

EUROTORG HOLDING PLC
(formerly known as Curgil Ventures Limited)
Condensed consolidated interim financial information
as at and for the six-month period
ended 30 June 2018

EUROTORG HOLDING PLC

Condensed consolidated interim financial information
as at and for the six-month period ended 30 June 2018

CONTENTS

	Page
Independent auditors' report on review of condensed consolidated interim financial information	3
Condensed consolidated interim statement of profit or loss and other comprehensive income	5
Condensed consolidated interim statement of financial position	6
Condensed consolidated interim statement of changes in equity	8
Condensed consolidated interim statement of cash flows	10
Notes to the condensed consolidated interim financial information	12



KPMG Limited
Chartered Accountants
14 Esperidon Street, 1087 Nicosia, Cyprus
P.O. Box 21121, 1502 Nicosia, Cyprus
T: +357 22 209000, F: +357 22 678200

INDEPENDENT AUDITORS' REPORT
ON REVIEW OF CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION

To the Board of Directors of Eurotorg Holding PLC (formerly known as Curgil Ventures Limited)

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Eurotorg Holding PLC (the "Company") and its subsidiaries (the "Group") as at 30 June 2018, and the related 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 notes to the condensed consolidated interim financial information ("the condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of condensed consolidated 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.

Limassol
P.O. Box 50161, 3601
T: +357 25 869000
F: +357 25 363842

Paphos
P.O. Box 60288, 8101
T: +357 26 943050
F: +357 26 943062

Polis Chrysochous
P.O. Box 66014, 8330
T: +357 26 322098
F: +357 26 322722

Larnaca
P.O. Box 40075, 6300
T: +357 24 200000
F: +357 24 200200

Paralimni / Ayia Napa
P.O. Box 33200, 5311
T: +357 23 820080
F: +357 23 820084



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at and for the six-month period ended 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

A handwritten signature in blue ink, appearing to read 'Costas A. Kalias', written in a cursive style.

Costas A. Kalias ACA, FCCA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia
Cyprus

10 September 2018

EUROTORG HOLDING PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018 (in thousands of Belarusian Rubles)

	Note	For the six-month period ended	
		30 June 2018	30 June 2017
Revenue, interest and commission income	4	2,179,736	1,897,646
Cost of goods and services sold and interest expenses	5	(1,617,963)	(1,392,893)
Gross profit		561,773	504,753
Administrative and selling expenses	6	(408,547)	(356,351)
Other income	9	9,195	5,682
Other expenses	10	(7,424)	(13,246)
Operating profit		154,997	140,838
Finance income		1,787	3,266
Finance costs		(70,717)	(78,121)
Net finance costs	7	(68,930)	(74,855)
Profit before income tax		86,067	65,983
Income tax expense	11	(17,389)	(7,067)
Profit for the period		68,678	58,916
Other comprehensive loss			
<i>Items that are or may be reclassified to profit or loss:</i>			
Foreign operations - foreign currency translation differences		(119)	(38)
Total other comprehensive loss		(119)	(38)
Total comprehensive income for the period		68,559	58,878
<i>Profit (loss) attributable to:</i>			
Owners of the Company		68,669	58,921
Non-controlling interests		9	(5)
		68,678	58,916
<i>Total comprehensive income (loss) attributable to:</i>			
Owners of the Company		68,550	58,883
Non-controlling interests		9	(5)
		68,559	58,878
Earnings per share			
Basic and diluted earnings per share (<i>Belarusian Rubles</i>)	8	22.151	19.007


Chief Executive Officer
Andrei Zubkou


Chief Financial Officer
Alesia Sapunova

10 September 2018

The notes on pages 12 – 44 are an integral part of this condensed consolidated interim financial information.

EUROTORG HOLDING PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

(in thousands of Belarusian Rubles)

	Note	30 June 2018	31 December 2017 Restated
Assets			
Property, plant and equipment	12	1,274,240	1,265,214
Prepayments for non-current assets	16	29,565	28,970
Intangible assets		7,694	6,494
Goodwill	27	7,055	7,055
Loans granted	13	32,350	41,206
VAT recoverable		14,457	7,994
Deferred tax assets	11	82,623	88,961
Other investments		816	816
Total non-current assets		1,448,800	1,446,710
Inventories	14	330,691	299,673
Trade and other receivables	15	71,731	105,359
Current tax assets		68	708
VAT recoverable		15,177	21,003
Prepayments	16	58,370	41,276
Loans granted	13	28,565	11,412
Cash and cash equivalents	17	130,402	174,019
Other investments		15,003	30,291
Assets held for sale		212	318
Total current assets		650,219	684,059
Total assets		2,099,019	2,130,769
Equity			
Share capital	18	60	3
Share premium	18	118,393	-
Revaluation reserve		238,088	238,088
Accumulated loss		(235,148)	(148,958)
Equity, attributable to owners of the Company		121,393	89,133
Non-controlling interests		310	301
Total equity		121,703	89,434
Liabilities			
Loans and borrowings	19	1,173,930	1,264,556
Non-current liabilities under finance leases	20	90,173	70,257
Deferred income		3,033	4,303
Deferred tax liabilities	11	1,526	3,237
Other non-current liabilities		15,612	9,713
Total non-current liabilities		1,284,274	1,352,066

The notes on pages 12 – 44 are an integral part of this condensed consolidated interim financial information.

EUROTORG HOLDING PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (continued) AS AT 30 JUNE 2018

(in thousands of Belarusian Rubles)

		30 June 2018	31 December 2017
			Restated
Liabilities (continued)			
Loans and borrowings	19	-	20,871
Accrued interest		11,433	14,363
Current liabilities under finance leases	20	12,490	10,803
Trade and other payables	21	584,922	572,106
Current income tax liabilities		5,320	1,891
Deferred income		2,427	1,543
Other current liabilities	22	76,450	67,692
Total current liabilities		693,042	689,269
Total liabilities		1,977,316	2,041,335
Total equity and liabilities		2,099,019	2,130,769



Chief Executive Officer
Andrei Zubkou



Chief Financial Officer
Alesia Sapunova

10 September 2018

The notes on pages 12 – 44 are an integral part of this condensed consolidated interim financial information.

EUROTORG HOLDING PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

(in thousands of Belarusian Rubles)

	Note	Attributable to owners of the Company			Non-controlling interests	Total equity	
		Share capital	Revaluation reserve	Accumulated loss			Total
As at 1 January 2017	18	3	355,140	(231,736)	123,407	346	123,753
Total comprehensive income for the period							
Profit for the period		-	-	58,921	58,921	(5)	58,916
Other comprehensive income for the period							
Foreign currency translation differences		-	-	(38)	(38)	-	(38)
Total comprehensive income for the period		-	-	58,883	58,883	(5)	58,878
Transactions with owners of the Company							
Change in non-controlling interests	18	-	-	46	46	(79)	(33)
Total transactions with owners of the Company		-	-	46	46	(79)	(33)
As at 30 June 2017		3	355,140	(172,807)	182,336	262	182,598

The notes on pages 12 – 44 are an integral part of this condensed consolidated interim financial information.

EUROTORG HOLDING PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (continued)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018
(in thousands of Belarusian Rubles)

	Note	Attributable to owners of the Company				Total	Non-controlling interests	Total equity
		Share capital	Share Premium	Revaluation reserve	Accumulated loss			
As at 1 January 2018	18	3	-	238,088	(148,958)	89,133	301	89,434
Total comprehensive income for the period								
Profit for the period		-	-	-	68,669	68,669	9	68,678
Other comprehensive income for the period								
Foreign currency translation differences		-	-	-	(119)	(119)	-	(119)
Total comprehensive income for the period								
		-	-	-	68,550	68,550	9	68,559
Transactions with owners of the Company								
Shares issued and restructuring	18	57	118,393	-	(118,393)	57	-	57
Transactions between entities under control of the Shareholders of the Company	28	-	-	-	(36,347)	(36,347)	-	(36,347)
Total transactions with owners of the Company								
		57	118,393	-	(154,740)	(36,290)	-	(36,290)
As at 30 June 2018		60	118,393	238,088	(235,148)	121,393	310	121,703


Chief Executive Officer
Andrei Zubkou


Chief Financial Officer
Alesia Sapunova

10 September 2018

The notes on pages 12 – 44 are an integral part of this condensed consolidated interim financial information.

