

"Eurotorg" LLC

Condensed consolidated Interim financial information

as at and for the six-month period

ended 30 June 2017

"Eurotorg" LLC

Condensed consolidated interim financial information
as at and for the six-month period ended 30 June 2017

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



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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

To the Participants of "Eurotorg" LLC

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of "Eurotorg" Limited liability company ("the Company") and its subsidiaries ("the Group") as at 30 June 2017 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 periods ended 30 June 2017 and 2016, 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 reviews.

Scope of Reviews

We conducted our reviews 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.



Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information as at 30 June 2017 and for the six-month periods ended 30 June 2017 and 30 June 2016 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

Vasyl Pavlenko
Director
"KPMG" LLC
26 September 2017



Details of the audited entity

Name: "Eurotorg" LLC

Registration details: Registered by the Minsk City Executive Committee on September 7, 2000.

Registration number in the Unified State Register of entities and individual entrepreneurs № 101168731

Legal address: 52a-22, Kazintsia str., 220099, Minsk, Republic of Belarus.

Details of the audit company

Name: "KPMG" LLC

Registration details: registered by the Minsk City Executive Committee on 10 February 2011,

Registration number in the Unified State Register of entities and individual entrepreneurs № 191434140

Legal address: 57 Dzerzhinsky Avenue, office 53-2, 220099 Minsk, Republic of Belarus

KPMG, a limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered in Belarus № 191434140
Registered office: 57-53 Dzerzhynskaya ave,
19th floor, office 53-2
220099 Minsk Belarus

"Eurotorg" LLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(In thousands of Belarusian Rubles)

	Note	For the six-month period ended	
		30 June 2017	30 June 2016
Revenue, interest and commission income	4	1 897 646	1 758 910
Cost of goods and services sold and interest expenses	5	(1 392 893)	(1 365 600)
Gross profit		504 753	393 310
Administrative and selling expenses	6	(356 351)	(323 250)
Other income	8	5 682	5 036
Other expenses	9	(13 246)	(12 993)
Operating profit		140 838	62 103
Finance income		3 266	64
Finance costs		(78 121)	(185 550)
Net finance costs	7	(74 855)	(185 486)
Profit (loss) before income tax		65 983	(123 383)
Income tax benefit (expense)	10	(7 067)	19 320
Profit (loss) for the period		58 916	(104 063)
Other comprehensive income (loss)			
<i>Items that are or may be reclassified to profit or loss:</i>			
Foreign operations - foreign currency translation differences		(38)	(1 783)
Total other comprehensive loss		(38)	(1 783)
Total comprehensive income (loss) for the period		58 878	(105 846)
<i>Income (loss) attributable to:</i>			
Owners of the Company		58 921	(104 053)
Non-controlling interests		(5)	(10)
		58 916	(104 063)
<i>Total comprehensive income (loss) attributable to:</i>			
Owners of the Company		58 883	(105 836)
Non-controlling interests		(5)	(10)
		58 878	(105 846)

On behalf of the Management:



Chief Executive Officer
Andrei Zubkou



Chief Financial Officer
Alesia Sapunova

25 September 2017

The notes on pages 12 – 41 form an integral part of this condensed consolidated interim financial information.

"Eurotorg" LLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

(in thousands of Belarusian Rubles)

	Note	30 June 2017	31 December 2016
Assets			
Property and equipment	11	1 433 941	1 458 437
Prepayments for non-current assets		25 853	31 369
Intangible assets		4 892	5 452
Goodwill	26	6 359	7 410
Loans granted	12	21 673	35 780
Deferred tax assets	10	58 816	61 089
Other investments		1 513	2 692
Total non-current assets		1 553 047	1 602 229
Inventories	13	242 518	237 830
Trade and other receivables	14	84 267	83 524
Current tax assets		26	1 351
VAT recoverable		21 540	31 762
Prepayments	15	45 496	42 626
Loans granted	12	29 382	15 519
Cash and cash equivalents	16	42 852	74 511
Other investments		38 805	17 951
Total current assets		504 886	505 074
Total assets		2 057 933	2 107 303
Equity			
Share capital	17	132 242	132 242
Revaluation reserve		355 140	355 140
Accumulated loss		(304 763)	(363 692)
Equity, attributable to owners of the Group		182 619	123 690
Non-controlling interests		262	346
Total equity		182 881	124 036
Liabilities			
Loans and borrowings	18	808 128	672 660
Non-current liabilities under finance lease	19	74 506	79 516
Deferred income		4 693	5 854
Deferred tax liabilities	10	724	702
Total non-current liabilities		888 051	758 732

"Eurotorg" LLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

(in thousands of Belarusian Rubles)

Loans and borrowings	18	373 848	514 569
Accrued interests		7 970	9 659
Current liabilities under finance leases	19	12 487	18 688
Trade and other payables	20	523 992	618 925
Current income tax liabilities		2 025	396
Deferred income		2 921	772
Other current liabilities	21	63 758	61 526
Total current liabilities		987 001	1 224 535
Total equity and liabilities		2 057 933	2 107 303

On behalf of the Management:



Chief Executive Officer
Andrei Zubkou



Chief Financial Officer
Alesia Sapunova

25 September 2017

The notes on pages 12 – 41 form an integral part of this condensed consolidated interim financial information.

