

O'KEY GROUP S.A.

**Condensed Consolidated Interim
Financial Statements**

Six months ended 30 June 2019

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Report on Review of the Condensed Consolidated Interim Financial Statements

To the Board of Directors of
O'KEY GROUP S.A.

We have reviewed the accompanying condensed consolidated interim financial statements of O'Key Group S.A. (the "Company"), which comprise the condensed consolidated interim statement of financial position as at 30 June 2019, and the related condensed consolidated interim statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the condensed consolidated interim financial statements

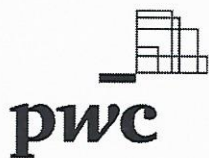
The Board of Directors is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review. We conducted our review in accordance with International Standard on Review Engagements (ISRE 2410 "Review of interim financial information performed by the independent auditor of the entity") as adopted for Luxembourg by the "Institut des Réviseurs d'Entreprises". This standard requires us to comply with relevant ethical requirements and conclude whether anything has come to our attention that causes us to believe that the condensed consolidated interim financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework.

A review of condensed consolidated interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. The "Réviseur d'entreprises agréé" performs procedures, primarily consisting of making inquiries of management and others within the Company, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

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



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 22 August 2019

A blue ink signature, appearing to be "A. Chizhov", written over a large, stylized, light blue oval shape.

Andrei Chizhov

'000 RUB	Note	30 June 2019	31 December 2018
ASSETS			
Non-current assets			
Investment property		1,048,737	1,047,000
Property, plant and equipment	10	43,036,179	43,770,640
Construction in progress	10	2,980,565	3,754,546
Right-of-use assets	11	24,167,963	-
Lease rights		-	4,312,159
Intangible assets	12	1,251,520	1,294,214
Deferred tax assets	9	3,687,012	2,438,928
Other non-current assets	13	935,185	1,405,610
Total non-current assets		77,107,161	58,023,097
Current assets			
Inventories	14	12,199,937	13,684,473
Trade and other receivables	15	3,480,092	3,402,946
Prepayments		1,072,033	1,389,038
Other current assets		25,928	25,466
Cash and cash equivalents		4,016,131	8,712,253
Total current assets		20,794,121	27,214,176
Total assets		97,901,282	85,237,273

'000 RUB	Note	30 June 2019	31 December 2018
EQUITY AND LIABILITIES			
Equity			
Share capital		119,440	119,440
Legal reserve		10,597	10,597
Additional paid-in capital		8,555,657	8,555,657
Hedging reserve		(37,337)	-
Retained earnings		7,275,471	12,200,119
Translation reserve		1,223,826	1,595,368
Total equity		17,147,654	22,481,181
Non-current liabilities			
Loans and borrowings	17	31,974,980	31,964,302
Lease liabilities	18	22,928,011	-
Deferred tax liabilities		383,908	679,921
Other non-current liabilities		-	112,047
Total non-current liabilities		55,286,899	32,756,270
Current liabilities			
Loans and borrowings	17	1,709,214	2,461,437
Interests accrued on loans and borrowings	17	185,117	97,364
Lease liabilities	18	3,733,739	-
Trade and other payables	19	19,538,900	26,861,848
Current income tax payable		299,759	579,173
Total current liabilities		25,466,729	29,999,822
Total liabilities		80,753,628	62,756,092
Total equity and liabilities		97,901,282	85,237,273

*Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2019*

'000 RUB	Note	Six months ended 30 June 2019	Six months ended 30 June 2018
Revenue	4	79,883,427	78,179,207
Cost of goods sold		(61,046,967)	(59,952,379)
Gross profit		18,836,460	18,226,828
General, selling and administrative expenses	5	(16,531,707)	(17,047,777)
Other operating income and expenses, net	6	138,667	380,770
Operating profit		2,443,420	1,559,821
Finance income	7	59,008	46,577
Finance costs	7	(2,625,749)	(1,581,324)
Foreign exchange gain/(loss)		692,220	(642,206)
Profit/(loss) before income tax		568,899	(617,132)
Income tax benefit	9	62,990	76,005
Profit/(loss) for the period		631,889	(541,127)
Other comprehensive (loss)/income			
<i>Items that will never be reclassified to profit or loss:</i>			
Exchange differences on translation to presentation currency		(371,542)	240,195
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Change in fair value of hedges and reclassification from hedging reserve		(46,671)	41,143
Income tax on items within other comprehensive income		9,334	(8,229)
Other comprehensive (loss)/income for the period, net of income tax		(408,879)	273,109
Total comprehensive income/(loss) for the period		223,010	(268,018)
Earnings/(loss) per share			
Basic and diluted earnings/(loss) per share (in RUB per share)	16	2.3	(2.0)

The condensed consolidated interim statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 9 to 32.