EUROTORG HOLDING PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

(in thousands of Belarusian Rubles)

	Note	For the six-month period ended	
		30 June 2018	30 June 2017
Cash flows from operating activities:			
Profit for the period		68,678	58,916
<i>Adjustments for:</i>			
Income tax expense		17,389	7,067
Depreciation of property, plant and equipment	12	39,475	40,411
Amortization of intangible assets		1,184	1,097
Net finance costs	7	68,930	74,855
(Gain)/loss on disposal of property, plant and equipment	9, 10	(3,468)	1,607
Change in allowance for impairment of trade and other receivables	6, 15	1,319	1,314
		193,507	185,267
<i>Changes in:</i>			
Inventories		(11,605)	(4,688)
Trade and other receivables		(23,968)	(2,057)
VAT recoverable		2,142	10,222
Prepayments		(17,401)	(2,870)
Assets held for sale		106	-
Deferred income		(386)	988
Trade and other payables		7,868	(104,578)
Loans granted		(6,945)	(1,412)
Other current liabilities		2,303	2,831
Cash generated from operating activities		145,621	83,703
Income tax paid		(4,425)	(1,888)
Net cash from operating activities		141,196	81,815
Cash flows from investing activities:			
Acquisition of subsidiary, net of cash acquired	28, 18	2,102	(33)
Proceeds from sale of property, plant and equipment		7,422	5,070
Acquisition of property, plant and equipment		(27,078)	(11,447)
Deposits withdrawal (placement), net		15,288	(20,854)
Deposits interest received		435	9
Acquisition of intangible assets		(1,827)	(534)
Net cash used in investing activities		(3,658)	(27,789)

The notes on pages 12 – 44 are an integral part of this condensed consolidated interim financial information.

EUROTORG HOLDING PLC**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (continued)**
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018
(in thousands of Belarusian Rubles)

		For the six-month period ended	
		30 June 2018	30 June 2017
Cash flows from financing activities:			
Issue of shares	18	57	-
Loans and borrowings received		542,739	320,869
Loans and borrowings repaid		(665,029)	(326,239)
Sale and leaseback financing	20	35,707	-
Loan interest paid		(61,381)	(62,091)
Repayment of debt under finance leases		(20,688)	(10,789)
Lessors' remuneration under finance leases		(6,872)	(4,256)
Repayment of VAT under finance leases		(5,517)	(3,009)
Net cash used in financing activities		(180,984)	(85,515)
Net decrease in cash and cash equivalents		(43,446)	(31,489)
Cash and cash equivalents at the beginning of the period	17	174,019	74,511
Effect of foreign exchange differences		(171)	(170)
Cash and cash equivalents at the end of the period	17	130,402	42,852



Chief Executive Officer
Andrei Zubkou

Chief Financial Officer
Alesia Sapunova

10 September 2018

The notes on pages 12 – 44 are an integral part of this condensed consolidated interim financial information.

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

(in thousands of Belarusian Rubles)

1. GENERAL INFORMATION

(a) Organisation

The Company Eurotorg Holding PLC (formerly known as Curgil Ventures Limited) (the “Company”) was incorporated in Cyprus on 19 February 2009 as a private limited liability company under the Cyprus Companies Law, Cap. 113 with registration number 246155.

On 10 September 2018 the Company changed its status to a public company (PLC) and registered a change of its legal name to Eurotorg Holding PLC (Note 31).

The Company’s registered office is at Agias Elenis & Makariou III Avenue, Galaxias Building, 2nd floor, P.O.BOX 26025, 1666 Nicosia, Cyprus.

The principal activities of the Company are those of an investment holding company with the major investee of the Company being “Eurotorg” LLC operating in the Republic of Belarus since 28 October 1996. It’s registered office is located at 52a-22, Kazintsa str., 220099, Minsk, Republic of Belarus.

Eurotorg Holding PLC is the parent company and together with its subsidiaries are referred to as the “Group”. The Group is engaged mainly in retail sales and food production and has minor operations in banking and other businesses.

(b) Restructuring of the Group

In order to optimise the Group’s shareholding structure, and to consolidate the retail business, eCommerce services and drogerie businesses under a single common holding company, the Company’s’ shareholders undertook a reorganisation of the Group between 1 May and 27 June 2018.

The restructuring has impacted this condensed consolidated interim financial information. The steps to restructure the Group had the effect of the former direct “Eurotorg” LLC shareholders Litinvest Limited and Storass Limited (all incorporated in Cyprus), becoming direct shareholders of Eurotorg Holding PLC, which has become the sole shareholder of “Eurotorg” LLC.

The above restructuring was accomplished by exchange of shares between Litinvest Limited and Storass Limited (direct shareholders of “Eurotorg” LLC) with Denison Finance Corp. (the only shareholder of Eurotorg Holding PLC), in order for Litinvest Limited and Storass Limited to acquire interests in Eurotorg Holding PLC in exchange for their interests in “Eurotorg” LLC while Denison Finance Corp’s interest in Eurotorg Holding PLC was adjusted accordingly in a manner that total investors’ interest in “Eurotorg” LLC remained unchanged (Note 18).

The condensed consolidated interim financial information of the Group has been presented as a continuation of the “Eurotorg” LLC business and the Group is presented as if the Company had always owned the subsidiaries (Note 18). Comparative figures have been restated to account for this effect. The effect on equity as previously reported in the consolidated financial statements of “Eurotorg” LLC is disclosed in Note 18.

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018 (in thousands of Belarusian Rubles)

1. GENERAL INFORMATION (continued)

(c) Operations

The principal activities of the Group include retail trade with food and other consumer goods. These activities include sale of domestic and imported goods on the territory of the Republic of Belarus.

“Eurotorg” LLC operates its retail grocery stores under the Euroopt and Brusnichka brands, in four formats: rural convenience stores (E-minimarket), urban convenience stores (E-market and Brusnichka), supermarkets (E-Super) and hypermarkets (E-Hyper). As at 30 June 2018, the Group’s retail store portfolio consisted of 83 rural convenience stores, 420 urban convenience stores, 86 supermarkets and 38 hypermarkets.

As at 30 June 2018 the retail chain comprised 627 grocery stores under the Euroopt and Brusnichka brands in 225 settlements of Belarus, including 105 owned stores and 522 leased ones.

As at 31 December 2017 the retail chain comprised 500 grocery stores under the Euroopt and Brusnichka brands in 143 settlements of Belarus, including 102 owned stores and 398 leased ones.

The Company is the parent entity to the following companies:

Name	Country of operation	Type of operations	Ownership interest as at 30 June 2018	Ownership interest as at 31 December 2017	Date of acquisition
• “Eurotorg” LLC	Belarus	Retail sales, wholesale	100.00%	100.00% ¹	22.06.2018
• Bonitron Designated Activity Company	Ireland Russian	Special purpose entity designed to list bonds on Irish Stock	Special purpose entity ²	Special purpose entity ²	21.08.2017
• “BelRosKompani” LLC	Federation	Construction	100.00%	100.00%	19.03.2012
• “AVA-stail” LLC	Belarus	Construction	100.00%	100.00%	26.03.2012
• “PakHaus” Unitary enterprise	Belarus	Packaging	100.00%	100.00%	06.12.2012
• “Yulain” ALC	Belarus	Production of meat products	100.00%	100.00%	24.01.2012
• “Eurooptavto” LLC	Belarus	Transportation services	100.00%	100.00%	02.03.2012
• “Retorsia-invest” LLC	Belarus	Construction	100.00%	100.00%	07.09.2010
• “Sotrudnichestvo” OJSC	Belarus	Construction	100.00%	100.00%	20.05.2010

¹ Before restructuring the ownership interest was 49.75% and after the restructuring became 100%. See notes 1 (b) and 18 for more details.

² The entity is jointly controlled by the ultimate shareholders of the Group.

