O1 Properties Group

Condensed Consolidated Interim Financial Information
30 June 2016 (Unaudited)

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION TO THE MEMBERS OF O1 PROPERTIES LIMITED

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of O1 Properties Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2016, and the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended and notes to the condensed consolidated interim financial information on pages 4 to 40. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting'.

KPMG

Other matters

Auditors' responsibility
This report, including the conclusion, has been prepared for and only for the Company's members as a body. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Comparative figures
The consolidated financial statements as at and for the year ended 31 December 2015 and the condensed consolidated interim financial information of the Group as at 30 June 2015 and for the six month period then ended were audited and reviewed, respectively, by another auditor whose reports dated 6 April 2016 and 8 September 2015, respectively, were unmodified.

KPMG Limited

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

31 August 2016

In thousands of US Dollars	Note	30 June 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment		21 377	21 261
Investment property	6	3 706 321	3 698 590
Investment in joint venture		9 620	13 081
Loans issued	7	192 191	174 871
Prepayments and deferred expenses	13	8 793	11 883
Deferred income tax asset		69 068	76 315
Total non-current assets		4 007 370	3 996 001
Current assets			
Derivative financial instruments	13	-	2 092
Loans issued	7	732	1 594
Prepayments and deferred expenses	13	15 045	18 610
VAT receivable		1 968	1 997
Trade and other receivables		52 647	49 260
Current income tax prepayments		706	1 453
Cash and cash equivalents		164 180	210 639
Total current assets		235 278	285 645
TOTAL ASSETS		4 242 648	4 281 646
LIABILITIES			
Non-current liabilities			
Borrowings	8	2 682 747	2 691 930
Tenant deposits		44 330	48 712
Deferred income tax liability		103 029	107 400
Total non-current liabilities		2 830 106	2 848 042
Current liabilities			
Borrowings	8	190 189	176 374
Derivative financial instruments	13	33 080	40 288
Tenant deposits		9 723	5 266
Deferred rental income		62 205	75 469
Current income tax liability		1 494	1 752
Trade and other payables and other liabilities		49 182	59 048
Total current liabilities		345 873	358 197
TOTAL LIABILITIES		3 175 979	3 206 239
EQUITY			
Share capital and share premium	9	1 194 359	1 194 358
Property revaluation reserve		16 009	18 215
Currency translation reserve		(90 370)	(192 258)
Retained earnings		(105 707)	11 946
Equity attributable to the owners of the Company		1 014 291	1 032 261
Non-controlling interest		52 378	43 146
TOTAL EQUITY		1 066 669	1 075 407
TOTAL LIABILITIES AND EQUITY		4 242 648	4 281 646

Approved for issue by the Board of Directors and signed on its behalf on 31 August 2016.

Dmitriy Mints, Director

Tomasz Zapiara, Director

Alexander Ostrovskiy, Director

Alexander Erdman, Director

The accompanying notes on pages 8 to 40 are an integral part of this condensed consolidated interim financial information.

In thousands of US Dollars	**Note**	**For the six months ended 30 June 2016**	**2015**
Rental revenue		166 992	204 294
Operating expenses of investment property	10	(12 840)	(22 994)
Net rental income	10	**154 152**	**181 300**
Net loss from fair value adjustment on investment property	6	(448 190)	(240 958)
General and administrative expenses	11	(8 185)	(4 561)
Other operating expenses	11	(2 020)	(2 358)
Other operating income		277	1 301
Net loss from disposal of subsidiaries and joint venture, including reclassification of exchange difference on disposal of the investments from other comprehensive income/loss to the profit or loss	16	-	(358 905)
Finance income	12	13 936	6 087
Finance costs	12	(128 424)	(122 762)
Share of result of joint venture		(11 613)	(1 982)
Foreign exchange translation gains less losses	2	315 473	47 257
Loss before income tax		**(114 594)**	**(495 581)**
Income tax expense		(3 540)	(377)
Loss for the period		**(118 134)**	**(495 958)**
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Effect of translation to presentation currency of the financial statements of foreign operations		103 449	(7 138)
Reclassification of exchange difference on disposal of the investments from other comprehensive income/loss to the profit or loss	16	-	475 199
Share of other comprehensive income of joint venture		8 152	1 166
Reclassification of exchange difference on disposal of joint venture from other comprehensive income/loss to the profit or loss		-	27 449
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment		(2 647)	(600)
Deferred tax asset on the property revaluation reserve		441	-
Total other comprehensive income for the period		**109 395**	**496 076**
Total comprehensive (loss)/income for the period		**(8 739)**	**118**
Loss is attributable to:			
- Owners of the Company		(117 653)	(468 085)
- Non-controlling interest		(481)	(27 873)
Total comprehensive (loss)/income is attributable to:			
- Owners of the Company		(17 971)	9 449
- Non-controlling interest		9 232	(9 331)