Condensed Consolidated Interim Statement of Changes in Equity for the six months ended 30 June 2019

'000 RUB	Note	Share capital	Legal reserve	Additional paid-in capital	Hedging reserve	Retained earnings	Translation reserve	Total equity
Balance at 1 January 2018		119,440	10,597	8,555,657	(99,861)	15,025,513	639,633	24,250,979
Comprehensive loss for the period								
Loss for the period		-	-	-	-	(541,127)	-	(541,127)
Other comprehensive income								
Foreign currency translation differences		-	-	-	-	-	240,195	240,195
Change in fair value of hedges and reclassification from hedging reserve		-	-	-	41,143	-	-	41,143
Income tax on items within other comprehensive income		-	-	-	(8,229)	-	-	(8,229)
Reclassification within equity		-	-	-	-	(346,618)	346,618	-
Total other comprehensive income		-	-	-	32,914	(346,618)	586,813	273,109
Total comprehensive loss for the period		-	-	-	32,914	(887,745)	586,813	(268,018)
Transactions with owners recorded directly in equity								
Contributions by and distributions to owners								
Dividends declared		-	-	-	-	(1,879,021)	-	(1,879,021)
Total transactions with owners recorded directly in equity		-	-	-	-	(1,879,021)	-	(1,879,021)
Balance at 30 June 2018		119,440	10,597	8,555,657	(66,947)	12,258,747	1,226,446	22,103,940

Condensed Consolidated Interim Statement of Changes in Equity for the six months ended 30 June 2019

'000 RUB	Note	Share capital	Legal reserve	Additional paid-in capital	Hedging reserve	Retained earnings	Translation reserve	Total equity
Balance at 31 December 2018		119,440	10,597	8,555,657	-	12,200,119	1,595,368	22,481,181
Change in accounting policy	3	-	-	-	-	(5,556,537)	-	(5,556,537)
Balance at 1 January 2019		119,440	10,597	8,555,657	-	6,643,582	1,595,368	16,924,644
Comprehensive income for the period								
Profit for the period		-	-	-	-	631,889	-	631,889
Other comprehensive loss								
Foreign currency translation differences		-	-	-	-	-	(371,542)	(371,542)
Change in fair value of hedges and reclassification from hedging reserve		-	-	-	(46,671)	-	-	(46,671)
Income tax on items within other comprehensive income		-	-	-	9,334	-	-	9,334
Total other comprehensive loss		-	-	-	(37,337)	-	(371,542)	(408,879)
Total comprehensive income for the period		-	-	-	(37,337)	631,889	(371,542)	223,010
Balance at 30 June 2019		119,440	10,597	8,555,657	(37,337)	7,275,471	1,223,826	17,147,654

Condensed Consolidated Interim Statement of Cash Flows for the six months ended 30 June 2019

'000 RUB	Note	Six months ended 30 June 2019	Six months ended 30 June 2018
Cash flows from operating activities			
Cash receipts from customers		92,381,998	89,676,521
Other cash receipts		435,310	433,619
Interest received		42,770	39,408
Cash paid to suppliers and employees		(90,150,271)	(92,699,092)
Taxes other than on income		(367,911)	(467,308)
Other cash payments		(30,157)	(19,871)
VAT paid		(1,559,547)	(1,216,504)
Income tax paid		(418,532)	(1,065,330)
Net cash from/(used in) operating activities		333,660	(5,318,557)
Cash flows from investing activities			
Purchase of property, plant and equipment and right-of-use assets/lease rights (excluding VAT)		(1,126,491)	(1,383,950)
Purchase of intangible assets (excluding VAT)		(145,171)	(167,336)
Proceeds from sale of supermarkets (excluding VAT)		-	6,910,243
Proceeds from sale of subsidiaries	6	1,552,785	-
Proceeds from sale of property, plant and equipment and intangible assets (excluding VAT)		13,220	16,087
Net cash from investing activities		294,343	5,375,044
Cash flows from financing activities			
Proceeds from loans and borrowings		5,250,000	1,100,000
Repayment of loans and borrowings		(5,893,800)	(3,990,268)
Interest paid		(1,432,712)	(1,612,754)
Repayment of principal amount of lease liabilities		(1,974,051)	-
Interest paid on lease liabilities		(1,216,864)	-
Dividends paid		-	(1,879,021)
Other financial payments		(34,920)	(54,522)
Net cash used in financing activities		(5,302,347)	(6,436,565)
Net decrease in cash and cash equivalents		(4,674,344)	(6,380,078)
Cash and cash equivalents at the beginning of the period		8,712,253	7,750,177
Effect of exchange rate fluctuations on cash and cash equivalents		(21,778)	(35,318)
Cash and cash equivalents at the end of the period		4,016,131	1,334,781

1 Background

(a) The Group and its operations

These condensed consolidated interim financial statements as at and for the six months ended 30 June 2019 have been prepared for O'KEY GROUP S.A. (the "Company") and its subsidiaries (together referred to as the "Group").

The Company was incorporated and is domiciled in Luxembourg. The Company is a public limited company (société anonyme) and was set up in accordance with Luxembourg regulations. The main part of the Group is located and conducts its business in the Russian Federation.

The Company does not have an immediate parent or an ultimate controlling party.

As at 30 June 2019 and 31 December 2018, the Company's major indirect shareholders are Mr. Troitskii, Mr. Volchek and Mr. Korzhev.

As at 30 June 2019, 38.172% of the Company's shares were admitted to trading on the London Stock Exchange in the form of global depositary receipts (GDRs).

The Company's registered address is Luxembourg 46a, Avenue J.F. Kennedy, 3rd floor, L-1855.

The Group's principal business activity is operation of retail chains in Russia under the brand names "O'KEY" (hypermarkets) and "Da!" (discounter stores). As at 30 June 2019, the Group operated 164 stores including 86 discounter stores (31 December 2018: 160 stores including 82 discounter stores) in major Russian cities, including but not limited to Moscow and Moscow region, St. Petersburg, Murmansk, Nizhniy Novgorod, Rostov-on-Don, Krasnodar, Lipetsk, Volgograd, Ekaterinburg, Novosibirsk, Krasnoyarsk, Ufa, Astrakhan and Surgut.