"Eurotorg" LLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

	Note	Share capital	Revaluation reserve	Retained earnings (accumulated loss)	Total equity	Non-controlling interests	Total
As at 1 January 2016		132 242	416 551	(318 675)	230 118	272	230 390
Total comprehensive income for the period							
Loss for the period		-	-	(104 053)	(104 053)	(10)	(104 063)
Other comprehensive income							
Foreign currency translation differences		-	-	(1 783)	(1 783)	-	(1 783)
Total comprehensive income for the period		-	-	(105 836)	(105 836)	(10)	(105 846)
Transactions with owners of the Group							
Change in non-controlling interests	17	-	-	(89)	(89)	89	-
Total transactions with owners of the Group		-	-	(89)	(89)	89	-
As at 30 June 2016		132 242	416 551	(424 600)	124 193	351	124 544


"Eurotorg" LLC


CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

	Notes	Share capital	Revaluation reserve	Retained earnings (accumulated loss)	Total equity	Non-controlling interests	Total
As at 1 January 2017		132 242	355 140	(363 692)	123 690	346	124 036
Total comprehensive income for the period							
Profit for the period		-	-	58 921	58 921	(5)	58 916
Other comprehensive income							
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 Group							
Change in non-controlling interests	17	-	-	46	46	(79)	(33)
Total transactions with owners of the Group		-	-	46	46	(79)	(33)
As at 30 June 2017		132 242	355 140	(304 763)	182 619	262	182 881

On behalf of the Management:


 Chief Executive Officer
 Andrei Zubkou


 Chief Financial Officer
 Alesia Sapunova

25 September 2017

The notes on pages 12 – 41 form an integral part of this condensed consolidated interim financial information.

"Eurotorg" LLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017
(in thousands of Belarusian Rubles)

	Notes	For the six-month period ended	
		30 June 2017	30 June 2016
Cash flows from operating activities:			
Profit (loss) for the period		58 916	(104 063)
<i>Adjustments for:</i>			
Income tax expense (benefit)		7 067	(19 320)
Depreciation of property and equipment	11	40 411	34 468
Amortization of intangible assets		1 097	34
Net finance costs	7	74 855	185 486
Loss on disposal of property and equipment	9	1 607	3 382
Change in allowance for impairment of trade and other receivables	6	1 314	10 334
		185 267	110 321
<i>Changes in:</i>			
Inventories		(4 688)	(3 476)
Trade and other receivables		(2 057)	(23 275)
VAT recoverable		10 222	5 834
Prepayments		(2 870)	(16 571)
Deferred income		988	(377)
Trade and other payables		(104 578)	102 913
Loans granted		(1 412)	(1 540)
Other current liabilities		(178)	1 929
Cash generated from operating activities		80 694	175 758
Income tax paid		(1 888)	(4 882)
Net cash from operating activities		78 806	170 876
Cash flows from investing activities:			
Acquisition of subsidiary with non-controlling interests		(33)	-
Proceeds from sale of property and equipment		5 070	3 125
Acquisition of property and equipment		(11 447)	(36 149)
Acquisition of bonds		(20 854)	(7 091)
Deposits interest received		9	64
Acquisition of intangible assets		(534)	-
Net cash used in investing activities		(27 789)	(40 051)

"Eurotorg" LLC


CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017


(in thousands of Belarusian Rubles)

Cash flow from financial activities:

Loans and borrowings received		320 869	303 758
Loans and borrowings repaid		(326 239)	(366 630)
Loan interest paid		(62 091)	(65 493)
Repayment of debt under finance lease		(10 789)	(11 412)
Lessors' remuneration under finance lease		(4 256)	(5 233)
Net cash used in financial activities		(82 506)	(145 010)
Net decrease in cash and cash equivalents		(31 489)	(14 185)
Cash and cash equivalents as at the beginning of the period	16	74 511	59 063
Effect of translation to presentation currency		(170)	(1 766)
Cash and cash equivalents as at the end of the period	16	42 852	43 112

On behalf of the Management:


Chief Executive Officer
Andrei Zubkou


Chief Financial Officer
Alesia Sapunova

25 September 2017

The notes on pages 12 – 41 form an integral part of this condensed consolidated interim financial information.

"Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

1. GENERAL INFORMATION

"Eurotorg" LLC ("the Company") operates in the Republic of Belarus since October 28, 1996. The Company's registered office is located at 52a-22, Kazintsa str., 220099, Minsk, Republic of Belarus.

The principal activities of the Company 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.

As at 30 June 2017 the retail chain comprised 460 stores under "Euroopt" banner in 123 cities of Belarus (including 95 owned stores and 365 – leased ones) and 9 stores under "TEKHNO Plyus" banner in 7 cities of Belarus.

As at 31 December 2016 the retail chain comprised 453 stores under "Euroopt" banner in 123 cities of Belarus (including 95 owned stores and 358 – leased ones) and 9 stores under "TEKHNO Plyus" banner in 7 cities of Belarus.

The Company is the parent entity to the following companies:

Name	Country of operation	Type of operations	Ownership interest as at 30 June 2017	Ownership interest as at 31 December 2016	Date of acquisition
"BelRosKompani" LLC	Russian Federation	Construction	100%	100%	19.03.2012
"AVA-stail" LLC	Belarus	Construction	100%	99.9%	26.03.2012
"PakHaus" Unitary enterprise	Belarus	Packaging	100%	100%	06.12.2012
"Yulain" ALC	Belarus	Production of meat products	100%	99.99%	24.01.2012
"Eurooptavto" LLC	Belarus	Transportation services	100%	99.99%	02.03.2012
"Retorsia-invest" LLC	Belarus	Construction	100%	99.9%	07.09.2010
"Sotrudnichestvo" OJSC	Belarus	Construction	100%	99.9%	20.05.2010
"Diskontnyi club" LLC	Belarus	Retail sales	100%	99.9%	26.12.2012
"Dzerzhinskii myasokombinat" CJSC	Belarus	Production of meat products	100%	99.9%	13.06.2013
"Barentsevo" LLC	Belarus	Production of seafood	100%	99.01%	28.06.2012
"SitiBalt" LLC	Belarus	Construction	100%	99.0%	01.06.2010
"VARMINEKSP0" JLLC	Belarus	Production of meat products	100%	98.03%	19.10.2011
"ElitPartner" LLC	Belarus	Production of bakery products	100%	99.9995%	02.04.2013
"EurooptAgro" LLC	Belarus	Poultry	100%	99.02%	09.04.2014
"E-market" LLC	Belarus	Retail sales	100%	99.9%	15.10.2014
"Vladalinoks" LLC	Belarus	Wholesale	99.9%	99.9%	28.10.2016

"Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

"Statusbank" OJSC (Bank)	Belarus	Banking	99.5168%	99.5168%	22.05.2012
"Tekhno Media Treid" LLC	Belarus	Retail sales	96.5%	96.5%	06.12.2012
"Mayakinvest" LLC	Belarus	Construction	Merged*	99.9%	26.05.2011
"Rudsal-invest" LLC	Belarus	Construction	Merged*	99.9%	01.09.2011

The actual number of employees of the Group as at 30 June 2017 and 31 December 2016 was 33 447 and 33 936 respectively.