The accompanying notes on pages 8 to 40 are an integral part of this condensed consolidated interim financial information.

		Attributable to owners of the Company							
In thousands of US Dollars	Note	Share capital	Share premium	Property revaluation reserve	Currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2015		**1 026**	**1 075 601**	**13 371**	**(404 317)**	**446 030**	**1 131 711**	**52 126**	**1 183 837**
Loss for the period		-	-	-	-	(468 085)	(468 085)	(27 873)	(495 958)
Other comprehensive (loss)/income for the period		-	-	(600)	478 134	-	477 534	18 542	496 076
Total comprehensive (loss)/income for the period		-	-	(600)	478 134	(468 085)	9 449	(9 331)	118
Business combinations	16	-	-	-	-	-	-	17 417	17 417
Shares issued	9	44	57 682	-	-	-	57 726	-	57 726
Shares issued to top management	9	4	-	-	-	-	4	-	4
Dividends declared	9	-	-	-	-	(40 300)	(40 300)	(4 338)	(44 638)
Balance at 30 June 2015		**1 074**	**1 133 283**	**12 771**	**73 817**	**(62 355)**	**1 158 590**	**55 874**	**1 214 464**
Balance at 1 January 2016		**1 139**	**1 193 219**	**18 215**	**(192 258)**	**11 946**	**1 032 261**	**43 146**	**1 075 407**
Loss for the period		-	-	-	-	(117 653)	(117 653)	(481)	(118 134)
Other comprehensive (loss)/income for the period		-	-	(2 206)	101 888	-	99 682	9 713	109 395
Total comprehensive (loss)/income for the period		-	-	(2 206)	101 888	(117 653)	(17 971)	9 232	(8 739)
Shares issued to top management	9	1	-	-	-	-	1	-	1
Balance at 30 June 2016		**1 140**	**1 193 219**	**16 009**	**(90 370)**	**(105 707)**	**1 014 291**	**52 378**	**1 066 669**