(b) Business environment

The Group's operations are primarily located in the Russian Federation which displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The economy continued to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. Firm oil prices, low unemployment and rising wages supported a modest growth of the economy in 2018 and further in 2019. This operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

(c) Seasonality

The Group experiences seasonal fluctuations in its operations, such as an increase in sales during December, prior to Christmas and the New Year period, and May holidays and a decrease in sales in August, September and February, which follow the summer and winter holiday seasons, respectively. The sale of seasonal products, such as school-related non-food products in August, New Year decorations and gifts in December and household appliances for summer houses from April to September affects the Group's interim results.

As a result, in the middle of the year the Group's stock levels, cash, payables to suppliers and cash flows from operating activities decrease compared to year-end.

1 Background (continued)

(d) Net current liabilities

As at 30 June 2019, the Group's current liabilities exceeded its current assets by RUB 4,672,608 thousand (31 December 2018: RUB 2,785,646 thousand). An excess of current liabilities over current assets is usual for the retail industry. The Group uses excess of trade and other payables over inventory to finance its investing activities. The Group has reviewed its cash flow forecasts in the context of current and projected market conditions, as well as available undrawn credit facilities disclosed in Note 17, and is confident that will be able to meet its obligations as they fall due.

2 Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim financial reporting* as adopted by the European Union. They do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2018 which have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

These condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 22 August 2019.

3 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements and significant judgments made by management in applying these accounting policies are consistent with those applied by the Group in its annual consolidated financial statements as at and for the year ended 31 December 2018 and corresponding interim period, except for the estimation of income tax and as set out below.

New and amended standards and interpretations adopted by the Group

A number of new standards, amendments to standards and interpretations became effective from 1 January 2019, including the following:

IFRS 16, 'Leases'. The Group has adopted IFRS 16 from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

3 Significant accounting policies (continued)

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. The Group as the lessee is now required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of right-of-use assets separately from interest on lease liabilities in the consolidated statement of profit or loss and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, while the Group as the lessor had only operating leases, it continued to account for such operating leases upon adoption of IFRS 16 with no changes.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. The Group's incremental borrowing rate applied to the lease liabilities on 1 January 2019 ranged from 4 to 10%.

'000 RUB

Operating lease commitments disclosed as at 31 December 2018	36,968,672
Add: adjustments as a result of a different treatment of extension and termination options	7,870,300
Less: future minimum lease payments under non-cancellable land leases depending on the cadastral value as at 31 December 2018	(4,531,763)
Add: future minimum in-substance fixed lease payments as at 31 December 2018	5,788,580
Less: effect of discounting	(16,867,997)
Lease liability recognised as at 1 January 2019	29,227,792
Of which are:	
Current lease liabilities	3,543,705
Non-current lease liabilities	25,684,087

The associated right-of-use assets for leases were measured at their carrying amounts as if the standard had been applied since the commencement date, but discounted using the Group's incremental borrowing rate at the date of initial application. Lease rights previously presented as a separate item in the consolidated statement of financial position are in substance payments made to take over the Group's leases, and as such meet the definition of initial direct costs. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease and in determining the lease consideration where the contract contains options to increase of consideration in uncertain amount.

3 Significant accounting policies (continued)

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

'000 RUB	31 December 2018	Change in accounting policy	1 January 2019
ASSETS			
Non-current assets			
Property, plant and equipment	43,770,640	29,522	43,800,162
Construction in progress	3,754,546	81,720	3,836,266
Right-of-use assets	-	26,473,332	26,473,332
Lease rights	4,312,159	(4,312,159)	-
Deferred tax assets	2,438,928	1,389,134	3,828,062
Other non-current assets	1,405,610	(784,456)	621,154
Total non-current assets	58,023,097	22,877,093	80,900,190
Current assets			
Other current assets	25,466	(16,000)	9,466
Total current assets	27,214,176	(16,000)	27,198,176
Total assets	85,237,273	22,861,093	108,098,366
EQUITY AND LIABILITIES			
Equity			
Retained earnings	12,200,119	(5,556,537)	6,643,582
Total equity	22,481,181	(5,556,537)	16,924,644
Non-current liabilities			
Lease liabilities	-	25,684,087	25,684,087
Total non-current liabilities	32,756,270	25,684,087	58,440,357
Current liabilities			
Lease liabilities	-	3,543,705	3,543,705
Trade and other payables	26,861,848	(810,162)	26,051,686
Total current liabilities	29,999,822	2,733,543	32,733,365
Total liabilities	62,756,092	28,417,630	91,173,722
Total equity and liabilities	85,237,273	22,861,093	108,098,366

The other new standards did not have any impact on the Group's accounting policies.

3 Significant accounting policies (continued)

Accounting policies adopted from 1 January 2019

Leases

The Group leases various trade premises, land and other assets. Rental contracts are typically made for fixed periods of 3 to 49 years but may have extension and early termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset.

The Group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purposes the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

- The Group has the right to operate the asset; or
- The Group designed the asset in a way that predetermines how and for what purpose it will be used.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

At the commencement date, lease liabilities are measured at an amount equal to the present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

3 Significant accounting policies (continued)

The following variable payments are not included in the calculation of lease liability:

- payments under land lease agreements, the calculation of which depends on the cadastral value of the land plot and other coefficients established by government decrees;
- payments for utilities and other services, determined upon the fact of consumption.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms and conditions.

The right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs.