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, "Eurooptavo" 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, "Barentsevo" LLC.

"Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

2. BASIS OF PREPARATION

Accounting basis

This condensed consolidated interim financial information has been prepared in accordance IAS 34 Interim Financial Reporting. It does not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial information as at and for the year ended 31 December 2016.

This condensed consolidated interim financial information has been prepared under the acquisition cost convention, except for buildings which are accounted using the revaluation method, and bonds measured at fair value.

This condensed consolidated interim financial information was authorized for issue by the Management on 25 September 2017.

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 2016.

Having analyzed the current liquidity position, management has concluded that the projected cash flows from operating and financial activities are sufficient to finance current operations of the Group (Note 24).

Use of judgements and estimates

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

Fair value of Property and equipment

The Group made no measurement of the fair value of buildings as at 30 June 2017 and as at 30 June 2016, as the management believes that there were no significant changes in the fair value of buildings at the reporting dates compared to 31 December 2016 and 31 December 2015, respectively.

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" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

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 might be categorized in 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.

The methods determined for measurement of fair values and/or disclosure purposes are stated below. If applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group were consistent with those applied in the consolidated financial statements as at and for the year ended 31 December 2016. During the period from 1 January 2017 to 30 June 2017 the Group did not adopt new and revised IFRS and interpretations which would have significant influence on this condensed consolidated interim financial information.

"Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

4. REVENUE, INTEREST AND COMMISSION INCOME

	For the six-month period ended 30 June	
	2017	2016
Retail sales	1 751 987	1 645 209
Wholesale	87 100	65 337
Revenue from advertising	28 696	15 390
Lease income	13 882	14 309
Interest and commission income of the Bank	9 169	12 190
Own products	5 985	5 663
Other revenue	827	812
Total revenue	1 897 646	1 758 910

5. COST OF GOODS AND SERVICES SOLD AND INTEREST EXPENSES

	For the six-month period ended 30 June	
	2017	2016
Cost of merchandise	1 365 147	1 335 338
Transportation costs and handling operations	23 118	24 293
Cost of own products	2 859	2 706
Bank interest expenses	1 400	2 405
Other costs	369	858
Total cost of goods and services sold and interest expenses	1 392 893	1 365 600

"Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

6. ADMINISTRATIVE AND SELLING EXPENSES

	For the six-month period ended 30 June	
	2017	2016
Employee benefits	125 341	117 633
Rent	41 672	42 647
Social security contributions	40 139	38 554
Utility costs	38 555	38 378
Depreciation	37 914	32 397
Marketing and advertising	18 493	5 172
Taxes other than income taxes	16 580	13 905
Other materials and stationary	16 080	8 004
Professional services	5 306	4 142
Repair and maintenance	3 787	3 012
Amortization	1 097	34
Change in receivables' impairment allowance	1 314	10 334
Other expenses	10 073	9 038
Total administrative and selling expenses	356 351	323 250

"Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

7. NET FINANCE COSTS

	For the six-month period ended 30 June	
	2017	2016
Interest expenses	(60 088)	(58 145)
Financial lease expenses	(5 990)	(7 152)
Bank commissions	(5 213)	(5 316)
Purchase/sale of foreign currency	(5 174)	(2 220)
Change in financial assets' impairment allowance	(1 656)	(2 548)
Loss from foreign exchange differences	-	(110 169)
Total finance costs	(78 121)	(185 550)
Gain on foreign exchange differences	3 257	-
Interest income on bank deposits	9	64
Total finance income	3 266	64
Net finance costs	(74 855)	(185 486)

8. OTHER INCOME

	For the six-month period ended 30 June	
	2017	2016
Sale of materials	3 170	784
Purchase/sale of foreign currency	1 879	1 713
Fines and penalties	-	907
Other income	633	1 632
Total other income	5 682	5 036

9. OTHER EXPENSES

	For the six-month period ended 30 June	
	2017	2016
Charity	4 764	4 389
Loss from disposal of property and equipment	1 607	3 382
Fines and penalties	821	818
Write-off of expenses due to termination of land lease rights	-	1 111
Other expenses	6 054	3 293
Total other expenses	13 246	12 993

"Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

10. 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 2016. The income tax for banks in the Republic of Belarus for the periods starting 1 January 2016 constitutes 25%. In the Russian Federation the aggregate income tax rate constitutes 20% for the periods starting 1 January 2016.

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 and equipment items.

As at 30 June 2017 the net value of deferred tax asset consisted of deferred tax liability in the amount of BYN 724 thousand (as at 31 December 2016: BYN 702 thousand), and deferred tax asset in the amount of BYN 58 816 thousand (as at 31 December 2016: BYN 61 089 thousand).

Recognized deferred tax asset is measured at the tax rates enacted as at 30 June 2017. 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 and also has considered appropriate tax planning opportunities. Taxable profit is determined according to the local accounting standards. According to the local accounting standards the Company is profitable and has the taxable profit sufficient to utilize the deferred tax asset.