In thousands of US Dollars	Note	For the six months ended 30 June 2016	2015
Loss before income tax		**(114 594)**	**(495 581)**
Adjustments for:			
Depreciation	11	288	317
Loss from change in fair value of investment property	6	448 190	240 958
Net loss on disposal of subsidiaries and joint venture	16	-	358 905
Finance costs	12	128 424	122 762
Finance income	12	(13 936)	(6 087)
Share of result of joint venture		11 613	1 982
Foreign exchange translation gains less losses		(315 473)	(47 257)
Other non-cash adjustments		(247)	(21)
Operating cash flows before working capital changes		**144 265**	**175 978**
Net decrease/(increase) in VAT receivable		29	(467)
Net increase in trade and other receivables		(3 387)	(59 885)
Net decrease in prepayments		1 277	2 216
Net decrease in tenant deposits		(5 990)	(12 687)
Net decrease in deferred rental income		(11 915)	(18 993)
Net (decrease)/increase in trade and other payables		(960)	45 742
Effect of translation to presentation currency		6 326	1 806
Changes in working capital		**(14 620)**	**(42 268)**
Income tax paid		(1 546)	(1 674)
Net cash from operating activities		**128 099**	**132 036**
Cash flow used in investing activities			
Expenditures on subsequent improvements of investment property	6	(1 217)	(4 591)
Payments for land lease		(1 743)	(2 216)
Decrease in non-current VAT receivable		-	463
Loans issued		(71 634)	(22 642)
Repayment of loans issued		48 090	1 908
Interest received		3 400	1
Net cash used in investing activities		**(23 104)**	**(27 077)**
Cash flows used in financing activities			
Proceeds from borrowings		-	450
Repayment of borrowings		(46 951)	(55 853)
Interest paid		(103 186)	(82 477)
Dividends paid	9	-	(34 206)
Net cash used in financing activities		**(150 137)**	**(172 086)**
Effect of exchange rate changes on cash and cash equivalents		(1 317)	1 280
Net decrease in cash and cash equivalents		**(46 459)**	**(65 847)**
Cash and cash equivalents at beginning of the period		210 639	186 958
Cash and cash equivalents at the end of the period		**164 180**	**121 111**

1 General Information

This condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU") for O1 Properties Limited (the "Company") and its subsidiaries (the "Group"). This condensed consolidated interim financial information has not been audited by the statutory auditors of the Group.

The Company was incorporated on 24 August 2010 as a private limited liability company and is domiciled in Cyprus. The address of its registered office is 18, Spyrou Kyprianou, 2nd floor, 1075 Nicosia, Cyprus.

At 30 June 2016 the Company's principal immediate shareholders were Nori Holding Limited (Cyprus) and some other companies which owned 94.117% and 5.883% of Class "A" shares respectively (31 December 2015: 94.117% of Class "A" shares were owned by Nori Holding Limited and 5.883% of Class "A" shares were owned by some individual Shareholders) and Centimila Services Ltd (Cyprus) which owned 54.703% of class "B" shares (31 December 2015: 54.774% of Class "B" shares were owned by Centimila Services Ltd (Cyprus)). At 30 June 2016 other owners of Class "B" shares included ICT Holding Ltd (Cyprus), Goldman Sachs International (UK), some other companies and some members of the key management personnel. The Group is ultimately controlled by Mr. Boris Mints, citizen of the Russian Federation (the "Ultimate Controlling Shareholder"). See Note 9 for an overview of the differences in rights and obligations of "A" and "B" shareholders.

Principal activity: The principal activities of the Company are the holding and financing of investments. The Group operates mainly in the Russian real estate market. Refer to Note 5 for the segment information.

At 30 June 2016 the Company's long-term corporate credit rating assigned by the international agency Standard & Poor's is B+ (31 December 2015: B+).

At 30 June 2016 and 31 December 2015 the consolidated subsidiaries and joint ventures of the Group were as follows:

Entity	Country of incorporation	Principal activity	% of effective ownership at 30 June 2016	% of effective ownership at 31 December 2015
Almos CJSC	Russian Federation	Investment property	82.34	82.34
Bolshevik OJSC	Russian Federation	Investment property	49.81[3]	49.81[3]
Business Center Stanislavsky (Cyprus) Limited (Note 16)	Cyprus	Investment property	100 [1]	100 [1]
Finance Marekkon Limited (Note 16)	Cyprus	Investment property	50+1 share[1,3]	50+1 share[1,3]
Firma "Morava" LLC	Russian Federation	Investment property	85	85
Gasheka Realty Limited (Note 16)	Russian Federation	Investment property	100 [1]	100 [1]
Goldstyle Holdings Limited (Note 16)	Cyprus	Investment property	50.5[1]	50.5[1]
Krugozor Business Center (Cyprus) Limited (Note 16)	Cyprus	Investment property	100 [1]	100 [1]
Kvartal 674-675 LLC	Russian Federation	Investment property	70 [1]	70 [1]
Le Fortaco Limited (Note 16)	Cyprus	Investment property	100 [1]	100 [1]
Levisoma Trading Limited	Cyprus	Investment property	100 [1]	100 [1]
Levium Limited	Russian Federation	Investment property	50.52[1]	50.52[1]
Merissania Holding Limited (Note 16)	Cyprus	Investment property	50+1 share[1,3]	50+1 share[1,3]
Mervita Holdings Limited	Cyprus	Investment property	100 [1]	100 [1]
Meteolook Investments Limited	Cyprus	Investment property	100 [1]	100 [1]
Nezoral Limited (Note 16)	Cyprus	Investment property	50+1 share[1,3]	50+1 share[1,3]
Pianconero Investments Limited	Cyprus	Investment property	100 [1]	100 [1]
"Silver city" LLC	Russian Federation	Investment property	100 [1]	100 [1]
Tzortis Limited	Cyprus	Investment property	100 [1]	100 [1]
VKS Invest LLC	Russian Federation	Investment property	100	100
Zarechie LLC (Note 16)	Russian Federation	Investment property	100 [1]	100 [1]
Afelmor Overseas Limited	Cyprus	Holding company	70 [1]	70 [1]
Amortilla Holding Limited	Cyprus	Holding company	100 [1]	100 [1]
Argam Limited (Note 16)	Cyprus	Holding company	100 [1]	100 [1]
Asabelle Limited (Note 16)	Cyprus	Holding company	50+1 share[1,3]	50+1 share[1,3]
Bayroad Group Limited	British Virgin Islands	Holding company	50+1 share[1,3]	50+1 share[1,3]
Bitlena Holdings Limited	Cyprus	Holding company	100	100
Blandid Limited (Note 16)	Cyprus	Holding company	100	100