The lease liability is measured at amortised cost using the effective interest method. The carrying amount of liability is remeasured to reflect any reassessment, lease modification or revised in-substance fixed payments. It is remeasured when there is (i) a change in future lease payments arising from a change in an index or a rate; (ii) a change in the lease term depending on the reassessment of whether the Group will exercise extension or termination options; and (iii) lease modifications, when the modification is not accounted for as a separate lease. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and refrigeration equipment.

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100 per cent of lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Group presents right-of-use assets and lease liabilities in the separate lines in the condensed consolidated interim statement of financial position.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). If the contractual lease term does not align with the economics of the transaction, management considers whether there are any non-contractual enforceable rights beyond the written agreement to determine the lease term with reference to mutual understanding between the parties, respective laws and regulations and other relevant factors. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

4 Segment information

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocate resources and assess the performance for the entity. The CODM has been determined as the CEO of the Group and the Board of Directors of the Company.

The Group is engaged in management of retail stores located in the Russian Federation. Although the Group is not exposed to concentration of sales to individual customers, all of the Group's sales are made in the Russian Federation. As such, the Group is exposed to the economic development in Russia, including the development of the Russian retail industry. The Group has no significant non-current assets outside the Russian Federation.

The Group identified its operating segments in accordance with the criteria set in IFRS 8 *Operating Segments* and based on the way the operations of the Group are regularly reviewed by the CODM to analyse performance and allocate resources within the Group.

The Group has two operating segments that also represent reportable segments: "O'Key" and "Da!". Each segment has similar format of their stores which is described below:

- O'Key – chain of modern Western European style hypermarkets under the "O'KEY" brand;
- Da! – chain of discounter stores in Moscow and Central region.

The assortment of goods in the stores of each segment is different, and the segments are managed separately. For each of the segments, the CEO of the Group reviews internal management reports at least on a monthly basis.

All business components within each reportable segment demonstrate similar characteristics:

- the products and customers;
- the business processes are integrated and uniform: the components manage their operations centrally. Purchasing, logistics, finance, HR and IT functions are centralised;
- the components' activities are mainly limited to Russia which has a uniform regulatory environment.

The CODM assesses the performance of the operating segments based on revenue and earnings before interest, tax, depreciation and amortisation adjusted for certain one-off items outlined below ("EBITDA"). The "EBITDA" term is not defined in IFRS. Other information provided to the CODM is measured in a manner consistent with that in the consolidated financial statements. The accounting policies used for the segment reporting are the same as the accounting policies applied for the consolidated financial statements (Note 3).

Basis of segmentation used in these condensed consolidated interim financial statements is consistent with that used in the most recent annual consolidated financial statements of the Group.

4 Segment information (continued)

The segment information for the six-month periods ended 30 June 2019 and 30 June 2018 is as follows:

'000 RUB	O'Key		Da!		Total	
For six months ended 30 June	2019	2018	2019	2018	2019	2018
External revenue						
- Sales of goods for resale	67,350,153	67,944,010	8,583,192	6,266,511	75,933,345	74,210,521
- Sales of self-produced catering products	2,992,225	3,002,409	-	-	2,992,225	3,002,409
Revenue from contracts with customers	70,342,378	70,946,419	8,583,192	6,266,511	78,925,570	77,212,930
Rental income	929,690	937,194	28,167	29,083	957,857	966,277
Total revenue	71,272,068	71,883,613	8,611,359	6,295,594	79,883,427	78,179,207
EBITDA	6,509,221	4,370,106	(168,708)	(899,729)	6,340,513	3,470,377

4 Segment information (continued)

A reconciliation of EBITDA to profit/(loss) for the period is as follows:

'000 RUB	Note	Six months ended 30 June 2019	Six months ended 30 June 2018
EBITDA		6,340,513	3,470,377
Gain from disposal of non-current assets	6	68,061	213,235
(Impairment)/reversal of impairment of receivables	6	(7,432)	9,434
Impairment of non-current assets	6	(237,000)	-
Depreciation and amortisation	5	(3,720,722)	(2,133,225)
Finance income	7	59,008	46,577
Finance costs	7	(2,625,749)	(1,581,324)
Foreign exchange gain/(loss)		692,220	(642,206)
Profit/(loss) before income tax		568,899	(617,132)
Income tax benefit	9	62,990	76,005
Profit/(loss) for the period		631,889	(541,127)

Adoption of IFRS 16 'Leases' from 1 January 2019 impacted the Group's EBITDA for the six-month period ended 30 June 2019, as major part of operating lease expense is now replaced with finance costs and depreciation that are not included in EBITDA. Since the Group adopted the new standard under the modified retrospective approach, comparative EBITDA information has not been restated. As a consequence, the EBITDA for the six-month period ended 30 June 2019 is not entirely comparable to the EBITDA for the prior period.

If the Group had adopted IFRS 16 from 1 January 2018 on the same principles as it has adopted as of 1 January 2019, EBITDA for the six-month period ended 30 June 2018 and for the year ended 31 December 2018 would have been RUB 6,104,742 thousand and RUB 14,133,168 thousand respectively.

