negotiations with the banks for loan restructuring. Pursuant to additional agreements signed, the following changes were agreed:

- Partial transfer of current payments to maturity;
- Changes in interest rate terms by cancellation of CBR lower limits and increase of Bank's margin.

**O1 Properties Group****Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2020****9 Borrowings (Continued)**

The detailed information on borrowings at 30 June 2020 is presented below:

	Contractual interest rate, % per annum	Maturity (years)	Carrying amount
<i>In millions of RR</i>			
	CBR Key Rate+3.75%-5%	1-2	1 162
Secured on investment property and investment property under construction	CBR Key Rate + Margin 2%-6%	2-5	84 158
	4.2% - 9.8%	4	24 381
	3 months EURIBOR + Margin 4.3%-4.75%	3-5	27 018
	CBR Key Rate + Margin 1.85%-2.35%	over 5	5 566
Unsecured facility of the Group	8.25%-13.10%	less than 1	27 883
	1% - 13 %	2-4	13 898
	2.3%-8%	over 5	19 039
Lease liabilities			1 603
<b>Total borrowings</b>			<b>204 708</b>

The detailed information on borrowings at 31 December 2019 is presented below:

	Contractual interest rate, % per annum	Maturity (years)	Carrying amount
<i>In millions of RR</i>			
	11.15%	less than 1	900
Secured on investment property and investment property under construction	CBR Key Rate + Margin 1.1%-6%	1-5	83 480
	4.2% - 9.8%	1-5	22 723
	3 months EURIBOR + Margin 4.3%-4.75%	1-5	23 936
	CBR Key Rate + Margin 1.85%	over 5	5 464
Unsecured facility of the Group	10.85%	less than 1	333
	1% - 13 %	1-5	24 347
	6 months EURIBOR + Margin 2.2%	over 5	16 505
	6 months EURIBOR + Margin 2%	1-5	7 437
	8%	over 5	73
Lease liabilities			1 619
<b>Total borrowings</b>			<b>186 817</b>

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.

**O1 Properties Group****Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2020****9 Borrowings (Continued)**

The Group is also subject to compliance with a number of various non-financial covenants. Additional information on covenants is disclosed in Note 18.

The Group was in compliance with or had waivers on all covenants related to key borrowings at 30 June 2020 and 31 December 2019.

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 millions of RR</i>	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>Minimum lease payments:</b>		
- not later than one year	169	173
- later than 1 year and not later than 5 years	678	690
- later than 5 years	5 216	5 370
<b>Total minimum lease payments</b>	<b>6 063</b>	<b>6 233</b>
<b>Less future finance charges</b>	<b>(4 460)</b>	<b>(4 614)</b>
<b>Present value of minimum lease payments</b>	<b>1 603</b>	<b>1 619</b>

At 30 June 2020 the interest rate implicit in the leases was 10.91% (2019: 10.91%). The fair value of borrowings is disclosed in Note 19.

**10 Provisions**

At 30 June 2020 the amount of provisions in the statement of financial position, includes the amount of RR 2 178 million (31 December 2019: RR 2 226 million) which was recognized during 2018 in relation to probable obligations as a result of legal proceedings affecting the subsidiary company Semela Limited (Notes 1, 11). It is not expected that there will be a cash outflow in the next 12 months in relation to the above-recognized liability.

At 30 June 2020, 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 11). At 30 June 2020 these indemnity liabilities were acknowledged in the amount RR 2 461 million (31 December 2019: RR 2 233). 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**

O1 Group Limited as the borrower under an initial RR 9 855 million (USD 175 million based on historical rates) mezzanine loan facility involving a limited number of syndicate participants was unable to perform its obligations due to its poor financial condition. The borrowing was 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 should have been matured 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 7 RTI signed with O1 Properties Limited a Funded Participation Agreement under which the Company was financing part of RTI participation in the syndicate loan with the amount of USD 43 million (equivalent RR 3 008 million translated using the six month period 2020 closing rate).

In the meantime the Group paid the accrued interest, which stood at the rate of 9%, throughout the period up to April 2020. At 30 June 2020 the Group agreed a structured repayment of the outstanding balance of O1 Group Limited mezzanine facility in the amount of RR 13 949 million by entering into a new syndicated facility in the amount of RR 7 719 million and topping up existing senior debt facilities in the total amount of RR 6 230 million. The above syndicated facility includes RR 2 923 million relating to the participation of RTI.

The Company entered into a new Funded Participation agreement with RTI for the amount of RR 2 923 million. To the extent to which the Group is effectively financing its participation in the syndicated facility, amounts due from and due to RTI were set off in these financial statements.