1 General Information (Continued)

Entity	Country of incorporation	Principal activity	% of effective ownership at 30 June 2016	% of effective ownership at 31 December 2015
Celera Corporation (Note 16)	British Virgin Islands	Holding company	-	100
Cemvertia Investments Ltd	Cyprus	Holding company	100	100
Collins Crest Limited	British Virgin Islands	Holding company	100	100
Filmotinia Ventures Limited (Note 16)	Cyprus	Holding company	100 [1]	100 [1]
Freyamoon Limited	Cyprus	Holding company	100 [1]	100 [1]
Granisforth Investment Limited	Cyprus	Holding company	50.52[1]	50.52[1]
Gunilla Limited (Note 16)	Cyprus	Holding company	50.5	50.5
Isida Limited	Russian Federation	Holding company	50.52[1]	50.52[1]
Labiumo Holdings Ltd	Cyprus	Holding company	50.52[1]	50.52[1]
Letvion Investments Limited	Cyprus	Holding company	85	85
Lillix Limited (Note 16)	Cyprus	Holding company	50+1 share [3]	50+1 share [3]
Minesign Limited	Cyprus	Holding company	100 [1]	100 [1]
Mistalda Holdings Limited	Cyprus	Holding company	50.52[1]	50.52[1]
Mokati Limited (Note 16)	Cyprus	Holding company	100	100
Mooncrown Limited	Cyprus	Holding company	100	100
Moonpeak Limited	Cyprus	Holding company	100	100
Narvi Finance Limited (Note 16)	Cyprus	Holding company	50.5[1]	50.5[1]
Paremos Limited	Cyprus	Holding company	100	100
Quotex Limited (Note 16)	Cyprus	Holding company	100 [1]	100 [1]
Ratado Holding Limited	Cyprus	Holding company	100 [2]	100 [2]
Sabaton Holdings Limited (Note 16)	Cyprus	Holding company	100	100
Sharezone Capital Limited (Note 16)	Cyprus	Holding company	100 [1]	100 [1]
Simeona Limited	Cyprus	Holding company	100	100
Solorita Holding Limited (Note 16)	Cyprus	Holding company	50+1 share[1,3]	50+1 share[1,3]
Taavo Enterprises Limited	Cyprus	Holding company	85	85
Talisia Investments Limited	British Virgin Islands	Holding company	-	100
Thabit Holdings Limited	Cyprus	Holding company	100	100
Theochristel Limited	Cyprus	Holding company	100	100
Unisure Limited	Cyprus	Holding company	50.52[1]	50.52[1]
Vielle Limited	Cyprus	Holding company	100	100
Vivaldi Holdings Limited	Cayman Islands	Holding company	100 [1]	100 [1]
Wakovia Limited	Cyprus	Holding company	70 [1]	70 [1]
White Estate Investments Limited (Note 16)	British Virgin Islands	Holding company	-	100
Wizgate Holding Limited	Cyprus	Holding company	100 [1]	100 [1]
Balaton Holding S.à r.l.	Luxembourg	Financing company	100 [1]	100 [1]
Belegar Limited	Cyprus	Financing company	100 [1]	100 [1]
Chainlord Limited (former Vardarac S.à.r.l.) (Note 16)	Cyprus	Financing company	50.5[1]	50.5[1]
Dipotravi Holdings Limited (Note 16)	Cyprus	Financing company	50+1 share[1,3]	50+1 share[1,3]
Eagleman Limited	Cyprus	Financing company	100	100
Fundin Investments Limited	Cyprus	Financing company	100	100
Glenston Investments Limited (Note 16)	British Virgin Islands	Financing company	-	70
Gisoral Holdings Limited (Note 16)	Cyprus	Financing company	50+1 share[3]	50+1 share[3]
Kinevart Investments Limited	Cyprus	Financing company	70 [1]	70 [1]
Lermondo Limited	Cyprus	Financing company	100 [1]	100
Lomnia Services Limited (Note 16)	Cyprus	Financing company	100 [1]	100 [1]
Margo S.à r.l.	Luxembourg	Financing company	50.52[1]	50.52[1]
Mistmoores Holding Limited (former Silver City Finance S.à r.l.)	Cyprus	Financing company	100 [1]	100 [1]
Nightsky S.à.r.l. (Note 16)	Luxembourg	Financing company	100 [1]	100 [1]
Vivaldi Plaza Finance S.à r.l.	Luxembourg	Financing company	100 [1]	100 [1]
Wallasey Limited	Cyprus	Financing company	100 [1]	100 [1]
Yellow Wall S.à r.l. (Note 16)	Luxembourg	Financing company	-	100 [1]
City-Developer LLC	Russian Federation	Management company	100	100
Nash Standart CJSC	Russian Federation	Management company	100	100
O1 Advisory Limited	Cyprus	Management company	100	100
O1 Properties Management CJSC	Russian Federation	Management company	100	100

1 General Information (Continued)

Entity	Country of incorporation	Principal activity	% of effective ownership at 30 June 2016	% of effective ownership at 31 December 2015
Aldino Holding Limited	Cyprus	Inactive	100	100
Annabeth Services Limited	Cyprus	Inactive	85	85
Barkmere Limited	Cyprus	Inactive	100	100
Boxar Holdings Limited (Note 16)	Cyprus	Inactive	-	100
Construction-Invest LLC (Note 16)	Russian Federation	Inactive	50+1 share[3]	50+1 share[3]
Dawson Int'l Inc. (Note 16)	British Virgin Islands	Inactive	-	100
Hannory Holdings Limited	Cyprus	Inactive	100	100
Jale Holdings Limited	Cyprus	Inactive	100	100
Kolston Group Limited	British Virgin Islands	Inactive	100	100
Nikkon Global Ltd	British Virgin Islands	Inactive	100	100
Nokana Limited	Cyprus	Inactive	100	100
Pareso Holding Limited	Cyprus	Inactive	100	100
Quintiliano Limited	Cyprus	Inactive	100	100
Silvershade Limited	Cyprus	Inactive	100	100
Starye serebryaniki CJSC	Russian Federation	Inactive	100	100

1 Pledged in relation to borrowings (Note 8).

2 Refer to Note 13 for the information on pledge of shares in Ratado Holding Limited.

3 Investment of the Group in these entities is classified as a joint venture.

Refer to Note 16 for the information on acquisitions and disposals by the Group during the six months ended 30 June 2016 and during the year ended 31 December 2015.