5 General, selling and administrative expenses

'000 RUB	Note	Six months ended 30 June 2019	Six months ended 30 June 2018
Personnel costs	8	7,377,206	7,198,448
Depreciation and amortisation	10 - 12	3,720,722	2,133,225
Communication and utilities		1,872,890	1,770,905
Advertising and marketing services		1,068,746	1,080,552
Repairs and maintenance costs		668,488	583,510
Insurance and bank commissions		450,362	409,539
Taxes other than on income		381,102	401,418
Security expenses		354,520	375,284
Legal and professional expenses		293,089	278,670
Expense relating to variable lease payments / Operating lease expense		184,618	2,668,109
Materials and supplies		148,800	131,715
Other costs		11,164	16,402
Total general, selling and administrative expenses		16,531,707	17,047,777

6 Other operating income and expenses, net

'000 RUB	Six months ended 30 June 2019	Six months ended 30 June 2018
Gain from modification of leases	315,397	-
Net gain from disposal of non-current assets	68,061	213,235
Impairment of non-current assets (Note 10)	(237,000)	-
(Impairment)/reversal of impairment of receivables	(7,432)	9,434
Sundry income and expenses, net	(359)	158,101
Total other operating income and expenses, net	138,667	380,770

In June 2019 the Group signed agreements with a third party for sale of the Group's two subsidiaries holding rights for lease of land plots and other related non-current assets in Moscow. Total proceeds according to the agreement comprised RUB 1,552,785 thousand. As of 30 June 2019, the deal was closed and the amounts due from the buyer under the agreements were received in cash in full.

7 Finance income and finance costs

'000 RUB	Six months ended 30 June 2019	Six months ended 30 June 2018
Recognised in profit or loss		
Interest income on bank deposits	46,217	44,457
Other finance income	12,791	2,120
Total finance income	59,008	46,577
Interest expense on loans and borrowings	(1,436,263)	(1,581,324)
Interest expense on lease liabilities	(1,189,486)	-
Total finance costs	(2,625,749)	(1,581,324)
Net finance costs recognised in profit or loss	(2,566,741)	(1,534,747)

8 Personnel costs

'000 RUB	Six months ended 30 June 2019	Six months ended 30 June 2018
Wages and salaries	4,652,177	4,569,385
Social security contributions	1,548,447	1,511,048
Bonuses to personnel	701,175	632,329
Other employee benefits	475,407	485,686
Total personnel costs	7,377,206	7,198,448

9 Income tax

Income tax is recognised based on management's estimate of the average effective annual income tax rate expected for the full financial year adjusted for one-time events.

'000 RUB	Six months ended 30 June 2019	Six months ended 30 June 2018
Current tax expense	(82,639)	(298,243)
Deferred tax benefit	145,629	374,248
Total income tax benefit	62,990	76,005

A significant increase in deferred tax assets was primarily driven by the deferred tax effects of transition to IFRS 16 amounting to RUB 1,389,134 thousand recognised in retained earnings on the date of initial application of the standard (Note 3).

10 Property, plant and equipment and construction in progress

'000 RUB	Note	Land	Buildings	Leasehold improvements	Machinery and equipment, auxiliary facilities and other fixed assets	Total property, plant and equipment	Construction in progress	Total property, plant and equipment and construction in progress
<i>Cost</i>								
Balance at 1 January 2018		4,934,476	38,006,385	7,309,159	14,928,340	65,178,360	3,313,175	68,491,535
Additions		4,488	2,966	-	320,984	328,438	994,783	1,323,221
Transfers		427	257,111	224,120	143,695	625,353	(625,353)	-
Disposals		(14,472)	(81,210)	(443)	(220,258)	(316,383)	(89,057)	(405,440)
Balance at 30 June 2018		4,924,919	38,185,252	7,532,836	15,172,761	65,815,768	3,593,548	69,409,316
Balance at 1 January 2019	3	4,975,059	38,907,212	7,916,794	15,657,993	67,457,058	3,836,266	71,293,324
Additions		90,000	8,070	-	425,912	523,982	701,700	1,225,682
Transfers		-	552,984	186,548	104,400	843,932	(843,932)	-
Disposals		-	(5,525)	(670)	(417,523)	(423,718)	(713,469)	(1,137,187)
Balance at 30 June 2019		5,065,059	39,462,741	8,102,672	15,770,782	68,401,254	2,980,565	71,381,819

10 Property, plant and equipment and construction in progress (continued)

'000 RUB	Note	Land	Buildings	Leasehold improvements	Machinery and equipment, auxiliary facilities and other fixed assets	Total property, plant and equipment	Construction in progress	Total property, plant and equipment and construction in progress
<i>Depreciation and impairment losses</i>								
Balance at 1 January 2018		-	(7,021,978)	(2,565,688)	(10,626,559)	(20,214,225)	-	(20,214,225)
Depreciation for the period		-	(638,945)	(291,572)	(937,181)	(1,867,698)	-	(1,867,698)
Reversal of impairment losses		-	56,182	-	-	56,182	-	56,182
Disposals		-	7,040	-	138,821	145,861	-	145,861
Balance at 30 June 2018		-	(7,597,701)	(2,857,260)	(11,424,919)	(21,879,880)	-	(21,879,880)
Balance at 1 January 2019	3	-	(8,592,043)	(3,135,766)	(11,929,087)	(23,656,896)	-	(23,656,896)
Depreciation for the period		-	(653,297)	(332,413)	(886,590)	(1,872,300)	-	(1,872,300)
Impairment losses		-	(237,000)	-	-	(237,000)	-	(237,000)
Disposals		-	2,309	570	398,242	401,121	-	401,121
Balance at 30 June 2019		-	(9,480,031)	(3,467,609)	(12,417,435)	(25,365,075)	-	(25,365,075)
<i>Net book value</i>								
At 1 January 2018		4,934,476	30,984,407	4,743,471	4,301,781	44,964,135	3,313,175	48,277,310
At 30 June 2018		4,924,919	30,587,551	4,675,576	3,747,842	43,935,888	3,593,548	47,529,436
At 1 January 2019	3	4,975,059	30,315,169	4,781,028	3,728,906	43,800,162	3,836,266	47,636,428
At 30 June 2019		5,065,059	29,982,710	4,635,063	3,353,347	43,036,179	2,980,565	46,016,744

10 Property, plant and equipment and construction in progress (continued)

Depreciation expense of RUB 1,872,300 thousand has been charged to general, selling and administrative expenses (six months ended 30 June 2018: RUB 1,867,698 thousand).