For seven month-period ended 31 July 2017 according to unaudited accounting statements prepared under requirements of Belarusian laws the Company received a pre-tax profit of BYN 24 271 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" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

11. PROPERTY 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						
31 December 2015	1 289 026	222 293	25 058	7 653	137 084	1 681 114
Additions	4 374	2 729	774	-	30 926	38 803
Transfers*	15 809	9 453	743	687	(26 692)	-
Disposals	(1 212)	(1 943)	(668)	(56)	(3 383)	(7 262)
Effect of translation to presentation currency	12	-	-	-	4 507	4 519
30 June 2016	1 308 009	232 532	25 907	8 284	142 442	1 717 174
31 December 2016	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
Accumulated depreciation						
31 December 2015	(77 100)	(70 534)	(7 991)	(2 652)	-	(158 277)
Charged for the period	(19 005)	(12 950)	(2 026)	(487)	-	(34 468)
Disposals	53	550	132	20	-	755
30 June 2016	(96 052)	(82 934)	(9 885)	(3 119)	-	(191 990)
31 December 2016	(117 569)	(96 887)	(14 847)	(3 611)	-	(232 914)
Charged 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)
Carrying amount						
31 December 2015	1 211 926	151 759	17 067	5 001	137 084	1 522 837
30 June 2016	1 211 957	149 598	16 022	5 165	142 442	1 525 184
31 December 2016	1 170 855	159 050	17 144	5 746	105 642	1 458 437
30 June 2017	1 154 398	154 581	18 225	5 490	101 247	1 433 941

"Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

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

	For the six-month period ended 30 June	
	2017	2016
Cost of goods and services sold and interest expenses	2 497	2 071
Administrative and selling expenses	37 914	32 397
Total depreciation	40 411	34 468

The Company extends its trade premises by constructing and modernizing of trade facilities. As at 30 June 2017 and 2016 construction-in-progress included expenses for construction and improvement of trade premises in various regions of Belarus.

As at 30 June 2017 and 31 December 2016 the historical cost of fully depreciated but still used items of property and equipment amounted to BYN 7 090 thousand and BYN 1 261 thousand, respectively.

For six-month period 30 June 2017 and 30 June 2016 property and equipment acquired under financial lease agreements comprised BYN 4 176 thousand and BYN 3 679 thousand, respectively.

As at 30 June 2017 and 31 December 2016 the residual value of property and equipment held under finance lease agreements amounted to BYN 93 556 thousand and BYN 90 861 thousand, respectively.

As at 30 June 2017 and 31 December 2016 the carrying value of property and equipment pledged by the Group to secure bank loans, guarantees and finance lease agreements was BYN 1 003 998 thousand and BYN 999 259 thousand, respectively.

As at 30 June 2017 the Group's capitalized borrowing costs were BYN 1 422 thousand (the six-month period ended 30 June 2016: BYN 3 396 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 USD exchange rate has increased by 8%, the average foreign currency prices for trade real estate have decreased by 9%). The Group plans to conduct a revaluation in the end of 2017 in order to present property and equipment at their fair value as at 31 December 2017.

"Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

12. LOANS GRANTED

Breakdown by type of client

	30 June 2017	31 December 2016
Loans granted to corporate clients	32 675	35 235
Consumer loans granted to individuals	22 980	21 625
Total loans granted before allowance for impairment	55 655	56 860
Allowance for impairment	(4 600)	(5 561)
Total loans granted	51 055	51 299
Short-term part of loans granted	29 382	15 519
Long-term part of loans granted	21 673	35 780

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 penalties or 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 2017	Loans	Allowance for impairment	Total loans granted
Impairment of loans assessed individually	28 695	(2 981)	25 714
Impairment of loans assessed collectively	26 960	(1 619)	25 341
Total	55 655	(4 600)	51 055

Impairment of loans as at 31 December 2016	Loans	Allowance for impairment	Total loans granted
Impairment of loans assessed individually	32 356	(4 033)	28 323
Impairment of loans assessed collectively	24 504	(1 528)	22 976
Total	56 860	(5 561)	51 299

"Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

Movement in allowance for impairment on loans granted

1 January 2016	5 407
Accrued for the year	3 546
Foreign exchange differences	(153)
Write-off against allowance	(3 239)
31 December 2016	5 561
Accrued for the year	(961)
30 June 2017	4 600

13. INVENTORIES

	30 June 2017	31 December 2016
Goods for sale located at retail outlets	133 215	140 267
Goods for sale located at the warehouse	82 216	64 608
Raw and other materials	13 871	13 016
Own production	4 990	6 174
Tare and packing materials	4 678	4 795
Other inventories	3 548	8 970
Total inventories	242 518	237 830

As at 30 June 2017 and 31 December 2016 the Group pledged inventories as additional security for bank loans and guarantees in the amount of BYN 172 906 thousand and BYN 172 050 thousand respectively.

14. TRADE AND OTHER RECEIVABLES

	30 June 2017	31 December 2016
Trade receivables	70 595	72 183
Allowance for impairment	(2 263)	(2 788)
Total trade receivables, net	68 332	69 395
Other accounts receivables	19 670	16 025
Allowance for impairment	(3 735)	(1 896)
Total other receivables, net	15 935	14 129
Total trade and other receivables, net	84 267	83 524

The movement of allowance for impairment of trade and other receivables:

31 December 2015	2 265
Changes in allowance	10 334
30 June 2016	12 599
31 December 2016	4 684
Changes in allowance	1 314
30 June 2017	5 998

"Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

15. PREPAYMENTS

	30 June 2017	31 December 2016
Prepayments for rent of premises and land	16 442	17 623
Prepayments for inventory	16 339	11 938
Prepayments for services	5 770	4 880
Prepayments for taxes, except for income tax	1 140	3 397
Other prepayments	5 805	4 788
Total prepayments	45 496	42 626

16. CASH AND CASH EQUIVALENTS

	30 June 2017	31 December 2016
Cash in transit	14 198	46 579
Cash on current bank accounts	12 753	4 061
Bank deposits	7 677	12 094
Cash on hand	7 259	9 065
Balances with the National Bank of the Republic of Belarus (excluding mandatory cash balances with NB RB)	965	2 712
Total cash and cash equivalents	42 852	74 511

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

"Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

17. EQUITY

Participants	30 June 2017	31 December 2016
LITINVEST LIMITED, Cyprus	49.75%	49.75%
CURGIL VENTURES LIMITED, Cyprus	49.75%	49.75%
STORASS LIMITED, Cyprus	0.50%	0.50%
Total participants' interest	100%	100%

The ultimate controlling parties of the Company are Mr. Sergey Litvin (citizen of the Republic of Belarus) and Mr. Uladzimir Vasilko (citizen of the Republic of Belarus). All participants' stakes in the Company are fully contributed.