2 Operating Environment of the Group

The Group through its operations has a significant exposure to the economic, legal and tax conditions in the Russian Federation and in Cyprus. The management of the Group constantly monitors the developments in the operating environment of the Group in order to estimate the full impact that these developments may have on the business of the Group.

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 13). During 2015 and 2016 the Russian economy was negatively impacted by a decline in oil prices and ongoing political tension in the region and international sanctions against certain Russian companies and individuals. As a result during the six months ended 30 June 2016:

- the CBRF exchange rate was RR 72.8827 and RR 64.2575 per USD as of 1 January 2016 and 30 June 2016 respectively and varied between 63.7162 and 83.5913 during the six months ended 30 June 2016;
- the CBRF key refinancing interest rate decreased from 11.0% p.a. to 10.5% p.a.;
- bank lending activity decreased as banks continued to reassess the business models of their borrowers and their ability to withstand the increased volatility of exchange rates; and
- in 2016, Fitch Ratings stands Russia's credit rating at BBB-, Standard & Poor's at BB+, and Moody's Investors Service at Ba1, which is below the investment grade. Fitch Ratings kept Russia's sovereign rating at the investment grade. However, all of these rating agencies provided negative outlooks for the future, which may mean that Russia's credit rating could be further downgraded;
- access to international financial markets to raise funding was limited for certain entities; and
- capital outflows increased compared to prior years.

2 Operating Environment of the Group (Continued)

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. During the period from 1 January 2016 until the date of approval of this Condensed Consolidated Interim Financial Information:

- the CBRF exchange rate fluctuated between RR 62.9891 per USD and RR 83.5913 per USD;
- the CBRF key refinancing interest rate was kept at 10.5% p.a.

Whilst a significant percentage of the Group's rental income is denominated in US dollars the tenants are operating in Russia and earning a significant proportion of their income in Russian Roubles.

These events may have a further significant impact on the Group's future operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation and its impact on the Group's operations may differ from management's current expectations.

Cyprus. Following three years of economic recession, the Cyprus economy has recorded positive growth in the first half of 2015. As from April 2015, the restrictive measures and capital controls which were in place since March 2013 have been lifted. The Cyprus Government has successfully completed earlier than anticipated the Economic Adjustments Program and exited the IMF program on 7 March 2016, after having recovered in the international markets and having only used €7.25 of the total €10 billion earmarked in the financial bailout. Under the new Euro area rules, Cyprus will continue to be under surveillance by its lenders with bi-annual post- programme visits until it repays 75% of the economic assistance it received. The current and future economic, tax and legal conditions in Cyprus may have an adverse impact on some operations of the Group.

3 Basis of Preparation and Summary of Significant Accounting Policies

Basis of preparation. This condensed consolidated interim financial information of the Group for the six months ended 30 June 2016 has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Functional currency. The individual financial statements of each of the companies within the Group are prepared in the currency of the primary economic environment in which they operate (functional currency). The functional currency of the Company is the US Dollar ("USD"). The functional currency of the property holding companies is the Russian Rouble ("RR"). Refer to Note 4.

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

At 30 June 2016 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 64.2575 (31 December 2015: USD 1 = RR 72.8827) and the average exchange rate calculated on daily basis used for translating income and expenses for the six months ended 30 June 2016 was USD 1 = RR 70.2583 (for the six months ended 30 June 2015: USD 1 = RR 57.3967).

The accounting policies adopted and methods of computation are consistent with those stated in the annual consolidated financial statements for the year ended 31 December 2015, except as described below.