Construction in progress disposals for the period include items attributable to the subsidiaries sold to a third party in the reporting period in the amount of RUB 544,854 thousand (Note 6).

Impairment assessment

At the end of each reporting period, the Group assesses whether there is any indication that its non-current assets including property, plant and equipment, right-of-use assets and other non-current assets may be impaired. Where the non-current assets relate to the Group's stores, these stores are treated as separate CGUs, and impairment assessment is performed in respect of the aggregate carrying value of the non-current assets attributable to these CGUs.

For the CGUs subject to impairment testing, recoverable amount was determined based on value-in-use calculations using cash flow projections based on financial budgets and forecasts approved by management covering a one-year period. Cash flows beyond the one-year period are extrapolated using an expected growth rate for each particular CGU which depends on its maturity and other relevant factors. The discount rates are pre-tax and reflect management's estimate of the risks specific to the Group.

As the result of the impairment test performed as at 30 June 2019, the Group recognised an impairment loss in the amount of RUB 237,000 thousand, primarily in respect of mature low-performing CGUs, including RUB 200,000 thousand in O'Key segment and RUB 37,000 thousand in Da! segment. The impairment loss was entirely attributable to property, plant and equipment. The total recoverable amount of the impaired CGUs determined based on value in use amounted to RUB 1,479,408 thousand.

The post-tax discount rate used in the assessment was 14.1%. If the revised estimated pre-tax discount rate applied to the discounted cash flows of the CGUs had been 1% higher than management's estimates, the Group would need to recognise additional impairment of property, plant and equipment of RUB 98,012 thousand.

11 Right-of-use assets

The table below presents the right-of-use assets by class of underlying assets:

'000 RUB	Trade premises	Land	Other	Total
Balance at 1 January 2019	18,446,130	5,531,087	2,496,115	26,473,332
Additions	132,864	22,314	12,667	167,845
Modifications and reassessments	(193,665)	22,010	11,259	(160,396)
Depreciation	(1,234,094)	(133,666)	(258,885)	(1,626,645)
Disposals	-	(686,173)	-	(686,173)
Balance at 30 June 2019	17,151,235	4,755,572	2,261,156	24,167,963

Depreciation expense of RUB 1,576,778 thousand has been charged to general, selling and administrative expenses.

Net book value of the right-of-use assets attributable to the subsidiaries sold to a third party in the reporting period amounted to RUB 531,760 thousand.

12 Intangible assets

'000 RUB	Software	Other intangible assets	Total
<i>Cost</i>			
Balance at 1 January 2018	1,739,629	190,726	1,930,355
Additions	238,417	38,840	277,257
Disposals	(570,250)	(19,908)	(590,158)
Balance at 30 June 2018	1,407,796	209,658	1,617,454
Balance at 1 January 2019	1,745,665	181,247	1,926,912
Additions	219,433	10,602	230,035
Disposals	(46,153)	(2,505)	(48,658)
Balance at 30 June 2019	1,918,945	189,344	2,108,289
<i>Amortisation and impairment losses</i>			
Balance at 1 January 2018	(901,112)	(68,135)	(969,247)
Amortisation for the period	(183,034)	(14,811)	(197,845)
Disposals	570,240	20,218	590,458
Balance at 30 June 2018	(513,906)	(62,728)	(576,634)
Balance at 1 January 2019	(556,514)	(76,184)	(632,698)
Amortisation for the period	(256,467)	(15,177)	(271,644)
Disposals	44,695	2,878	47,573
Balance at 30 June 2019	(768,286)	(88,483)	(856,769)
<i>Carrying amounts</i>			
At 1 January 2018	838,517	122,591	961,108
At 30 June 2018	893,890	146,930	1,040,820
At 1 January 2019	1,189,151	105,063	1,294,214
At 30 June 2019	1,150,659	100,861	1,251,520

Amortisation of RUB 271,644 thousand has been charged to general, selling and administrative expenses (six months ended 30 June 2018: RUB 197,845 thousand).

13 Other non-current assets

'000 RUB	30 June 2019	31 December 2018
Prepayments for non-current assets	345,328	280,711
Long-term loans to entities under control of shareholder group (Note 23)	345,073	-
Long-term refundable deposits to lessors	244,784	391,645
Prepayments for lease to entities under control of shareholder group (Note 23)	-	733,254
Total other non-current assets	935,185	1,405,610

The long-term prepayments for lease to entities under control of the shareholder group in the amount of RUB 733,254 thousand as at 31 December 2018 represented prepayments for rent of hypermarkets for the period until 2034. Upon adoption of IFRS 16 on 1 January 2019, the prepayments net of VAT were reclassified to right-of-use assets (Note 3).

14 Inventories

'000 RUB	30 June 2019	31 December 2018
Goods for resale	12,146,602	13,415,173
Raw materials and consumables	588,024	777,487
Write-down to net realisable value	(534,689)	(508,187)
Total inventories	12,199,937	13,684,473

The write-down of inventories to net realisable value was assessed with the use of methods and assumptions consistent with those applied in the most recent annual consolidated financial statements and is included in cost of goods sold.