In accordance with the Belarusian legislation the Group distributes its profits in the form of dividends or transfers profits to reserves in the manner provided for by the Belarusian accounting standards.

During the six-month period ended 30 June 2017 and 2016 no dividends were declared.

Within the six-month period of 2016, the Group made additional contribution in the share capital of subsidiary "Tekhno Media Treid" LLC in the amount of BYN 2 500 thousand. However, ownership share remained unchanged. Resulting from the transaction the Group recognized:

- increase in NCI by BYN 89 thousand;
- decrease in retained earnings by BYN 89 thousand.

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 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, "Barentsevo" LLC.

In thousands of Belarussian rubles

	2017
Net assets attributable to the acquired non-controlling interest at the redemption date	79
Reimbursement cost	(33)
Increase in retained earnings	46

"Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017
(in thousands of Belarusian Rubles)

18. LOANS AND BORROWINGS

Loans and borrowings as at 30 June 2017 were as follows:

	Currency	Rate	Maturity date	30 June 2017	31 December 2016
Bank loan	USD	5.50-13.00%	2017-2023	821 323	1 039 391
Bank loan	BYN	11.50%-16.00%	2017-2018	208 903	15 769
Bank loan	EUR	3.09-11.50%	2017-2018	46 118	34 574
Bank loan	RUB	8.70-19.50%	2017-2019	41 533	29 390
Bonds issued	USD	6.00-13.00%	2018-2020	46 025	50 629
Bonds issued	EUR	11%	2019	9 034	8 364
Loans from related parties	RUB	0%	2017	-	75
Other loans	BYN	10-27%	2017-2018	9 040	9,037
Total loans and borrowings				1 181 976	1 187 229
Less short-term part				(373 848)	(514 569)
Total long-term part				808 128	672 660

The Group pledged property and equipment and inventories (Note 11, 13) to secure bank loans.

As at 30 June 2017 and 31 December 2016 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 30 June 2017 and 31 December 2016 100% of the ownership interest of the subsidiary company "BelRosKompani" LLC was pledged under loan agreements with "Alfa-Bank".

As at 30 June 2017 and 31 December 2016 the Group met its contractual obligations under loan agreements, except for fulfilling the covenant "Net debt ratio/EBITDA" of a Belarusian bank. Breach of this obligation is an "Event of Default" and may, upon notice from the creditors, lead to the demand for an immediate return of the respective borrowings. Thus, as at 30 June 2017 and 31 December 2016 the amounts of BYN 17 694 thousand and BYN 23 455 thousand, respectively, are presented in current liabilities.

"Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

19. FINANCE LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Amounts payable under finance lease agreements:				
Payable within 12 months	22 274	28 978	12 487	18 688
Total current liabilities under finance leases	22 274	28 978	12 487	18 688
Payable within second year	25 409	26 587	16 889	17 892
Payable within the period from the third to fifth year (inclusive)	73 755	81 144	57 617	61 624
Total long-term liabilities under finance leases	99 164	107 731	74 506	79 516
Less future short-term finance charges	(9 784)	(10 290)	-	-
Less future long-term finance charges	(24 661)	(28 215)	-	-
Total future finance charges	(34 445)	(38 505)	-	-
Total liabilities under finance lease	86 993	98 204	86 993	98 204

20. TRADE AND OTHER PAYABLES

	30 June 2017	31 December 2016
Trade accounts payable	432 313	550 124
Bank customers' accounts	50 145	27 627
Payables for property and equipment	15 996	9 775
Payables for services	15 079	15 033
Settlements with construction contractors	389	589
Other accounts payable	10 070	15 777
Total trade and other payables	523 992	618 925

21. OTHER CURRENT LIABILITIES

	30 June 2017	31 December 2016
Taxes payable, other than income taxes	32 487	28 567
Accrued provision for unused vacations	10 666	10 486
Amounts payable to employees	13 611	14 080
Prepayments received from third parties	5 327	6 022
Salary taxes and social security fund payable	1 667	2 371
Total other current liabilities	63 758	61 526

"Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

22. 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 common control with the Group, key management personnel of the Group and the companies under their control, their close family members, companies that are controlled or significantly influenced by shareholders.

Settlements with related parties under common control and the parent company are as follows:

	30 June 2017	31 December 2016
Entities under common control with the Group		
Trade and other receivables	42 630	44 849
Loans granted	15	4 067
Trade and other payables	(21 491)	(32 385)
Prepayments	4 629	4 267
Financial investments in securities	361	361
Loans received	-	(75)

Information about the Group's transactions with related parties for six-month period ended 30 June 2017 and 30 June 2016 is presented below:

	For the six-month period ended 30 June	
	2017	2016
Entities under common control with the Group		
Purchase of goods	41 351	68 069
Revenue	28 393	32 971
Other income from property and equipment sale	252	266
Administrative and selling expenses	3 331	3 835
Acquisition of property and equipment	67	190
Key management personnel		
Remuneration to key management personnel	2 988	2 022

The Group sells the goods to a company under common control which in its turn sells goods to ultimate customers through online grocery service. This company was established in 2014 and is still in stage of development. Agreements with this company stipulate a delay of payment to 365 days. Since 2016 the company has started generating profit and has had no overdue debts payable to the Group. The management analyzed budgets of this company and concluded that receivables from it as at 30 June 2017 in the amount of BYN 35 451 thousand will be fully repaid. No allowance for doubtful debts was made for this counterparty.

"Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

23. CONTINGENCIES AND CONTRACTUAL OBLIGATIONS

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 2017	31 December 2016
Within one year	19 742	20 358
Total liabilities under operating leases	19 742	20 358

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 2017	31 December 2016
Guarantees issued	6 573	4 706
Total credit-related commitments	6 573	4 706
Provision for credit-related commitments	(1 157)	(1 367)
Net credit-related commitments	5 416	3 339

"Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

24. FINANCIAL RISK AND CAPITAL MANAGEMENT POLICIES

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.