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018
(in thousands of Belarusian Rubles)

1. GENERAL INFORMATION (continued)

(c) Operations (continued)

Name	Country of operation	Type of operations	Ownership interest as at 30 June 2018	Ownership interest as at 31 December 2017	Date of acquisition
• “Diskontnyi club” LLC	Belarus	Retail sales	100.00%	100.00%	26.12.2012
• “Dzerzhinskii myasokombinat” CJSC	Belarus	Production of meat products	100.00%	100.00%	13.06.2013
• “Barentsevo” LLC	Belarus	Production of seafood	100.00%	100.00%	28.06.2012
• “SitiBalt” LLC	Belarus	Construction	100.00%	100.00%	01.06.2010
• “VARMINEKSPO” JLLC	Belarus	Production of meat products	100.00%	100.00%	19.10.2011
• “ElitPartner” LLC	Belarus	Production of bakery products	100.00%	100.00%	02.04.2013
• “EurooptAgro” LLC	Belarus	Poultry	100.00%	100.00%	09.04.2014
• “E-market” LLC	Belarus	Retail sales	100.00%	100.00%	15.10.2014
• “Vladalinoks” LLC	Belarus	Wholesale	99.90%	99.90%	28.10.2016
• ”Statusbank” OJSC (“Bank”)	Belarus	Banking	99.52%	99.52%	22.05.2012
• “Tekhno Media Treid” LLC	Belarus	Retail sales	96.50%	96.50%	06.12.2012
• “Internet-magazin Euroopt” CJSC	Belarus	E-commerce	100.00%	1.00%	27.06.2018
• “GiperMall” LLC	Belarus	E-commerce	100.00%	-	22.06.2018
• “Roznichniy standart” LLC	Belarus	Drogerie retail sales	100.00%	-	22.06.2018

The actual number of employees of the Group as at 30 June 2018 and 31 December 2017 was 38,327 and 34,242 respectively.

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018 (in thousands of Belarusian Rubles)

1. GENERAL INFORMATION (continued)

(d) Acquisitions

During the six-month period ended 30 June 2018 the Company acquired the controlling interests in the companies that previously were under control of the ultimate beneficiaries of the Group (Note 28).

These acquisitions and the newly acquired companies' business are described below.

E-commerce - As at 22 June 2018 the Company acquired 100% of shares in "GiperMall" LLC (online retailer) from Stionbas Ltd. As at 27 June 2018 the Company acquired 99% of shares (9,900 shares) in "Internet-magazin Euroopt" CJSC (online retailer) from Stionbas Ltd. bringing the effective interest in that company to 100%.

Through the newly acquired companies the Group offers product portfolio through E-dostavka, online grocery, and Gipermall, its online hypermarket.

Drogerie - As at 22 June 2018 the Company acquired 100% of shares in "Roznichniy standart" LLC (drogerie retailer) from Hanlon Ltd. The company is rolling out a chain of "Magia" drogerie stores. As at 30 June 2018, 38 Magia stores have been opened.

The approach for accounting of the acquired companies and information on their financial performance is described in Note 28.

During the period ended 30 June 2018 "Eurotorg" LLC acquired the share of 99.9% in the authorized share capital of "AVA-stail" LLC owned by "BelRosKompani" LLC so that "Eurotorg" LLC became the only participant of "AVA-stail" LLC. The effective ownership interest of "Eurotorg" LLC has not changed for the Group.

In 2017 the Group acquired additional interests in companies "VARMINEKSPO" JLLC, "SitiBalt" LLC, "Barentsevo" LLC, "Dzerzhinskii myasokombinat" CJSC, "Diskontnyi club" LLC, "Sotrudnichestvo" OJSC, "Retorsia-invest" LLC, "Eurooptavto" LLC, "Yulain" ALC having increased its share of ownership in these companies to 100%. As a result of the increases in the shares in "VARMINEKSPO" JLLC and "Yulain" ALC, the Group also increased its ownership to 100% in the companies "EurooptAgro" LLC, "ElitPartner" LLC and "Barentsevo" LLC.

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018 (in thousands of Belarusian Rubles)

2. BASIS OF PREPARATION

Accounting basis

This condensed consolidated interim financial information have been prepared in accordance with IAS 34 Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2017. This condensed consolidated interim financial information does not include all the information required for full annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”) and should be read together with the consolidated financial statements of “Eurotorg” LLC for the year ended 31 December 2017.

This condensed consolidated interim financial information has been prepared under the historical cost convention, except for buildings which are measured at fair value.

This condensed consolidated interim financial information was authorized for issue by the Board of Directors on 10 September 2018.

The significant judgments made by the management in applying the Group’s accounting policies and the sources of estimation uncertainty used were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2017.

Having analyzed the current liquidity position, management has concluded that the projected cash flows from operating and financing activities are sufficient to finance current operations of the Group (Note 25).

Use of judgements and estimates

In preparing this condensed consolidated interim financial information management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements as at and for the year ended 31 December 2017.

Fair value of Property, plant and equipment

The Group made no measurement of the fair value of buildings as at 30 June 2018 as the management believes that there were no significant changes in the fair value of buildings at the reporting dates compared to 31 December 2017.

Measurement of fair values

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 in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018 (in thousands of Belarusian Rubles)

2. BASIS OF PREPARATION (continued)

Use of judgements and estimates (continued)

Measurement of fair values (continued)

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group were consistent with those applied in the consolidated financial statements of “Eurotorg” LLC as at and for the year ended 31 December 2017. A number of new standards are effective from 1 January 2018, including IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments, but they do not have a material effect on this condensed consolidated interim financial information. The effect of IFRS 16 Leases is presented in Note 32.

The functional currency of the Group is Belarusian ruble (BYN) because it reflects the main economic substance of the underlying events and circumstances of the Group, as well as the currency in which this condensed interim consolidated financial information is presented. The functional currency of the Russian company is the Russian ruble (RUB), the Irish company – US dollar (USD). All figures in this condensed interim financial information are presented in Belarusian rubles (BYN) have been rounded to the nearest thousand, unless otherwise indicated. All resulting exchange differences from the translation of the foreign subsidiaries are recognized directly in accumulated loss.

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018 (in thousands of Belarusian Rubles)

4. REVENUE, INTEREST AND COMMISSION INCOME

The Group's operations and main revenue streams are those described in the last annual consolidated financial statements. The major portion of revenue includes sales of goods and services by the stores and E-commerce sites. In the following table, revenue is disaggregated by major products and service lines:

	For the six-month period ended 30 June	
	2018	2017
Retail sales	1,952,886	1,751,987
Wholesale	147,890	87,100
Revenue from advertising	40,349	28,696
Revenue of food processing companies	10,921	5,985
Other revenue	3,003	827
Total revenue from contracts with customers	2,155,049	1,874,595
Rental revenues	16,191	13,882
Interest and commission income of the Bank	8,496	9,169
Total rental revenue, interest and commission income of the Bank	24,687	23,051
Total revenue, interest and commission income	2,179,736	1,897,646

Most of the Group's revenue comes from Belarus which is the primary geographical market of the Group.

The major portion of revenue from contracts with customers recognized in the six months ended 30 June 2018 is resulted from transfer of products and services at a point of time.

Interest and commission income of the Bank is related to Banking business which is a reportable segment of the Group (Note 29).

5. COST OF GOODS AND SERVICES SOLD AND INTEREST EXPENSES

	For the six-month period ended 30 June	
	2018	2017
Cost of purchased goods	1,574,309	1,365,147
Transportation costs and handling operations	35,177	23,118
Cost of food processing companies	5,918	2,859
Bank interest expenses	1,170	1,400
Other costs	1,389	369
Total cost of goods and services sold and interest expenses	1,617,963	1,392,893

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018 (in thousands of Belarusian Rubles)

6. ADMINISTRATIVE AND SELLING EXPENSES

	For the six-month period ended 30 June	
	2018	2017
Employee benefits	144,347	125,341
Rent	53,445	41,672
Social security contributions	44,595	40,139
Utility costs	42,824	38,555
Depreciation	35,821	37,914
Marketing and advertising	25,548	18,493
Taxes other than income taxes	18,052	16,580
Other materials and stationery	13,489	16,080
Professional services	9,642	5,306
Repair and maintenance	8,981	3,787
Change in receivables impairment allowance	1,319	1,314
Amortization	1,184	1,097
Other expenses	9,300	10,073
Total administrative and selling expenses	408,547	356,351

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018 (in thousands of Belarusian Rubles)

7. NET FINANCE COSTS

	For the six-month period ended 30 June	
	2018	2017
Interest expenses	(57,688)	(60,088)
Finance lease expenses	(6,901)	(5,990)
Bank commissions	(5,206)	(5,213)
Loss from foreign exchange differences	(920)	-
Purchase/sale of foreign currency	(2)	(5,174)
Change in financial assets' impairment allowance	-	(1,656)
Total finance costs	(70,717)	(78,121)
Recovery of provision for impairment of financial assets	1,352	-
Interest income on bank deposits	435	9
Gain on foreign exchange differences	-	3,257
Total finance income	1,787	3,266
Net finance costs	(68,930)	(74,855)

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders for the periods ended 30 June 2018 and 30 June 2017.