15 Trade and other receivables

'000 RUB	30 June 2019	31 December 2018
Financial assets within trade and other receivables		
Trade receivables	450,263	416,038
Bonuses receivable from suppliers	1,944,008	1,818,948
Other financial receivables	188,995	348,931
Receivables from sale of supermarkets	120,686	120,686
Total financial assets within trade and other receivables	2,703,952	2,704,603
Other trade and other receivables		
VAT receivable	603,440	528,326
Prepaid taxes other than income tax	109,090	125,542
Prepaid income tax	63,610	44,475
Total trade and other receivables	3,480,092	3,402,946

16 Earnings/(loss) per share

Basic earnings/(loss) per share are calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period. The Company has no dilutive potential ordinary shares; therefore, the diluted earnings/(loss) per share equal the basic earnings/(loss) per share.

Earnings/(loss) per share is calculated as follows:

'000 RUB	Six months ended 30 June 2019	Six months ended 30 June 2018
Profit/(loss) for the period	631,889	(541,127)
Weighted average number of ordinary shares in issue (thousands)	269,074	269,074
Basic and diluted earnings/(loss) per ordinary share (in RUB per share)	2.3	(2.0)

17 Loans and borrowings

'000 RUB	30 June 2019	31 December 2018
<i>Non-current loans and borrowings</i>		
Secured bank loans	4,500,000	4,500,000
Unsecured bank facilities	17,423,684	22,200,000
Unsecured bonds	10,051,296	5,264,302
Total non-current loans and borrowings	31,974,980	31,964,302
<i>Current loans and borrowings</i>		
Unsecured bank facilities	526,316	1,393,500
Unsecured bonds	213,006	-
Unsecured loans from related parties (Note 23)	967,042	1,065,087
Unsecured loans from third parties	2,850	2,850
Total current loans and borrowings	1,709,214	2,461,437
Unsecured bonds interest	174,677	83,844
Interests accrued on loans	10,440	13,520
Interests accrued on loans and borrowings	185,117	97,364
Total current loans and borrowings including interest accrued	1,894,331	2,558,801
Total loans and borrowings	33,869,311	34,523,103

As at 30 June 2019 loans and borrowings with a carrying value of RUB 4,500,000 thousand were secured by property, plant and equipment with carrying value of RUB 2,310,594 thousand (31 December 2018: RUB 2,338,054 thousand).

As at 30 June 2019 the Group had RUB 13,450,000 thousand (31 December 2018: RUB 12,206,500 thousand) of undrawn committed borrowing facilities available in RUB at fixed and floating rate basis until December 2019-November 2022 in respect of which all conditions have been met. Proceeds from these facilities may be used to finance operating and investing activities, if necessary.

In April 2019, the Group placed unsecured bonds in the amount of RUB 5,000,000 thousand on Moscow exchange bearing coupon rate of 9.35% p.a. The bonds mature in April 2029 with an option for the bondholders to claim early repayment in April 2022.

Compliance with loan covenants

The Group monitors compliance with loan covenants on an ongoing basis. Where noncompliance is unavoidable in management's view, the Group requests waiver letters from the banks before the period-end, confirming that the banks waive their rights to demand early redemption.

At 30 June 2019 and during the six-month period then ended the Group complied with all of its loan covenants.

18 Lease liabilities

'000 RUB	2019
Balance at 1 January	29,227,792
Additions	143,416
Modifications and reassessments	(475,793)
Repayment	(3,190,915)
Interest expense	1,216,864
Foreign exchange gains	(259,614)
Balance at 30 June	26,661,750
Non-current lease liabilities	22,928,011
Current lease liabilities	3,733,739

Interest expense in the amount of RUB 1,189,486 thousand has been charged to finance costs. Total cash outflow for leases in the reporting period amounted to RUB 3,818,091 thousand.

19 Trade and other payables

'000 RUB	30 June 2019	31 December 2018
Financial liabilities at amortised cost		
Trade payables	16,565,202	24,238,896
Other financial payables	231,877	271,175
Total financial liabilities at amortised cost	16,797,079	24,510,071
Financial liabilities at fair value		
Interest rate swap liability	46,671	26,229
Total financial liabilities at fair value	46,671	26,229
Payables to staff	1,129,178	1,171,213
Taxes payable other than income tax	1,008,292	690,035
Advances received from lessors	499,263	373,395
Contract liability related to gift cards	58,417	90,905
Total trade and other payables	19,538,900	26,861,848

20 Capital commitments

The Group has contractual capital commitments to acquire property, plant and equipment mostly relating to construction of stores and intangible assets amounting to RUB 728,519 thousand as at 30 June 2019 (31 December 2018: RUB 659,616 thousand). The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover these and any similar commitments.

21 Contingencies

(a) Legal proceedings

From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and both internal and external professional advice the management is of the opinion that no material losses will be incurred in respect of claims outstanding.

(b) Tax contingencies

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

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), although it has specific features. This legislation provides for the possibility of additional tax assessments for controlled transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's length basis. Management has implemented internal controls to be in compliance with this transfer pricing legislation.

Tax liabilities arising from controlled transactions are determined based on their actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group applies its judgement in interpretations of such uncertain areas. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that an outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities.

Impact of any of the challenges mentioned above cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

In addition to the above matters, management estimates that as at 30 June 2019, the Group has other possible obligations of approximately RUB 2,200,000 thousand (31 December 2018: RUB 1,900,000 thousand) from exposure to other than remote tax risks arising from certain transactions. These exposures are estimates that result from uncertainties in interpretation of applicable legislation and related documentation requirements. Management will vigorously defend the Group's positions and interpretations that were applied in determining taxes recognised in these condensed consolidated interim financial statements if these are challenged by the authorities.