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 to 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 2017 exceeded current assets by BYN 482 115 thousand (31 December 2016: BYN 719 461 thousand). Excess of current liabilities over current assets is a common practice for retail companies.

Refinancing of current payments

The Company undertakes a number of efforts to control liquidity risk: refinancing of short-term loan debts at a later maturity date, searching for investors for sale of buildings for the subsequent operating lease.

In the first half of 2017, the Group actively worked with major creditors and managed to restructure a significant portion of the debt. Thus, in April 2017, the deadlines for the final repayment of liabilities to the largest lending banks - the Alfa-Bank Group and "BPS-Sberbank" OJSC, were postponed from 2020 to 2022-2023. According to the revised schedules, in 2017 settlement of debt to these banks will amount to USD 27.8 million (BYN 54.5 million) instead of USD 107.4 million (BYN 210.3 million), which led to a reduction in the short-term portion of long-term liabilities in 2017 by USD 79.6 million (BYN 155.9 million).

During 2017 the lending banks, based on the long-term and mutually beneficial cooperation with the Group, confirmed their intention to retain the level of debt in the amounts in accordance with the previously concluded contracts, providing new credit resources within repayments carried out in accordance with the established schedules. The creditors confirmed their intention to maintain the current level of debt in foreseeable future.

The Company negotiates with creditors translation of liabilities denominated in a foreign currency into the national currency. This would significantly reduce currency risks and would help to avoid an uncontrolled increase in the cost of supporting the loan portfolio in the event of a significant devaluation of the national currency.

"Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

Information concerning contractual maturity dates of financial liabilities as at 30 June 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	(1 181 976)	(1 448 734)	(461 669)	(912 959)	(74 106)
Trade and other accounts payable	(523 992)	(523 992)	(523 992)	-	-
Liabilities under finance lease	(86 993)	(121 438)	(22 274)	(99 164)	-
Accrued interests	(7 970)	(7 970)	(7 970)	-	-
Total liabilities	(1 800 931)	(2 102 134)	(1 015 905)	(1 012 123)	(74 106)
Operating lease	-	(19 742)	(19 742)	-	-
Bank guarantees	-	(6 573)	(6 573)	-	-

Information concerning contractual maturity dates of financial liabilities as at 31 December 2016 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	(1 187 229)	(1 356 424)	(582 888)	(771 548)	(1 988)
Trade and other payables	(618 925)	(618 925)	(618 925)	-	-
Liabilities under finance leases	(98 204)	(136 709)	(28 978)	(107 731)	-
Accrued interests	(9 659)	(9 659)	(9 659)	-	-
Total liabilities	(1 914 017)	(2 121 717)	(1 240 450)	(879 279)	(1 988)
Operating lease	-	(20 358)	(20 358)	-	-
Bank guarantees	-	(4 706)	(4 706)	-	-

"Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

30 June 2017	Carrying value		Fair value			Total
	Loans and receivables	Other financial liabilities	Level 1	Level 2	Level 3	
Financial assets						
Loans granted	51 055	-	-	-	51 055	51 055
Trade and other receivables	84 267	-	-	-	-	-
Cash and cash equivalents	42 852	-	-	-	-	-
Other investments	40 318	-	-	-	40 318	40 318
Total	218 492	-	-	-	91 373	91 373
Financial liabilities						
Loans and borrowings	-	(1 181 976)	-	-	(1 202 347)	(1 202 347)
Accrued interests	-	(7 970)	-	-	(7 970)	(7 970)
Liabilities under finance lease	-	(86 993)	-	-	(85 494)	(85 494)
Trade and other payables	-	(523 992)	-	-	-	-
Other current liabilities	-	(63 758)	-	-	-	-
Total	-	(1 864 689)	-	-	(1 295 811)	(1 295 811)
31 December 2016						
31 December 2016	Carrying value		Fair value			Total
	Loans and receivables	Other financial liabilities	Level 1	Level 2	Level 3	
Financial assets						
Loans granted	51 299	-	-	-	51 299	51 299
Trade and other receivables	83 524	-	-	-	-	-
Cash and cash equivalents	74 511	-	-	-	-	-
Other investments	20 643	-	-	-	20 643	20 643
Total	229 977	-	-	-	71 942	71 942
Financial liabilities						
Loans and borrowings	-	(1 187 229)	-	-	(1 210 407)	(1 210 407)
Accrued interests	-	(9 659)	-	-	(9 659)	(9 659)
Liabilities under finance lease	-	(98 204)	-	-	(98 204)	(98 204)
Trade and other payables	-	(618 925)	-	-	-	-
Total	-	(1 914 017)	-	-	(1 318 270)	(1 318 270)

"Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

The Group did not perform measurement of fair value measurement of 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
Other financial liabilities	Discounted cash flows	the National Bank of the Republic of Belarus

There were no transfers between fair value hierarchy levels in 2017 and 2016.

26. GOODWILL

As at the reporting date the goodwill by companies is as follows:

Company	30 June 2017	31 December 2016
"Dzerzhinskii myasokombinat" CJSC	3 103	3 103
"Statusbank" OJSC (Bank)	2 667	2 667
"SitiBalt" LLC	304	304
"Yulaim" ALC	170	170
"PakHaus" Unitary enterprise	107	107
"Vladalinoks" LLC	8	8
"Mayakinvest" LLC	-	1 051
Total	6 359	7 410

"Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

27. 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 the 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.