Senior debt top-ups had not been finalized by the reporting date, therefore were recognized as payables in the Interim Statement of Financial Position (Note 12).

At 30 June 2020 the Group guaranteed liabilities of its previous joint venture (Note 20) in the amount of USD 20 088 thousand (equivalent RR 1 405 million translated using the six month period 2020 closing rate) (31 December 2019: 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 (equivalent RR 701 million translated using the six month period 2020 closing rate) (31 December 2019: USD 10 024 thousand). As a result, the total exposure of the Group in relation to this guarantee is USD 10 064 thousand (equivalent RR 704 million translated using the six month period 2020 closing rate) (31 December 2019: USD 10 064 thousand). The Company is in the process of negotiation to release this guarantee.

The Group guaranteed liabilities of the third parties with a limit of RR 272 million for one year and with a limit of RR 35 million for one and half years.

At 30 June 2020 the loss allowance per IFRS 9 relating to these financial guarantees liabilities described above (other than related to mezzanine loan) was RR 4 million without corresponding charge in the Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income for period ended 30 June 2020. Several financial guarantees have been released during 2020. Financial guarantee in an amount of RR 13 949 million was reclassified to another financial liabilities due to guarantee release. During the six months 2020 the amount of RR 657 million was recognised as loss allowance. Refer to Note 17.



**01 Properties Group**  
**Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2020**

**12 Trade and Other Payables and Other Liabilities**

<i>In millions of RR</i>	<b>30 June 2020</b>	<b>31 December 2019</b>
Payables for ex-guarantee (Note 11)	6 230	-
VAT and taxes payables other than on income	1 627	1 122
Current income tax liability	679	666
Payables for expenditure on investment property	299	406
Dividends payable	111	98
Accrued employees compensation	60	53
Payables for professional fees	47	118
Payable to related parties (Note 20)	9	8
Other	515	33
<b>Total trade and other payables and other liabilities</b>	<b>9 576</b>	<b>2 504</b>

As part of the mezzanine loan facility restructuring described in Note 11 the above amount of RR 6 230 million was converted into senior debt on 31 July 2020.

**13 Share Capital and Share Premium**

Share capital issued and fully paid comprises:

<i>In millions of RR</i>	<b>Number of class A shares issued</b>	<b>Number of class B shares issued</b>	<b>Nominal amount</b>	<b>Share premium</b>	<b>Total</b>
Balance at 1 January 2019	21 694 704	69 175 017	79	82 894	82 973
Balance at 30 June 2019	21 694 704	69 175 017	79	82 894	82 973
Changes in equity due to changes of functional currency	-	-	(8)	(9 027)	(9 035)
Balance at 1 January 2020	21 694 704	69 175 017	71	73 867	73 938
Balance at 30 June 2020	21 694 704	69 175 017	71	73 867	73 938

At 30 June 2020 and 2019 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 2020 and 31 December 2019.

**O1 Properties Group****Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2020****13 Share Capital and Share Premium (Continued)****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.

**14 Net Rental Income**

<i>In millions of RR</i>	For the six months ended 30 June	
	2020	2019
White Square	2 269	2 038
Vivaldi Plaza	934	929
Legenda Tsvetnogo	845	819
Ducat III	623	776
White Stone	573	679
Silver City	570	530
Krugozor	539	510
Stanislavsky Factory	426	457
Lighthouse	366	400
LeFort	442	366
Icube	130	83
Other	101	55
<b>Total net rental income</b>	<b>7 818</b>	<b>7 642</b>

The operating expenses for the six months ended 30 June 2020 and 30 June 2019:

<i>In millions of RR</i>	For the six months ended 30 June	
	2020	2019
Property tax	649	569
Property management fees	614	428
Cleaning and utilities	293	341
Security	63	66
Insurance	21	32
Repairs and maintenance	19	19
Other	19	14
<b>Total operating expenses of investment property</b>	<b>1 678</b>	<b>1 469</b>

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

**O1 Properties Group****Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2020****15 General and Administrative Expenses and Other Operating Expenses**

<i>In millions of RR</i>	<b>For the six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
Employees compensation	262	272
Professional services	157	78
Social contributions	65	56
Own premises related expenses	28	117
Marketing and advertising	25	39
Depreciation of property, plant and equipment	18	20
Information services	13	2
Other	3	15
Bank fees	6	9
Travel	5	4
Taxes other than income	1	54
<b>Total general and administrative expenses</b>	<b>583</b>	<b>666</b>

<i>In millions of RR</i>	<b>For the six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
Leasing commissions	67	64
Professional services	2	39
Fines	1	43
Gain from disposal of residential property under construction	-	(9)
Other	10	13
<b>Total other operating expenses</b>	<b>80</b>	<b>150</b>

The professional services for the six months ended 30 June 2020 and 2019 stated above include the fees related to the restructuring of borrowings and Eurobonds and the Group's reorganization.