Interim period tax measurement. Income tax expense is recorded in the condensed consolidated interim financial information based on management's best estimate of the weighted average effective income tax rate expected for the full financial year. The effective tax rate is different from the statutory tax rate of 20% used in the Russian Federation mainly due to non-deductible expenses and different tax rates used in relation to foreign subsidiaries of the Group.

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

The Group adopted the accounting pronouncements effective for the periods beginning on 1 January 2016. These new or amended standards or interpretations did not have any material impact on this condensed consolidated interim financial information.

At the date of approval of the Condensed Consolidated Interim Financial Information the following financial reporting pronouncements were issued by the International Accounting Standards Board but were not yet effective:

New IFRS accounting pronouncements not yet adopted by the European Union

- IFRS 9 “Financial Instruments: Classification and Measurement” (issued in July 2014).
- IFRS 14 “Regulatory Deferral Accounts” (issued in January 2014).
- IFRS 15 “Revenue from Contracts with Customers” (issued on 28 May 2014).
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on 11 September 2014).
- Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014).
- IFRS 16 “Leases” (issued in January 2016).
- Recognition of Deferred Tax Assets for Unrealised Losses from debt instruments – Amendments to IAS 12 (issued in January).
- Disclosure Initiative – Amendments to IAS 7 (issued on 29 January 2016).
- Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on 12 April 2016)
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016)

The Group is currently assessing the impact of the above new accounting pronouncements which have been issued but not yet effective.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the the condensed consolidated interim financial information and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the condensed consolidated interim financial information and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Valuation of investment properties. Refer to Note 14.

Functional currencies of different entities of the Group. Different entities within the Group have different functional currencies, based on the underlying economic conditions of their operations. This determination of what the specific underlying economic conditions are requires judgment. In making this judgment, the Group evaluates among other factors, the location of activities, the sources of revenue and expense, risks associated with activities, and denomination of currencies of operations of different entities.

The Group concluded that the functional currency of O1 Properties Limited, the parent company of the Group, is the US Dollar, the currency in which (1) funds are obtained and invested, (2) receipts from activities are retained, (3) the business risks and exposures are measured and (4) performance of the business is measured. The Group concluded that the functional currency of the property holding subsidiaries of the Group is the Russian Rouble since the primary economic environment in which these entities generate and spend cash is the Russian Federation where the properties are located. The Group concluded that the functional currency of other, mainly financing, subsidiaries of the Group is either the Russian Rouble or the US Dollar depending on their operations. The above analysis and conclusions were based on consideration of own activities of respective entities and not on the basis of consideration of activities of their subsidiaries, if any.

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

Given the significant exposure of the Group to the economy and markets of the Russian Federation, the alternative to the US Dollar functional currency of the Company and some of its subsidiaries would have been the Russian Rouble. In such case the Company and respective subsidiaries would have recorded foreign exchange translation gains less losses related to the US Dollar balances in the profit or loss.

Foreign exchange translation gains less losses are attributable mostly to the borrowings.

Tax, currency and customs legislation. Russian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 13.

Acquisitions of investment property. The Group concluded that the acquisitions of subsidiaries holding properties constituted acquisition of assets and liabilities rather than acquisition of businesses as defined in IFRS 3 "Business combinations". The Group purchased assets and not the accompanying processes. The Group identified and recorded the individual identifiable assets acquired and liabilities assumed. The purchase price was allocated to those assets and liabilities on the basis of their relative fair values at the date of acquisition. The Group has not recorded any goodwill or deferred taxation arising from the assets acquired and liabilities assumed (including those paid by shares of the Company) as no business combination was recognised.

Initial recognition of related party transactions. In the normal course of business the Group enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgment is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

Recognition of reimbursement of operating expenses on investment property. Certain operating expenses related to investment property (security, utilities, cleaning, etc.) are reimbursed by tenants to the Group. Such receipts from the tenants are recorded by the Group as rental revenues since (1) usually there is a significant time period between respective payments and receipts and (2) the expenses are allocated to the tenants on the basis stipulated by a respective lease agreement which does not completely reflect the volume of specific services actually consumed by a particular tenant.