	For the six-month period ended 30 June	
	2018	2017
Issued ordinary shares at the beginning of the period	3,100,000	3,100,000
Weighted average number of shares	3,100,000	3,100,000
Profit for the period attributable to the shareholders of the Company, (<i>BYN thousand</i>)	68,669	58,921
Basic and diluted earnings per share, Belarusian Rubles	22.151	19.007

In June 2018 the share capital of the Company was changed to account for the new shares issued due to the restructuring as described in Note 18. As a result, basic and diluted earnings per share were retrospectively adjusted to account for this restructuring. There were no outstanding dilutive instruments during the periods ended 30 June 2018 and 30 June 2017.

9. OTHER INCOME

	For the six-month period ended 30 June	
	2018	2017
Gain from sale of property, plant and equipment	3,468	-
Sale of materials	2,717	3,170
Purchase/sale of foreign currency	1,584	1,879
Other income	1,426	633
Total other income	9,195	5,682

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018 (in thousands of Belarusian Rubles)

10. OTHER EXPENSES

	For the six-month period ended 30 June	
	2018	2017
Charity	4,674	4,764
Fines and penalties	367	821
Loss from disposal of property, plant and equipment	-	1,607
Other expenses	2,383	6,054
Total other expenses	7,424	13,246

11. INCOME TAX

The Group provides for current income tax based on the statutory tax accounting maintained and prepared in accordance with the Belarusian statutory tax regulations, which may differ from amounts calculated under the IFRS. In the Republic of Belarus the income tax rate constitutes 18% for the periods starting 1 January 2017. The income tax for banks in the Republic of Belarus for the periods starting 1 January 2017 constitutes 25%. In the Russian Federation the aggregate income tax rate constitutes 20% for the periods starting 1 January 2017.

The corporation tax rate in Cyprus is 12.5%. Dividends received from overseas investments are subject to 5% withholding tax (10% or 15% if the amount of investment is less than EUR 200 thousand as per Belarus/Cyprus Double Tax Treaty).

Deferred tax reflects the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. As at balance sheet dates temporary differences result mostly from different methods of income and expense recognition as well as differences between tax and accounting carrying values of property, plant and equipment items.

As at 30 June 2018 the net value of deferred tax asset consisted of deferred tax liability in the amount of BYN 1,526 thousand (31 December 2017: BYN 3,237 thousand), and deferred tax asset in the amount of BYN 82,623 thousand (31 December 2017: BYN 88,961 thousand).

Recognized deferred tax asset is measured at the tax rates enacted as at 30 June 2018. It is recognized in the amount that under the management's estimates is probable to bring taxable profit against which the deductible amounts can be utilized. In determining estimated future taxable profit against which the deductible amounts can be utilized, management has considered the existence of taxable temporary differences that will reverse in the same period. Taxable profit is determined according to the local accounting standards. According to the accounting standards in Belarus the Group is profitable and has the taxable profit sufficient to utilize the deferred tax asset.

For the six-month period ended 30 June 2018 according to unaudited accounting statements prepared under requirements of Belarusian laws, "Eurotorg" LLC reported a taxable profit of BYN 60,717 thousand and budgeted that this indicator will further increase in the foreseeable future. Therefore management believes that the receipt of future taxable profits, against which the Group could use the respective tax benefits, is highly probable.

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018
(in thousands of Belarusian Rubles)

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings and constructions	Trade, production and warehouse equipment	Vehicles	Office and other equipment	Construction in progress and equipment not installed	Total
Initial cost						
1 January 2017	1,288,424	255,937	31,991	9,357	105,642	1,691,351
Additions	2	6,869	3,488	185	11,649	22,193
Transfers	6,311	6,008	909	231	(13,459)	-
Disposals	(2,696)	(2,435)	(186)	(147)	(2,605)	(8,069)
Effect of translation to presentation currency	376	3	-	-	20	399
30 June 2017	1,292,417	266,382	36,202	9,626	101,247	1,705,874
31 December 2017	1,197,338	272,697	42,909	9,686	48,713	1,571,343
Additions	61	3,307	4,790	107	30,691	38,956
Additions due to acquisition of companies owned by the Shareholders of the Company	-	15,499	-	-	-	15,499
Transfers	5,233	17,550	2,233	1,643	(26,659)	-
Disposals	(2,073)	(941)	(772)	(12)	(1,405)	(5,203)
30 June 2018	1,200,559	308,112	49,160	11,424	51,340	1,620,595
Accumulated depreciation						
1 January 2017	(117,569)	(96,887)	(14,847)	(3,611)	-	(232,914)
Charge for the period	(20,559)	(16,027)	(3,258)	(567)	-	(40,411)
Disposals	109	1,113	128	42	-	1,392
30 June 2017	(138,019)	(111,801)	(17,977)	(4,136)	-	(271,933)
31 December 2017	(152,018)	(127,559)	(21,920)	(4,632)	-	(306,129)
Charge for the period	(18,198)	(14,808)	(5,814)	(655)	-	(39,475)
Additions due to acquisition of companies owned by the Shareholders of the Company	-	(2,543)	-	-	-	(2,543)
Disposals	573	595	612	12	-	1,792
30 June 2018	(169,643)	(144,315)	(27,122)	(5,275)	-	(346,355)
Carrying amount						
31 December 2017	1,045,320	145,138	20,989	5,054	48,713	1,265,214
30 June 2018	1,030,916	163,797	22,038	6,149	51,340	1,274,240

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018 (in thousands of Belarusian Rubles)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation of property, plant and equipment in the condensed consolidated interim statement of profit or loss and other comprehensive income is allocated to the following items:

	For the six-month period ended 30 June	
	2018	2017
Cost of goods and services sold and interest expenses	3,654	2,497
Administrative and selling expenses	35,821	37,914
Total depreciation	39,475	40,411

The Group is expanding retail areas by means of modernization of rented stores and construction of new stores. As at 30 June 2018 and 31 December 2017 Construction in progress included costs on construction and re-equipment of new stores in different regions of Belarus.

As at 30 June 2018 and 31 December 2017 the historical cost of fully depreciated but still used items of property, plant and equipment amounted to BYN 18,594 thousand and BYN 3,553 thousand, respectively.

For the six-month periods ended 30 June 2018 and 30 June 2017 property, plant and equipment acquired under financial lease agreements comprised BYN 55,623 thousand (including BYN 42,563 thousand under sale and leaseback transaction agreement – Note 20) and BYN 4,176 thousand, respectively. As at 30 June 2018 and 31 December 2017 the residual value of property, plant and equipment held under finance lease agreements amounted to BYN 147,559 thousand and BYN 90,809 thousand, respectively.

As at 30 June 2018 and 31 December 2017 net book value of pledged property, plant and equipment amounted to BYN 624,349 thousand and BYN 756,185 thousand respectively.

During the six-month period ended 30 June 2018 the Group did not capitalize any borrowing costs in property, plant and equipment (the amount of borrowing costs capitalized during the six-month period ended 30 June 2017: BYN 1,422 thousand).

Buildings and constructions are accounted under the revaluation method. Revaluations are made with a sufficient regularity to ensure that the carrying amount does not significantly differ from that which would be determined using fair value at the end of the reporting period. The Group has analyzed the trends in the market of trade real estate and concluded that its value has not changed significantly as compared to the beginning of the reporting period. The Group plans to conduct a revaluation in the end of 2018 in order to present buildings at their fair value as at 31 December 2018.

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018
(in thousands of Belarusian Rubles)

13. LOANS GRANTED

Breakdown by type of client

	30 June 2018	31 December 2017
Loans granted to corporate clients	21,544	23,240
Consumer loans granted to individuals	40,359	32,170
Total loans granted before allowance for impairment	61,903	55,410
Allowance for impairment	(988)	(2,792)
Total loans granted	60,915	52,618
Short-term part of loans granted	28,565	11,412
Long-term part of loans granted	32,350	41,206

Security for loans

In order to reduce credit risk, the Bank requires the provision of security, the size and type of which depends on the assessment of the credit risk of the counterparty.