Information on transactions with related parties is presented in Note 20.

**01 Properties Group****Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2020****16 Finance Income and Finance Costs**

<i>In millions of RR</i>	<b>For the six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
Interest income on loans	1 193	802
Net gain on revaluation of other investments	37	-
Interest income on deposits	2	5
Net gain from derivatives	-	1 730
<b>Total finance income</b>	<b>1 232</b>	<b>2 537</b>
Interest expense on borrowings (excluding lease liability)	7 630	8 318
Net loss from derivatives	1 245	-
Interest expense on accretion of interest on tenants deposits	243	79
Net loss on revaluation of other investments	-	138
Charge on lease liabilities	75	82
<b>Total finance costs</b>	<b>9 193</b>	<b>8 617</b>

Information on transactions with related parties is presented in Note 20.

**17 Financial Risk Management****Credit risk**

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 2019.

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

<b>Category</b>	<b>Description</b>	<b>Basis for recognising expected credit losses</b>
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

**01 Properties Group**
**Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2020**
**17 Financial Risk Management (Continued)**

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:

30 June 2020	Note	External credit rating	Internal credit rating	Basis for recognising expected credit losses	Gross carrying amount	Loss allowance	Net carrying amount
Loans issued	7	N/A	Performing	12-month ECL	1 308	(35)	1 273
Loans issued	7	N/A	in default	Lifetime ECL (not credit impaired)	24 574	(7 220)	17 354
Trade and other receivables	8	N/A	in default	Lifetime ECL (credit impaired)	897	(897)	-
Trade and other receivables	8	N/A	(**)	Lifetime ECL (simplified approach)	3 026	(194)	2 832
Receivables from sale of subsidiaries	8	N/A	in default	Lifetime ECL (not credit impaired)	550	(159)	391
Deposits in banks		N/A	Performing	12-month ECL	27	-	27

Guarantees issued:

30 June 2020	Note	External credit rating	Internal credit rating	Basis for recognising expected credit losses	Exposure	Loss allowance
Financial guarantee contracts	11	N/A	(*)	12-month ECL	779	(4)

The detailed information at 31 December 2019 is presented below:

31 December 2019	Note	External credit rating	Internal credit rating	Basis for recognising expected credit losses	Gross carrying amount	Loss allowance	Net carrying amount
Loans issued	7	N/A	Performing	12-month ECL	3 462	(30)	3 432
Loans issued	7	N/A	in default	Lifetime ECL (not credit impaired)	22 780	(8 713)	14 067
Trade and other receivables	8	N/A	in default	Lifetime ECL (credit impaired)	880	(880)	-
Trade and other receivables	8	N/A	(**)	Lifetime ECL (simplified approach)	1 144	(169)	975
Receivables from sale of subsidiaries	8	N/A	in default	Lifetime ECL (not credit impaired)	550	(367)	183
Deposits in banks		BBB	N/A	12-month ECL	65	-	65
Deposits in banks		N/A	Performing	12-month ECL	20	-	20

Guarantees issued:

31 December 2019	Note	External credit rating	Internal credit rating	Basis for recognising expected credit losses	Exposure	Loss allowance
Financial guarantee contracts	11	N/A	(*)	12-month ECL	698	(4)
Financial guarantee contracts	11	N/A	in default	Lifetime ECL (credit impaired)	11 778	(11 778)

## 01 Properties Group

### Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2020

#### 17 Financial Risk Management (Continued)

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

\*\* 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 Loans	Lifetime ECL (not credit impaired) Loans	Lifetime ECL (not credit impaired) Receivables	Lifetime ECL (simplified approach) Receivables	Lifetime ECL (credit impaired) Receivables	Lifetime ECL (credit impaired) Guarantee	12-month ECL Guarantee	Total
Balance as at 1 January 2020	30	8 713	367	169	880	11 778	4	21 941
Reclassification to another financial liabilities	-	-	-	-	-	(13 949)	-	(13 949)
Increase/decrease in loss allowance recognised in the period	1	(173)	(254)	26	-	657	-	257
Currency exchange difference	4	(1 320)	46	(1)	17	1 514	-	260
Balance as at 30 June 2020	35	7 220	159	184	897	-	4	8 509

The detailed information for the six months 2019 is presented below:

	12-month ECL Loans	Lifetime ECL (not credit impaired) Loans	Lifetime ECL (not credit impaired) Receivables	Lifetime ECL (simplified approach) Receivables	Lifetime ECL (credit impaired) Receivables	Lifetime ECL (credit impaired) Guarantee	12-month ECL Guarantee	Total
Balance as at 1 January 2019	5	7 397	187	83	329	12 859	45	20 905
Increase/decrease in loss allowance recognised in the period	20	3 510	97	141	-	161	(30)	3 899
Currency exchange difference	(1)	(650)	(21)	(13)	(30)	(1 189)	(3)	(1 907)
Balance as at 30 June 2019	24	10 257	263	211	299	11 831	12	22 897

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 18 and 11 for the information on derivatives financial instruments and guarantees respectively.