Condensed consolidated interim statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2017:

	Retail and wholesale	Banking business	Consolidation entries	Total for the six- month period ended 30 June 2017
Revenue, interest and commission income (external customers)	1 888 436	9 210	-	1 897 646
Revenue, interest and commission income (between operating segments)	445	256	(701)	-
Cost of goods and services sold and interest expenses	(1 391 464)	(1 429)	-	(1 392 893)
Gross profit	497 417	8 037	(701)	504 753
Administrative and selling expenses	(350 371)	(6 425)	445	(356 351)
Other income	3 583	2 099	-	5 682
Other expenses	(13 156)	(90)	-	(13 246)
Operating profit	137 473	3 621	(256)	140 838
Finance costs	(76 673)	(1 704)	256	(78 121)
Finance income	3 266	-	-	3 266
Profit before income tax	64 066	1 917	-	65 983
Income tax expense	(6 536)	(531)	-	(7 067)
Total profit for the period	57 530	1 386	-	58 916

"Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

Condensed consolidated interim statement of financial position as at 30 June 2017:

	Retail and wholesale	Banking business	Consolidation entries	30 June 2017
Assets				
Property and equipment	1 431 641	2 300	-	1 433 941
Prepayments for non-current assets	25 853	-	-	25 853
Intangible assets	4 114	778	-	4 892
Goodwill	3 692	-	2 667	6 359
Loans granted	-	22 124	(451)	21 673
Deferred tax asset	58 816	-	-	58 816
Other non-current assets	50 164	-	(48 651)	1 513
Total non-current assets	1 574 280	25 202	(46 435)	1 553 047
Inventories	242 395	123	-	242 518
Trade and other receivables	83 416	862	(11)	84 267
Current income tax assets	26	-	-	26
VAT recoverable	21 540	-	-	21 540
Prepayments	45 456	46	(6)	45 496
Loans granted	120	33 663	(4 401)	29 382
Cash and cash equivalents	27 257	15 595	-	42 852
Other investments	-	38 805	-	38 805
Total current assets	420 210	89 094	(4 418)	504 886
Total assets	1 994 490	114 296	(50 853)	2 057 933
Equity				
Share capital	132 242	52 817	(52 817)	132 242
Revaluation reserve	355 140	-	-	355 140
Accumulated loss	(313 614)	2 284	6 567	(304 763)
Equity attributable to owners of the Group	173 768	55 101	(46 250)	182 619
Non-controlling interests	(4)	-	266	262
Total equity	173 764	55 101	(45 984)	182 881
Liabilities				
Loans and borrowings	802 184	6 401	(457)	808 128
Liabilities under finance lease	74 479	27	-	74 506
Deferred income	4 693	-	-	4 693
Deferred tax liabilities	404	320	-	724
Total non-current liabilities	881 760	6 748	(457)	888 051

"Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

Loans and borrowings	378 243	-	(4 395)	373 848
Accrued interests	7 970	-	-	7 970
Current liabilities under finance lease	12 487	-	-	12 487
Trade and other payables	471 607	52 220	165	523 992
Current income tax liabilities	1 809	216	-	2 025
Deferred income	2 921	-	-	2 921
Other current liabilities	63 929	11	(182)	63 758
Total current liabilities	938 966	52 447	(4 412)	987 001
Total equity and liabilities	1 994 490	114 296	(50 853)	2 057 933

Condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2017:

	Retail and wholesale	Banking business	Consolidation entries	Total for the six-month period ended 30 June 2017
Cash flows from operating activities:				
Profit for the period	57 530	1 386	-	58 916
<i>Adjustments for:</i>				
Income tax expense	6 536	531	-	7 067
Depreciation	40 411	-	-	40 411
Amortization	1 097	-	-	1 097
Net finance costs	72 895	1 704	256	74 855
Loss on disposal of property and equipment	1 607	-	-	1 607
Increase in allowance for impairment of trade and other receivables	1 314	-	-	1 314
	181 390	3 621	256	185 267
<i>Changes in:</i>				
Inventories	(4 611)	(77)	-	(4 688)
Trade and other receivables	(1 898)	(159)	-	(2 057)
VAT recoverable	10 222	-	-	10 222
Prepayments	(3 136)	266	-	(2 870)
Deferred income	988	-	-	988
Trade and other payables	(127 069)	22 491	-	(104 578)
Loans granted	(279)	(1 412)	279	(1 412)
Other current liabilities	(178)	-	-	(178)
Cash from operating activities	55 429	24 730	535	80 694
Income tax paid	(1 615)	(273)	-	(1 888)
Net cash from operating activities	53 814	24 457	535	78 806

"Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

Cash flows from investing activities:

Acquisition of subsidiary with non-controlling interests	(33)	-	-	(33)
Proceeds from disposal of property and equipment	4 898	172	-	5 070
Acquisition of property and equipment	(11 447)	-	-	(11 447)
Acquisition of bonds	-	(20 854)	-	(20 854)
Deposits interest received	9	-	-	9
Acquisition of intangible assets	(354)	(180)	-	(534)
Net cash used in investing activities	(6 927)	(20 862)	-	(27 789)

Cash flows from financial activities:

Loans and borrowings received	316 639	-	4 230	320 869
Loans and borrowings repaid	(311 703)	(10 039)	(4 497)	(326 239)
Interest paid on loans and borrowings	(61 823)	-	(268)	(62 091)
Repayment of debt under finance lease	(10 789)	-	-	(10 789)
Lessors' remuneration on finance lease	(4 256)	-	-	(4 256)
Net cash used in financial activities	(71 932)	(10 039)	(535)	(82 506)
Net decrease in cash and cash equivalents	(25 045)	(6 444)	-	(31 489)
Cash and cash equivalents as at the beginning of the period	52 472	22 039	-	74 511
Effect of translation to presentation currency	(170)	-	-	(170)
Cash and cash equivalents as at the end of the period	27 257	15 595	-	42 852

"Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

Condensed consolidated interim statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2016:

	Retail and wholesale	Banking business	Consolidation entries	Total for the six-month period ended 30 June 2016
Revenue and interest and commission income (external customers)	1 746 689	12 221	-	1 758 910
Revenue and interest and commission income (between operating segments)	189	362	(551)	-
Cost of goods and services sold and interest expenses	(1 363 178)	(2 422)	-	(1 365 600)
Gross profit	383 700	10 161	(551)	393 310
Administrative and selling expenses	(317 531)	(5 908)	189	(323 250)
Other income	2 416	2 620	-	5 036
Other expenses	(12 899)	(94)	-	(12 993)
Operating profit	55 686	6 779	(362)	62 103
Finance costs	(183 333)	(2 579)	362	(185 550)
Finance income	21	43	-	64
Profit before income tax	(127 626)	4 243	-	(123 383)
Income tax benefit	20 236	(916)	-	19 320
Total loss for the period	(107 390)	3 327	-	(104 063)