The main types of security received for loans to legal entities and individual entrepreneurs are real estate, equipment, cars, goods in circulation, the right to receivables and lease payments. Loans to individuals are secured by guarantees of individuals.

The Bank has no overdue and unimpaired loans granted.

Information about the quality of the loan portfolio

Impairment of loans as at 30 June 2018	Loans	Allowance for impairment	Total loans granted
Impairment of loans assessed individually	20,420	(733)	19,687
Impairment of loans assessed collectively	41,483	(255)	41,228
Total	61,903	(988)	60,915

Impairment of loans as at 31 December 2017	Loans	Allowance for impairment	Total loans granted
Impairment of loans assessed individually	22,286	(2,106)	20,180
Impairment of loans assessed collectively	33,124	(686)	32,438
Total	55,410	(2,792)	52,618

Movement in allowance for impairment on loans granted

	2018	2017
1 January	2,792	5,561
Accrued for the period	(1,804)	(961)
30 June	988	4,600

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018 (in thousands of Belarusian Rubles)

14. INVENTORIES

	30 June 2018	31 December 2017
Goods for sale located at retail outlets	185,470	158,823
Goods for sale located at the warehouse	102,201	105,166
Raw and other materials	23,189	19,739
Tare and packing materials	4,947	4,711
Other inventories	14,884	11,234
Total inventories	330,691	299,673

As at 30 June 2018 and 31 December 2017 the Group pledged inventories as additional security for bank loans and guarantees in the amount of BYN 166,289 thousand and BYN 140,161 thousand respectively.

15. TRADE AND OTHER RECEIVABLES

	30 June 2018	31 December 2017
Trade receivables	48,472	74,265
Allowance for impairment	(3,573)	(2,514)
Total trade receivables, net	44,899	71,751
Other receivables	31,036	37,552
Allowance for impairment	(4,204)	(3,944)
Total other receivables, net	26,832	33,608
Total trade and other receivables, net	71,731	105,359

The movement of allowance for impairment of trade and other receivables is as follows:

1 January 2017	4,684
Movement in allowance	1,314
30 June 2017	5,998
31 December 2017	6,458
Movement in allowance	1,319
30 June 2018	7,777

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018 (in thousands of Belarusian Rubles)

16. PREPAYMENTS

	30 June 2018	31 December 2017
Prepayments for rent of premises and land	20,535	16,879
Prepayments for services	13,946	8,465
Prepayments for inventory	11,608	6,781
Prepayments for taxes, except for income tax	5,336	1,385
Other prepayments	6,945	7,766
Total prepayments	58,370	41,276

Prepayments for non-current assets relate to acquisition and modernization of property, plant and equipment.

17. CASH AND CASH EQUIVALENTS

	30 June 2018	31 December 2017
Bank deposits	79,860	79,002
Cash in transit	33,653	74,890
Cash in hand	8,320	10,567
Cash on current bank accounts	6,340	7,781
Balances with the National Bank of the Republic of Belarus	2,229	1,779
Total cash and cash equivalents	130,402	174,019

Cash in transit is represented by cash collected by the bank, as well as by cash received from credit card settlements.

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018 (in thousands of Belarusian Rubles)

18. EQUITY

Participants	30 June 2018	31 December 2017
Litinvest Limited, Cyprus	49.75%	-
Denison Finance Corp., British Virgin Islands	49.75%	100%
Storass Limited, Cyprus	0.50%	-
Total participants' interest	100%	100%

The ultimate beneficial owners of the Company are Mr. Sergey Litvin, Mr. Uladzimir Vasilko, Mr. Alexander Litvin and Mr. Andrei Zubkou, all being citizens of the Republic of Belarus. All participants' stakes in the Company are fully contributed.

As described in Note 1 (b) in preparation for the IPO during the six-month period ended 30 June 2018, the Group was restructured by establishing Eurotorg Holding PLC as the legal parent company of the Group. As a result the following changes were carried out at the Company's share capital:

- a) all 1,200 ordinary shares of nominal value EUR 1.00 each were converted into 1,200 ordinary shares of nominal value USD 1.21 each. As a result the authorised and issued share capital of the Company became equal and was as follows: USD 1,452 divided into 1,200 ordinary shares of nominal value USD 1.21 each;
- b) following the previous step the authorized and issued share capital was divided into 145,200 ordinary shares of nominal value USD 0.01 each;
- c) following the previous step the authorized share capital was increased from USD 1,452 divided into 145,200 ordinary shares of nominal value USD 0.01 each to the aggregate amount of USD 31,000 divided into 3,100,000 ordinary shares of nominal value USD 0.01 each by the creation of 2,954,800 ordinary shares of nominal value USD 0.01 each, to rank pari passu in all respects with the existing ordinary shares of the Company;
- d) 2,954,800 of newly created ordinary shares of nominal value USD 0.01 each in the share capital of the Company were then issued and allotted as follows:
 - 1) 1,542,250 ordinary shares of nominal value USD 0.01 each were issued and allotted to Litinvest Limited, at a premium of USD 38.69 per share for consideration in specie being the 49.75% equity participation in "Eurotorg" LLC amounted to USD 59,685,075;
 - 2) 1,397,050 ordinary shares of nominal value USD 0.01 each were issued and allotted to Denison Finance Corp. at the nominal value of USD 0.01 each per share for cash consideration amounted to USD 13,970.50; and
 - 3) 15,500 ordinary shares of nominal value USD 0.01 each were issued and allotted to Storass Limited, at a premium of USD 38.69 per share for consideration in specie being the 0.5% equity participation in "Eurotorg" LLC amounted to USD 599,850.

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018 (in thousands of Belarusian Rubles)

18. EQUITY (continued)

As a result as at 30 June 2018 the number of shares is allocated as follows:

Participants	30 June 2018
Litinvest Limited	1,542,250
Denison Finance Corp.	1,542,250
Storass Limited	15,500
Total participants' interest	<u>3,100,000</u>

These actions were reflected in the condensed consolidated interim financial information as described below.

Share capital issued at the nominal value and amounted to BYN 57 thousand was reflected in the condensed consolidated interim statement of changes in equity as an increase in the share capital of the Company during the six-month period ended 30 June 2018.

Share premium arising from issuance and allotment of ordinary shares at a premium was reflected in the condensed consolidated interim statement of changes in equity and amounted to BYN 118,393 thousand.

The differences between equity captions as reflected in previous consolidated financial statements of "Eurotorg" LLC as at the earliest balance sheet date (as at 1 January 2017 and as at 1 January 2018) as a result of the restructuring are as follows:

	Share capital	Revaluation reserve	Accumulated loss	Total	Non- controlling interests	Total equity
Balances as previously reported by "Eurotorg" LLC at 1 January 2017	132,242	355,140	(363,692)	123,690	346	124,036
Effect of restructuring	(132,239)	-	131,956	(283)	-	(283)
Balances as reported by Eurotorg Holding PLC at 1 January 2017	3	355,140	(231,736)	123,407	346	123,753
Balances as previously reported by "Eurotorg" LLC at 1 January 2018	132,242	238,088	(281,670)	88,660	301	88,961
Effect of restructuring	(132,239)	-	132,712	473	-	473
Balances as reported by Eurotorg Holding PLC at 1 January 2018	3	238,088	(148,958)	89,133	301	89,434

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

(in thousands of Belarusian Rubles)

18. EQUITY (continued)

As described in Note 1 (b) during the period ended 30 June 2018 the Company acquired the controlling interests in the companies that previously were under control of the ultimate beneficiaries of the Group. The accounting for the acquisition of the companies is described in Note 28. The total effect of the acquisition reflected in the retained earnings and presented as a separate line of the condensed consolidated interim statement of changes in equity and amounted to BYN 36,347 thousand.

During the six-month period ended 30 June 2018 and 2017 no dividends were declared.

In 2017 the Group acquired additional interests in companies “VARMINEKSPO” JLLC, “SitiBalt” LLC, “Dzerzhinskii myasokombinat” CJSC, “Diskontnyi club” LLC, “Sotrudnichestvo” OJSC, “Retorsia-invest” LLC, “Eurooptavto” LLC, “Yulain” ALC having increased its share of ownership in these companies to 100%. As a result of the increase in the shares in “VARMINEKSPO” JLLC and “Yulain” ALC, the Group also increased its ownership to 100% in the companies “EurooptAgro” LLC, “ElitPartner” LLC and “Barentsevo” LLC.