## **18 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. In the first quarter of 2019 Moscow Property Department unilaterally terminated lease agreement for the land under the Greendale project. However, due to the fact, that the Group ownership rights for the construction in progress were registered, the Group has a right to enter into the new land lease agreement with Moscow Property Department for 3 years without tendering procedure. The Moscow Development and Land Commission has agreed with provision of the land plot for the completion of the project development. The Group plans to continue to use the site and develop the project and in the near future. Moscow Property Department filed an appeal, the court hearing will be held on November 23, 2020.

In the beginning of the reporting period Moscow Property Department applied to court claiming overdue rent under terminated lease. The Group is ready to challenge the claim in court. According to legal consultants and taking into account all the arguments, the Group has a very high chance of successfully closing the lawsuit.

**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 noncompliant 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.

**18 Contingencies, Commitments and Operating Risks (Continued)**

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 consolidated 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 2020 no provision for potential tax liabilities had been recognized.

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

In addition to the above matters, management estimates that at 30 June 2020 the Group had possible obligations from exposures to other than remote tax risks of approximately up to RR 4 762 million (31 December 2019: approximately up to RR 4 526 million). 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 these condensed consolidated interim financial information if these are challenged by the authorities.

**Capital commitments.** At 30 June 2020 the Group has RR 22 million contractual capital expenditure commitments (31 December 2019: RR 54 million).

**Assets pledged and restricted.** At 30 June 2020 investment properties and owner occupied premises with a fair value of RR 190 348 million and RR 1 242 million respectively (31 December 2019: RR 191 498 million and RR 1 282 million 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.



**18 Contingencies, Commitments and Operating Risks (Continued)**

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 2020 all payments were done in an appropriate time and such bank restrictions were not applicable.

At 30 June 2020 a residential property in the amount RR 796 million was pledged in relation to borrowings (31 December 2019: RR 864 million).

Under the legal proceeding between certain financial institutions and the companies controlled by the Ultimate Controlling Shareholder, the participatory interest of Semela Limited and investment property owned by Semela Limited (constituting Nevis Business Center) have been restricted for disposal 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 2020 the Group recognised the provision in the amount RR 2 178 million (31 December 2019: RR 2 226 million) 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 2020 and 31 December 2019 the Group was in compliance with main covenants.

**Share based payments to employees.** As at 30 June 2020 and 31 December 2019 there is no liability from the directors' share based payments plan.

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

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

At 30 June 2020 the Group had interest rate swap contracts with a total notional amount of RR 7 119 million (31 December 2019: RR 7 119 million). At 30 June 2020 the negative fair value of these contracts was RR 59 million (31 December 2019: RR 62 million).

At 30 June 2020 the Group had interest rate cap contracts with a total notional amount of RR 16 726 million (31 December 2019: RR 14 855 million) whereby the Group fixes the highest level of the floating part of the interest rate. At 30 June 2020 the positive fair value of these contracts was RR 4 million (31 December 2019: RR 3 million).

At 30 June 2020 the Group had a deliverable forward contract with a total notional amount of RR 9 169 million. Due to the indefiniteness of market valuation of this contract it was included in these condensed consolidated interim financial information with a nil market price.

At 30 June 2020 the Group had a currency swap contract with a total notional amount of RR 10 697 million (31 December 2019: RR 10 998 million) whereby the Group was paying fixed rate interest in EUR in exchange for fixed rate interest in Russian Rouble. At 30 June 2020 the negative fair value of this contract was RR 429 million (31 December 2019: the positive fair value of this contract was RR 817 million).

## **19 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. 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 2019.