Condensed consolidated interim statement of financial position as at 31 December 2016:

	Retail and wholesale	Banking business	Consolidation entries	31 December 2016
Assets				
Property and equipment	1 455 965	2 472	-	1 458 437
Prepayments for non-current assets	31 369	-	-	31 369
Intangible assets	4 854	598	-	5 452
Goodwill	4 743	-	2 667	7 410
Loans granted	-	36 578	(798)	35 780
Other investments	51 343	-	(48 651)	2 692
Deferred tax assets	61 089	-	-	61 089
Total non-current assets	1 609 363	39 648	(46 782)	1 602 229

"Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

Inventories	237 784	46	-	237 830
Trade and other receivables	83 030	633	(139)	83 524
Current tax assets	1 351	-	-	1 351
VAT recoverable	31 762	-	-	31 762
Prepayments	42 314	312	-	42 626
Loans granted	121	19 829	(4 431)	15 519
Cash and cash equivalents	51 665	22 039	807	74 511
Other investments	-	17 951	-	17 951
Total current assets	448 027	60 810	(3 763)	505 074
Total assets	2 057 390	100 458	(50 545)	2 107 303

Equity

Share capital	132 242	52 817	(52 817)	132 242
Revaluation reserve	355 140	-	-	355 140
Accumulated loss	(371 163)	898	6 573	(363 692)
Equity attributable to owners of the Group	116 219	53 715	(46 244)	123 690
Non-controlling interests	86	-	260	346
Total equity	116 305	53 715	(45 984)	124 036

Liabilities

Long-term loans and borrowings	661 743	10 917	-	672 660
Non-current liabilities under finance lease	79 516	-	-	79 516
Deferred income	5 854	-	-	5 854
Deferred tax liabilities	382	320	-	702
Total non-current liabilities	747 495	11 237	-	758 732
Short-term loans and borrowings	513 468	5 523	(4 422)	514 569
Accrued liabilities	9 659	-	-	9 659
Current liabilities under finance lease	18 688	-	-	18 688
Trade and other payables	589 341	29 620	(36)	618 925
Current income tax liabilities	33	363	-	396
Deferred income	772	-	-	772
Other current liabilities	61 629	-	(103)	61 526
Total current liabilities	1 193 590	35 506	(4 561)	1 224 535
Total equity and liabilities	2 057 390	100 458	(50 545)	2 107 303

"Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

Condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2016:

	Retail and wholesale	Banking business	Consolidation entries	Total for the six-month period ended 30 June 2016
Cash flows from operating activities:				
Profit (loss) for the period	(107 390)	3 327	-	(104 063)
<i>Adjustments for:</i>				
Income tax benefit	(20 236)	916	-	(19 320)
Depreciation	34 468	-	-	34 468
Amortization	34	-	-	34
Net finance costs	182 588	2 536	362	185 486
Profit on disposal of property and equipment	3 382	-	-	3 382
Increase (decrease) in allowance for impairment of trade and other receivables	10 334	-	-	10 334
	103 180	6 779	362	110 321
<i>Changes in:</i>				
Inventories	(3 476)	-	-	(3 476)
Trade and other receivables	(23 313)	38	-	(23 275)
VAT recoverable	5 834	-	-	5 834
Prepayments	(16 402)	(169)	-	(16 571)
Deferred income	(377)	-	-	(377)
Trade and other payables	116 719	(13 806)	-	102 913
Loans granted	5 007	(1 540)	(5 007)	(1 540)
Other current liabilities	(2 737)	4 666	-	1 929
Cash generated from operating activities	184 435	(4 032)	(4 645)	175 758
Income tax paid	(4 116)	(766)	-	(4 882)
Net cash from operating activities	180 319	(4 798)	(4 645)	170 876
Cash flows from investing activities:				
Proceeds from sale of property and equipment	3 125	-	-	3 125
Acquisition of property and equipment	(35 968)	(181)	-	(36 149)
Acquisition of bonds	-	(7 091)	-	(7 091)
Deposits interest received	64	-	-	64
Acquisition of intangible assets	-	-	-	-
Net cash used in investing activities	(32 779)	(7 272)		(40 051)
Cash flows from financial activities:				
Loans and borrowings received	284 554	7 052	12 152	303 758
Loans and borrowings repaid	(359 502)	-	(7 128)	(366 630)
Interest paid on loans	(65 114)	-	(379)	(65 493)
Repayment of debt under finance lease	(11 412)	-	-	(11 412)
Lessors' remuneration on finance lease	(5 233)	-	-	(5 233)
Net cash used in financial activities	(156 707)	7 052	4 645	(145 010)

"Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

Net outflow of cash and cash equivalents	(9 167)	(5 018)		(14 185)
Cash and cash equivalents as at 1 January	27 725	31 338	-	59 063
Effect of translation to presentation currency	(1 766)	-	-	(1 766)
Cash and cash equivalents as at 30 June	16 792	26 320	-	43 112

28. UNCERTAINTES

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.

Operating 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 -2.6% in 2016, year-on-year inflation rate accounted for 13.5% in 2015 and 11.8% 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 +1.0% in first half 2017. Macroeconomic stabilization processes contributed a lot to inflation slowdown: inflation in June 2017 was 6.5% year-on-year in line with the National Bank's one-digit target for the December 2017 vs December 2016 level to be contained to 9%. 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.

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.

29. SUBSEQUENT EVENTS

The consumer price index for January-August 2017 constituted 2,5%.

On 21 August 2017 the Group incorporated new subsidiary Special Purpose Vehicle/Entity Bonitron for Eurobonds issue purposes.