In thousands of Belarussian rubles

2017

Net assets attributable to the acquired non-controlling interest at the redemption date

79

Consideration transferred

(33)

Increase in retained earnings

46

Revaluation reserve

The revaluation reserve relates to revaluation of buildings, which are measured at fair value.

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018 (in thousands of Belarusian Rubles)

19. LOANS AND BORROWINGS

Loans and borrowings as at 30 June 2018 were as follows:

	Currency	Rate	Maturity	30 June 2018
Bonds	USD	8.75%	2022	687,072
Bonds	USD	4.00%	2020	114
Bonds	BYN	8.50%	2020	896
Bank loan	USD	5.01%-7.30%	2020-2024	177,173
Bank loan	BYN	9.00%-12.00%	2019-2022	268,619
Bank loan	EUR	4.00%-7.00%	2020-2022	40,056
Total loans and borrowings				1,173,930
Less the short-term part				-
Total long-term part				1,173,930

The loans and borrowings as at 31 December 2017 were as follows:

	Currency	Rate	Maturity	31 December 2017
Bonds	USD	6.00%-13.00%	2018-2022	721,760
Bonds	EUR	11.14%	2019	9,633
Bank loan	USD	7.50%-8.75%	2019-2023	287,746
Bank loan	BYN	9.50%-13.00%	2019-2022	237,080
Bank loan	EUR	8.00%	2022	29,206
Other loans	BYN	0.00%	2018	2
Total loans and borrowings				1,285,427
Less the short-term part				(20,871)
Total long-term part				1,264,556

The Group pledged property, plant and equipment and inventories (Notes 12, 14) to secure bank loans.

As at 30 June 2018 there were no pledged ownership interests. As at 31 December 2017 49.0% of the ownership interest of “Eurotorg” LLC (24.5% Curgil Ventures Limited and 24.5% Litinvest Limited) was pledged under loan agreements with “BPS-Sberbank”.

As at 31 December 2017 100% of the ownership interest of the subsidiary company “BelRosKompani” LLC was pledged under loan agreements with “Alfa-Bank”.

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018
(in thousands of Belarusian Rubles)

20. FINANCE LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Amounts payable under finance lease agreements:				
Payable within 12 months	26,372	20,693	12,490	10,803
Total current liabilities under finance leases	26,372	20,693	12,490	10,803
Payable within second year	26,851	21,302	15,405	13,207
Payable within the period from the third to fifth year (inclusive)	77,830	61,402	59,083	48,738
More than 5 years	18,322	10,326	15,685	8,312
Total long-term liabilities under finance leases	123,003	93,030	90,173	70,257
Less future short-term finance charges	(13,884)	(9,889)	-	-
Less future long-term finance charges	(32,828)	(22,774)	-	-
Total future finance charges	(46,712)	(32,663)	-	-
Total liabilities under finance leases	102,663	81,060	102,663	81,060

During the six-month period ended 30 June 2018 the Group sold one of its property items and related equipment to a leasing company (a buyer-lessor) and immediately leased these assets back from the buyer-lessor. An initial transfer of the underlying asset from the Group to the buyer-lessor was not a sale as the Group continued to bear almost all the risks and benefits from using the underlying asset. Therefore the Group continued to recognise the underlying asset and recognised a financial liability under IFRS 9 for the amount received from the buyer-lessor. Net amount of cash received under the sale and leaseback transaction equaled to BYN 35,707 thousand. There were no significant differences between the fair value, net book value of the sold and leased back assets and the fair value of the liability recognized in respect of the cash received.

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018 (in thousands of Belarusian Rubles)

21. TRADE AND OTHER PAYABLES

	30 June 2018	31 December 2017
Trade accounts payable	523,912	504,282
Bank customers' accounts	32,135	36,295
Payables for services	18,422	18,487
Payables for property, plant and equipment	6,789	6,073
Settlements with construction contractors	2,489	1,436
Other accounts payable	1,175	5,533
Total trade and other payables	584,922	572,106

As at 30 June 2018 trade accounts payable included BYN 37,454 thousand (31 December 2017: BYN 46,086 thousand) under reverse factoring agreements. According to these agreements the factor (a bank) agreed to pay amounts to the supplier in respect of invoices owed by the Group (customer), receiving settlement from the customer at a later date (usually 10-45 days).

The management of the Group considered the appropriate balance sheet presentation of amounts related to reverse factoring arrangements, including whether the headings and line items should be adapted to suit the particular circumstances. The management of the Group believes that the nature or function of the financial liability arising from the reverse factoring arrangement is not sufficiently different from a trade payable based on the following:

- 1) the principal business purpose of the reverse factoring arrangement is to provide funding to the supplier or to facilitate efficient payment processing (rather than to provide funding to the customer);
- 2) the arrangement does not significantly extends payments terms beyond the normal terms agreed with other suppliers;
- 3) the arrangement does not require additional collateral or a guarantee.

As at 30 June 2018 trade accounts payable included BYN 32,829 thousand (31 December 2017: BYN 13,414 thousand) as letter of credit arrangements with maturity from 2 to 12 months and interest rate varying from 3.90% to 7.10%. Under these arrangements a bank issues a letter of credit for the specific amount on behalf of its customer ("Eurotorg" LLC) identifying a foreign supplier as the beneficiary. Under the terms of the letter of credit, the bank promises to pay this specific amount to the beneficiary on presentation of documentary proof that it has shipped the goods to the customer. After the bank pays the beneficiary, it collects the payment from the customer at a later date, in line with the agreed payment terms.

The management of the Group considered the appropriate balance sheet presentation of amounts related to the letter of credit arrangements. The management of the Group believes that the nature or function of the financial liability arising from the letter of credit arrangement is not sufficiently different from a trade payable based on the following:

- 1) the principal business purpose of the financing under the letter of credit arrangement is to provide additional guarantee to the supplier (rather than to provide funding to the customer);
- 2) the arrangement does not significantly extends payments terms beyond the normal terms agreed with other suppliers.

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018 (in thousands of Belarusian Rubles)

22. OTHER CURRENT LIABILITIES

	30 June 2018	31 December 2017
Taxes payable, other than income taxes	33,428	32,423
Amounts payable to employees	18,070	15,930
Accruals for unused vacations	11,354	12,085
Prepayments received from third parties	10,332	4,439
Salary taxes and social security fund payable	3,266	2,815
Total other current liabilities	76,450	67,692

23. TRANSACTIONS WITH RELATED PARTIES

The Group sells goods and performs other transactions with related parties in the ordinary course of business. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence on the other party when making financial and operational decisions.

Related parties in this condensed consolidated interim financial information comprise the shareholders of the Group, companies which are under control of the Shareholders of the Company, key management personnel of the Group and the companies under their control, their close family members and companies that are controlled or significantly influenced by shareholders.

Balances and transactions with the entities under control of the Shareholders of the Company are as follows:

	30 June 2018	31 December 2017
Entities under control of the Shareholders of the Company		
Trade and other receivables	7,169	51,871
Loans granted	-	2,317
Trade and other payables	(23,485)	(25,943)
Prepayments	3,016	4,293
Financial investments in securities	274	274

Information about the Group's transactions with related parties for the six-month period ended 30 June 2018 and 30 June 2017 is presented below:

	For the six-month period ended 30 June	
	2018	2017
Entities under control of the Shareholders of the Company		
Purchase of goods	46,214	41,351
Revenue	3,721	28,393
Other income from property, plant and equipment sale	129	252
Administrative and selling expenses	4,906	3,331
Acquisition of property, plant and equipment	1,066	67
Key management personnel		
Remuneration to key management personnel	4,030	2,988

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018 (in thousands of Belarusian Rubles)

24. COMMITMENTS AND CONTINGENCIES

Commitments under operating lease

The Group rents commercial, warehouse and subsidiary premises and production equipment under operating lease agreements. The lease agreement is usually initially concluded for a term of five to ten years with the right of its subsequent extension. Rent payments are regularly reviewed in accordance with market rates.

The Group rents premises and equipment with the right of early termination upon notice to the lessor provided, as a rule, at least 3 months before the date of such termination. Therefore, the Group has obligations of lease payments under operating leases.