**O1 Properties Group**
**Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2020**
**19 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 2020:

	Valuation technique	Inputs used	Range of inputs	Reasonable change (% of input)	Sensitivity of fair value measurement	Fair value
<i>In millions of RR</i>						
Yielding Investment property	Discounted Cash Flow Technique	Discount rates	10.0 -	+10 %	(11 567)	189 940
			11.0%	-10 %	7 526	
			17 000 -		13 838	
		Estimated rental value	42 000	+10 %		
		RR/ sq.m.		-10 %	(13 685)	
		Exit capitalization rates	8.25 -	+10 %	(9 664)	
			9.0%	-10 %	11 811	
Investment property under development	Discounted Cash Flow Technique	Discount rates	15.5% -	+10 %	(202)	1 545
			18.5%	-10 %	222	
			19 500 -		595	
		Estimated rental value/ Expected sq.m price	137 500	+10 %		
		RR/sq.m.		-10 %	(596)	
		Exit capitalization rates	9.0%	+10 %	(208)	
				-10 %	596	
Total fair value of investment property per valuation reports at 30 June 2020 (Note 6)						191 485

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 2019:

	Valuation technique	Inputs used	Range of inputs	Reasonable change (% of input)	Sensitivity of fair value measurement	Fair value
<i>In millions of RR</i>						
Yielding Investment property	Discounted Cash Flow Technique	Discount rates	10.0 -	+10 %	(9 905)	191 196
			11.0%	-10 %	10 611	
			16 715 -		15 080	
		Estimated rental value	38 382	+10 %		
		RR/ sq.m.		-10 %	(14 714)	
		Exit capitalization rates	8.25 -	+10 %	(10 448)	
			9.0%	-10 %	12 774	
Investment property under development	Discounted Cash Flow Technique	Discount rates	15.5% -	+10 %	(250)	1 584
			18.5%	-10 %	269	
			18 572 -		658	
		Estimated rental value/ Expected sq.m price	133 097	+10 %		
		RR/sq.m.		-10 %	(658)	
		Exit capitalization rates	9.0%	+10 %	(222)	
				-10 %	268	
Total fair value of investment property per valuation reports at 31 December 2019 (Note 6)						192 780

## **19 Fair Value (Continued)**

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 2020 and 2019 there were no reclassifications from or into Level 3 measurements.

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 condensed consolidated interim 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 2020 from 2.25% p.a. to 16.65% p.a. (2019: from 2.25% p.a. to 16.65% 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 2.1% p.a. to 13.10% p.a. (2019: from 2.1% p.a. to 13.10% p.a.).

**Financial instruments and other investments carried at fair value.**

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

All of the Group's financial liabilities were carried at amortised cost.

## **20 Related Party Transactions**

For the purposes of these condensed consolidated interim financial statements, 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 2020**

**20 Related Party Transactions (Continued)**

The outstanding balances with related parties were as follows:

	30 June 2020			31 December 2019		
	Immediate shareholders (excluding key management personnel)	Companies under significant influence of ultimate controlling shareholder	Key management personnel	Immediate shareholders (excluding key management personnel)	Companies under significant influence of ultimate controlling shareholder	Key management personnel
<i>In millions of R\$</i>						
Loans issued (Note 7)	-	-	-	2 608	-	-
Trade and other payables	-	-	(9)	-	-	(27)
Dividends	(16)	(85)	-	(14)	(84)	-

The income and expense items with related parties for the period six month ended 30 June 2020 and 2019 were as follows:

	For the six months ended 30 June			
	2020		2019	
	Companies under significant influence of ultimate controlling shareholder	Key management personnel	Companies under significant influence of ultimate controlling shareholder	Key management personnel
<i>In millions of R\$</i>				
Salaries and bonuses	-	(29)	-	(7)
Other operating expenses	-	(10)	-	(5)
Social contribution	-	(4)	-	(1)
Interest income	-	-	3	-

## **20 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).

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.

## **21 Disposals**

During the six month ended 30 June 2020 the Group sold and liquidated a number of minor subsidiaries (Quotex Limited, Briz Limited, Genovius Ltd) which do not have a material impact on its consolidated financial statements. During the six month ended 30 June 2020 the net gain from these disposals, was RR 11 million.

## **22 Subsequent Events**

Refer to Note 2 for the information on significant changes in foreign currency exchange rates during 2020.

In September 2020 the Group was in breach of its coupon payment in respect of the Eurobonds, issued by the Group in the amount of USD 350 million.

The latest restructuring achieved by the Group was in relation to its RR 15 000 million Russian Rouble denominated bonds for which the maturity date was extended from October 2020 for 4 years.

In Russia, there is a new increase in cases of COVID-19, which makes it possible to talk about a second wave of the pandemic. On the one hand, the second wave is perceived in society as a whole more calmly, since both the authorities and the population already more or less understand what they have to face. On the other hand, the process continues to be in the development stage, which makes it impossible to accurately predict its consequences. The Group does not exclude a delayed negative effect on its operations and financial results in 2021.