22 Fair value disclosures

Fair value measurements are analysed and categorised by level in the fair value hierarchy as follows:

- (i) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- (iii) Level 3 measurements are valuations not based on observable market data (that is, unobservable inputs).

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

Financial instruments carried at fair value. Interest swaps are carried in the condensed consolidated interim statement of financial position at their fair value. Fair value of the swaps was determined based on observable market data (Level 2 fair value), including forward interest rates. The Group has no financial assets or liabilities carried at fair value based on unobservable inputs (Level 3 fair value).

(b) Non-recurring fair value measurements

Fair value of the investment property is updated by the Group annually on 31 December applying the income approach and market approach (Level 3 fair value based on inputs to valuation technique used). There were no significant changes in the assumptions used in determination of fair value of the investment property as at 30 June 2019 compared to 1 January 2019. Fair value of investment property as at 30 June 2019 did not significantly change as compared to 1 January 2019.

(c) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair value was determined by the Group for initial recognition of financial assets and liabilities which are subsequently measured at amortised cost.

Fair value of the Group's financial assets and liabilities measured at amortised cost approximates their carrying amounts. Fair value of the Group's bonds listed on Moscow exchange was determined for disclosure purposes based on active market quotations (Level 1 fair value). Fair value of the Group's other financial assets and liabilities at amortised cost belongs to level 2 measurements in the fair value hierarchy.

There were no transfers between the levels of the fair value hierarchy or changes in valuation techniques for fair value measurements during the six-month reporting period ended 30 June 2019.

23 Related party transactions

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Related parties of the Group fall into the following categories:

1. The Company's major indirect shareholders (see Note 1);
2. Other related parties under control of the major indirect shareholders;
3. Members of the Board of Directors of the Company and other key management personnel.

(a) Transactions with key management personnel

Key management personnel received the following remuneration during the period, which is included in personnel costs (Note 8):

'000 RUB	Six months ended 30 June 2019	Six months ended 30 June 2018
<i>Short-term employee benefits:</i>		
Salaries and short-term bonuses	164,831	186,201
Social security contributions	5,402	5,989
Other short-term payments	9,135	-
<i>Long-term employee benefits:</i>		
Long-service service bonus	19,000	19,000
Total	198,368	211,190

In addition, members of the Company's Board of Directors received remuneration in the amount of RUB 33,043 thousand for the six-month reporting period ended 30 June 2019 (six months ended 30 June 2018: RUB 28,885 thousand) which is included in legal and professional expenses.

There are no commitments and contingent obligations towards key management personnel.

(b) Transactions with other related parties

(i) Revenue

'000 RUB	Income		Receivables	
	Six months ended 30 June 2019	Six months ended 30 June 2018	30 June 2019	31 December 2018
Sale of services	991	1,486	465	579
Total revenue	991	1,486	465	579

23 Related party transactions (continued)

All outstanding balances with other related parties are to be settled in cash within six months after the reporting date. None of the balances are secured or impaired.

(ii) Expenses

'000 RUB	Expenses		Prepayments	
	Six months ended 30 June 2019	Six months ended 30 June 2018	30 June 2019	31 December 2018
Lease of premises, including:	49,118	423,223	-	1,094,483
- Rental fee	10,255	360,779	-	-
- Reimbursement of utilities	19,816	34,282	-	-
- Reimbursement of other expenses	19,047	28,162	-	-
Other services received	13,657	1,085	36	7,484
Interest expenses on lease liability	67,124	-	-	-
Finance costs	39,473	36,238	-	-
Total	169,372	460,546	36	1,101,967

Upon transition to IFRS 16, long-term prepayments for leases to other related parties were reclassified to right-of-use assets. Related VAT in the amount of RUB 121,948 thousand as at 30 June 2019 is included in other non-current assets.

Short-term prepayments for lease to entities under control of the shareholder group in the amount of RUB 353,232 thousand as at 31 December 2018 were renegotiated with the lessors into long-term interest-bearing loans which amount to RUB 345,073 thousand as at 30 June 2019.

'000 RUB	30 June 2019	31 December 2018
Lease liabilities, including:	1,441,943	-
Current lease liabilities	365,224	-
Non-current lease liabilities	1,076,719	-

Terms of the leases with other related parties are such that the Group pays rentals which include the reimbursement of all operating expenses related to the hypermarkets leased and nearby leased areas and a certain percentage of the Group's retail revenue from the operation of these hypermarkets.

23 Related party transactions (continued)

(iii) Loans received

'000 RUB	30 June 2019	31 December 2018
Loans and borrowings	967,042	1,065,087

The loans from other related parties are denominated in USD, bear interest at 8% per annum and are payable on demand but not later than 2021. There were no movements in the loans received from related parties during the six-month reporting period ended 30 June 2019, except for the foreign exchange gain in the amount of RUB 98 045 thousand (six months ended 30 June 2018: foreign exchange loss amounted to RUB 79 054 thousand).

(iv) Loans given

'000 RUB	30 June 2019	31 December 2018
Loans given	345,073	-
Interest receivable	16,461	-
Total	361,534	-

The loans given to other related parties bear interest at 9% per annum, are neither secured nor impaired and are due for repayment by not later than 2021 and represents reclassified amounts for lease to entities under control of the shareholder group previously presented in short-term prepayments for lease to entites under control of shareholder group.