Below are the minimum amounts of future lease payments under operating lease that cannot be cancelled in cases where the Group acts as a lessee:

	30 June 2018	31 December 2017
Payable within one year	21,681	20,587
Payable within a period from 2 to 5 years	1,036	1,632
Total liabilities under operating leases	22,717	22,219

Legal claims

In the course of the Group's activities, customers and counterparties may lodge claims against the Group. Management believes that, as a result of the proceedings, the Group will not incur significant losses and accordingly no provision has been made in the financial statements.

Credit-related commitments

In the course of its activities, the Bank uses financial instruments with off-balance sheet risks to meet the needs of its customers. These instruments carrying credit risks to various extents, are not reflected in the statement of financial position. The Bank's maximum exposure to contingent financial liabilities and credit commitments in the event of non-performance by the second party to the transaction and the impairment of all counterclaims and pledge is the same as the contractual value of these instruments.

The Bank applies the same credit policy in respect of contingent liabilities as for financial instruments recorded in the statement of financial position.

The credit-related commitments of the Bank were as follows:

	30 June 2018	31 December 2017
Guarantees issued	1,519	6,972
Total credit-related commitments	1,519	6,972
Provision for credit-related commitments	(65)	(230)
Net credit-related commitments	1,454	6,742

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018 (in thousands of Belarusian Rubles)

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Management of risk and capital is an essential element of the Group's operations. The main financial risk inherent to the Group's operations is the liquidity risk. A description of the Group's risk management policies in relation to this liquidity risk follows. Credit risk exposures, market movements in interest rates and foreign exchange rates are not significant in the reporting period.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach in managing liquidity risk is to maintain sufficient level of cash and other financial assets that can be converted into cash within short period of time to be able to discharge its obligations when they fall due, and avoid unnecessary costs and risk of damage to the Group's reputation. The Group monitors liquidity by preparing monthly forecast statements of cash flow. In case a liquidity gap is expected according to the monthly forecast statements, additional loan agreements are negotiated.

The Group's current liabilities as at 30 June 2018 exceeded current assets by BYN 42,823 thousand (31 December 2017: BYN 5,210 thousand).

Information concerning contractual maturity dates of financial liabilities as at 30 June 2018 including interest payments is presented below:

	Carrying amount	Cash flows under contract	Up to 1 year	1 to 5 years	Over 5 years
Loans and borrowings	(1,173,930)	(1,506,492)	(106,904)	(1,384,310)	(15,278)
Trade and other payables	(584,922)	(584,922)	(584,922)	-	-
Liabilities under finance leases	(102,663)	(149,375)	(26,372)	(104,681)	(18,322)
Accrued interest	(11,433)	(11,433)	(11,433)	-	-
Total liabilities	(1,872,948)	(2,252,222)	(729,631)	(1,488,991)	(33,600)

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018
(in thousands of Belarusian Rubles)

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk (continued)

Information concerning contractual maturity dates of financial liabilities as at 31 December 2017 including interest payments is presented below:

	Carrying amount	Cash flows under contract	Up to 1 year	1 to 5 years	Over 5 years
Loans and borrowings	(1,285,427)	(1,720,281)	(129,409)	(1,554,749)	(36,123)
Trade and other payables	(572,106)	(572,091)	(572,091)	-	-
Liabilities under finance leases	(81,060)	(113,723)	(20,693)	(82,704)	(10,326)
Accrued interest	(14,363)	(14,363)	(14,363)	-	-
Total liabilities	(1,952,956)	(2,420,458)	(736,556)	(1,637,453)	(46,449)

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and liabilities of the Group compared with the corresponding carrying amount in the condensed consolidated interim statement of financial position of the Group is presented below:

30 June 2018	Carrying amount		Fair value			Total
	Loans and receivables	Other financial liabilities	Level 1	Level 2	Level 3	
Financial assets						
Loans granted	60,915	-	-	-	60,915	60,915
Trade and other receivables	71,731	-	-	-	-	-
Cash and cash equivalents	130,402	-	-	-	-	-
Other investments	15,819	-	-	-	15,819	15,819
Total	278,867	-	-	-	76,734	76,734
Financial liabilities						
Loans and borrowings	-	(1,173,930)	-	-	(1,264,020)	(1,264,020)
Accrued interest	-	(11,433)	-	-	(11,433)	(11,433)
Liabilities under finance lease	-	(102,663)	-	-	(121,559)	(121,559)
Trade and other payables	-	(584,922)	-	-	-	-
Total	-	(1,872,948)	-	-	(1,397,012)	(1,397,012)

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018
(in thousands of Belarusian Rubles)

26. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

31 December 2017	Carrying amount		Fair value			Total
	Loans and receivables	Other financial liabilities	Level 1	Level 2	Level 3	
Financial assets						
Loans granted	52,618	-	-	-	52,618	52,618
Trade and other receivables	105,359	-	-	-	-	-
Cash and cash equivalents	174,019	-	-	-	-	-
Other investments	31,107	-	-	-	31,107	31,107
Total	363,103	-	-	-	83,725	83,725
Financial liabilities						
Loans and borrowings	-	(1,285,427)	-	-	(1,316,638)	(1,316,638)
Accrued interest	-	(14,363)	-	-	(14,363)	(14,363)
Liabilities under finance leases	-	(81,060)	-	-	(81,060)	(81,060)
Trade and other payables	-	(572,106)	-	-	-	-
Total	-	(1,952,956)	-	-	(1,412,061)	(1,412,061)

The Group did not perform measurement of fair value for cash and cash equivalents, deposits, trade and other receivables and other payables, as due to short-term nature of these financial instruments their carrying values are approximately equivalent to their fair values.

The following table shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs
Loans and receivables	Discounted cash flows	Market interest rates published by the National Bank of the Republic of Belarus
Other financial liabilities	Discounted cash flows	

There were no transfers between fair value hierarchy levels in 2018 and 2017.

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018 (in thousands of Belarusian Rubles)

27. GOODWILL

As at the reporting date the goodwill by each company is as follows:

Company	30 June 2018	31 December 2017
“Dzerzhinskii myasokombinat” CJSC	3,103	3,103
“Statusbank” OJSC (Bank)	2,667	2,667
Other	1,285	1,285
Total	7,055	7,055

As described in Note 28 acquisition of the companies under control of the Shareholders of the Company during the six-month period ended 30 June 2018 did not result in recognition of goodwill.

28. ACQUISITION OF SUBSIDIARIES

The accounting of the acquisition of the companies was performed using fair value at the date of the acquisition which is approximately equal to book value of assets and liabilities. No goodwill was recorded. The difference between the consideration transferred and the net assets of the acquirees was reflected as an adjustment in equity in accumulated loss and was represented as distribution to the Shareholders of the Company in the amount of BYN 36,347 thousand.

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition during the six-month period ended 30 June 2018.

	Amount
Inventories	16,704
Property, plant and equipment	12,956
VAT recoverable	2,780
Cash and cash equivalents	2,108
Prepayments	848
Trade and other receivables	596
Intangible assets	557
Prepayments for non-current assets	139
Deferred tax assets	3
Total Assets	36,691
Current income tax liabilities	(57)
Liabilities under finance leases	(2,054)
Other current liabilities	(4,103)
Trade and other payables	(66,818)
Total Liabilities	(73,032)
Total identifiable net liabilities acquired	(36,341)

Consideration transferred for the interest in the newly acquired companies amounted to BYN 6 thousand.

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018 (in thousands of Belarusian Rubles)

28. ACQUISITION OF SUBSIDIARIES (continued)

The financial results of the acquired businesses was included in the condensed consolidated interim statement of profit or loss and other comprehensive income from acquisition dates during the six-month period ended 30 June 2018.

If all acquisitions of businesses (E-commerce and Drogerie) had occurred on 1 January 2018, management estimates that consolidated revenue for the six-months ended 30 June 2018 would have been BYN 2,238,335 thousand, and consolidated profit would have been BYN 68,864 thousand.

The combined financial results of the acquired companies from E-commerce for the six-month period ended 30 June 2018 on a standalone basis is presented as follows:

	“Internet- magazin Euroopt” CJSC	“GiperMall” LLC	Consolidation entries	Total
Revenue, interest and commission income	75,368	20,297	(1,260)	94,405
Cost of goods and services sold and interest expenses	(51,913)	(15,697)	1,109	(66,501)
Gross profit (loss)	23,455	4,600	(151)	27,904
Administrative and selling expenses	(21,961)	(4,392)	151	(26,202)
Other income	550	-	-	550
Other expenses	(856)	(14)	-	(870)
Operating profit	1,188	194	-	1,382
Finance income	4	96	-	100
Finance costs	(932)	(269)	-	(1,201)
Net finance costs	(928)	(173)	-	(1,101)
Profit before income tax	260	21	-	281
Income tax income/(expense)	13	(34)	-	(21)
Profit (loss) for the period	273	(13)	-	260
Adjusted EBITDA*				2,366

* Adjusted EBITDA is not a defined performance measure in IFRS. The Group’s definition of adjusted EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities. Adjusted EBITDA is calculated by adjusting profit for the period to exclude the impact of taxation, net finance costs, depreciation of property, plant and equipment and amortisation of intangible assets.

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018
(in thousands of Belarusian Rubles)

29. OPERATING SEGMENTS

The Group has the following two strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations of each reportable segment.

Reportable segments	Operations
Retail and wholesale	Retail trade with food and other consumer goods on the territory of Belarus.
Banking business	Attraction of deposits from legal entities, issuance of loans to private individuals and legal entities; opening and operation of accounts for private individuals and legal entities; purchase and sale of foreign currency and securities; issuance of bank guarantees.

Information on the reportable segments is presented below:

	Retail and wholesale		Banking business		Consolidation entries		Total	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
External revenues	2,171,240	1,888,477	8,496	9,169	-	-	2,179,736	1,897,646
Inter-segment revenue	624	445	104	256	(728)	(701)	-	-
Segment profit before tax	82,827	64,066	3,625	1,917	(90)	-	86,362	65,983
	Retail and wholesale		Banking business		Consolidation entries		Total	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Segment assets	2,077,237	2,077,079	99,871	99,427	(78,089)	(45,737)	2,099,019	2,130,769
Segment liabilities	1,934,742	2,000,434	39,177	41,127	3,397	(226)	1,977,316	2,041,335

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018 (in thousands of Belarusian Rubles)

30. OPERATING ENVIRONMENT

Legislation - Certain provisions of Belarusian business and tax legislation in particular may contain different treatments and may be applied inconsistently. In addition, interpretations made by Management may be different from official interpretations and compliance established by law may be challenged by the authorities. As a result, the Group may be subject to additional tax payments and fines and other preventive actions. Management of the Group considers that it has made the required tax and other payments and no additional provisions are needed in the condensed consolidated interim financial information. The previous financial years remain open for consideration by the authorities.

Taxation contingencies - The taxation system in Belarus is characterised by complexity and frequent changes in legislation, official pronouncements and authorities' decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. However, there is no extensive court practice in Belarus on tax issues.

Taxes are subject to review and investigation for correctness of tax calculation by a number of authorities, which have the authority to impose severe fines and penalties. Correctness of tax calculation for the reporting period may be subject to review, as a rule, for the period not exceeding 5 calendar years. Recent events in Belarus suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

Recently, there have been a number of changes in the tax legislation of Belarus aimed at regulating the tax consequences of transactions with related parties, such as limitation on "deductible" expenses on controlled debts (interest, management fees, etc.), restrictions on deductibility from the tax base of the so-called "economically unjustified costs". In addition, new changes to the Belarussian tax legislation have been recently adopted, which aimed at regulating tax consequences of transactions with foreign companies, such as concept of beneficial ownership of income.

These changes may potentially impact the Group's tax position and create additional tax risks going forward. This legislation and practice of its application is still evolving and the impact of legislative changes should be considered based on the actual circumstances.

All these circumstances may create tax risks in Belarus that could be more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Belarussian tax legislation, official pronouncements and tax authorities' decisions. However, the interpretations of the tax authorities could differ and the effect on the consolidated financial statements, if the authorities are successful in enforcing their interpretations, could be significant.

Economic environment – The principal business activities of the Group are within the Republic of Belarus. In 2015-2016 Belarus faced macroeconomic downturn: real Gross Domestic Product (GDP) decreased by -3.8% in 2015 and -2.5% in 2016. The crisis led to reduction in real disposable income. Since the beginning of 2017 Belarus stepped into recovering economic growth with real GDP turned positive and accounted to 2.4% in 2017, and expansion continued to accelerate in the first half of 2018 resulting in a real GDP growth of 4.5%. The real disposable cash incomes of households returned to growth at 2.8% in 2017 and accelerated growth rates to 7.6 % in the first half of 2018. Economic growth in 2017 and in the first half of 2018 was accompanied by positive trends in other macroeconomic indicators: inflation has declined from 10.6% in 2016, to 4.6% in 2017 and further to 4.1% in the first half of 2018 (to the corresponding month of the previous year) reaching the lowest level for the last 10 years. The National Bank continued to decrease the refinancing rate which has more than halved from 25% at the beginning of 2016 to 10% as of 30 June 2018. Although economic conditions in Belarus have now stabilized, any downturn in general economic conditions in Belarus or decreases in disposable incomes, consumer spending, consumer demand, and/or consumer credit availability could have impact on the Group's business, results of operations and financial condition.

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018 (in thousands of Belarusian Rubles)

30. OPERATING ENVIRONMENT (continued)

Laws and regulations defining the business environment in the Republic of Belarus are at the stage of development and subject to frequent changes. The future direction of the economic policy of the Government of the Republic of Belarus can have an effect on the recoverability of the Group's assets and the ability of the Group to pay its debts as they mature.

The management of the Group made its best estimate on the recoverability and classification of recorded assets and completeness of recorded liabilities. However, the uncertainties described above still exist and the Group may continue to be affected by them.

31. SUBSEQUENT EVENTS

The consumer price index for January-July 2018 constituted 102.8%.

As at 13 July 2018 "AVA-stail" LLC was merged with "Eurotorg" LLC.

On 10 September 2018 the Company changed its status to a public company and registered a change of its legal name to Eurotorg Holding PLC (Note 1).

On 3 July 2018 the European Bank for reconstruction and development approved a long-term loan agreement with "Eurotorg" LLC to refinance the Group's loans and financial lease liabilities in the amount of EUR 20,000 thousand. The refinancing is part of an ongoing optimisation and diversification of the Group's loan portfolio through the settlement of selected facilities accumulated in previous years.

32. STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted them in preparing this condensed consolidated interim financial information.

The Group has the following updates to information provided in the last annual consolidated financial statements about the standards issued but not yet effective that may have a significant impact on the Group's consolidated financial statements.

IFRS 16 Leases

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*, IFRIC® 4 *Determining whether an Arrangement contains a Lease*, SIC-15® *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted.

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018 (in thousands of Belarusian Rubles)

32. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 January 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

The application of IFRS 16 from 1 January 2019 will have a significant impact on the Group's consolidated financial statements due to the high number of real estate leases signed in the consolidation scope. The main difficulty for the Group in interpreting and therefore applying IFRS 16 relates to the calculation of the term of leases because of the criteria specified under the standard tend to be subjective and require a judgement call.

The modified retrospective method is planning to be used in the transition to this standard with the next practical expedient: non-recognition of leases whose term ends within 12 months of the date of initial application.

The most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of warehouse and factory facilities.

The assessment of the impact on the Group's assets, liabilities and equity in case the IFRS 16 requirements would have been implemented as at 1 January 2018 is as follows:

	1 January 2018	30 June 2018
Right-of-use assets	261,900	281,904
Lease liabilities	(288,008)	(305,674)
Retained earnings	(26,108)	(23,770)
Effect on consolidated statement of profit or loss and other comprehensive income	-	2,338

EUROTORG HOLDING PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018 (in thousands of Belarusian Rubles)

32. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

The assessment of the impact on the Group's expenses related to lease for the six-month period ended 30 June 2018 in case the IFRS 16 requirements would have been implemented as at 1 January 2018 is as follows:

	IAS 17	IFRS 16	Effect
Rent expenses	53,445	6,031	(47,414)
Depreciation	-	38,375	38,375
Interest expenses	-	9,530	9,530
Gain on foreign exchange differences	-	(2,829)	(2,829)
Total	53,445	51,107	(2,338)

As at 30 June 2018, the Group's future minimum lease payments under non-cancellable operating leases amounted to BYN 22,717 thousand, on an undiscounted basis.

In addition, the nature of expenses related to those leases will now change because IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

No significant impact is expected for the Group's finance leases.

Transition

As a lessee, the Group can either apply the standard using a:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

The Group plans to apply IFRS 16 initially on 1 January 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

When applying a modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practical expedients.

The Group is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.