5 Segment Information

The Group has determined that its Chief Operating Decision Maker ("CODM") is the Board of Directors of the Company.

As the property under development is considered insignificant compared to the yielding property the CODM considers all operations of the Group as one segment "Investment Property".

As the Group's activities are concentrated in Moscow, the Group's portfolio of investment property is not geographically diversified. Investment decisions of the CODM are based on analysis of the local Moscow market and on the characteristics of a building within its local environment in terms of location, size and quality.

6 Investment Property

In thousands of US Dollars	Note	2016	2015
Total investment property at 1 January		**3 698 590**	**4 020 665**
Acquisition	16	-	1 658 353
Subsequent expenditure		1 217	4 591
Disposal of investment property	16	-	(1 538 503)
Fair value adjustment		(448 190)	(240 958)
Effect of translation to presentation currency		454 704	41 519
Total investment property at 30 June		**3 706 321**	**3 945 667**

6 Investment Property (Continued)

The investment property represents land and office buildings located in Moscow, Russia. Land is leased from the Moscow City Authorities under renewable leases (from 3 to 47 years). Under the relevant Russian legislation and the lease contract the owner of the building has priority right to lease and renew the lease of the land on which the building is located. The lease rates are indexed year on year.

Investment property comprises the following premises intended for use as Class A, Class B+ and Class B office accommodation:

		30 June 2016		31 December 2015	
Property name	**Note**	**Net rentable area (square metres)**	**Amount (in thousands of US Dollars)**	**Net rentable area (square metres)**	**Amount (in thousands of US Dollars)**
WHITE SQUARE - Lesnaya Str., 5, Butyrsky Val st., 10		76 408	910 100	76 408	913 800
LeFORT - Elektrozavodskaya Str., 27, bldg. 1, 1A, 2, 3, 3A, 3D, 4-11	16	55 886	181 600	56 170	183 200
KRUGOZOR - Obrucheva Str., 30/1, bldg. 1-3	16	50 965	300 700	50 954	297 700
VIVALDI PLAZA - Letnikovskaya Str., 2, bldg. 1-3		48 150	382 600	48 042	377 600
SILVER CITY - Serebryanicheskaya Emb., 29		41 917	283 000	41 917	288 200
LEGENDA TSVETNOGO - Tsvetnoy Boulevard, 2	16	40 331	364 500	40 296	360 000
WHITE STONE (formerly “LESNAYA PLAZA”) - 4th Lesnoy Lane, bldg. 4		39 680	255 400	39 691	255 900
STANISLAVSKY FACTORY - Stanislavskogo Str. 21, bldg. 1-3, 5, 16-20	16	34 585	218 900	34 585	217 600
DUCAT III - Gasheka Str., 6	16	33 462	366 100	33 462	365 600
GREENDALE - Oktyabrskaya Str., 98		under development	22 700	under development	20 200
LIGHTHOUSE - Valovaya Str., 26		27 492	231 600	27 492	229 900
KUTUZOV - Vasilisy Kozhinoy Str., 25		under development	10 300	under development	10 400
ICUBE - Nakhimovsky Prospect, 58		19 153	98 200	19 153	100 300
ZARECHIE - Novokuznetskya str. 7/11 bldg. 1, 3, Staryi Tolmachevskiy Pereulok 5	16	15 517	120 300	15 517	118 700
Total fair value of property per valuation reports		**483 546**	**3 746 000**	**483 687**	**3 739 100**
Less: Reclassification of owner occupied premises in LIGHTHOUSE		-	(21 180)	-	(21 025)
Total investment property at fair value		**-**	**3 724 820**	**-**	**3 718 075**
Add: Finance lease liabilities accounted for separately	8	**-**	21 319	**-**	18 862
Less: Straight line adjustment on rental income accounted for separately within trade and other receivables		**-**	(39 818)	**-**	(38 347)
Total carrying value of investment property		**-**	**3 706 321**	**-**	**3 698 590**

6 Investment Property (Continued)

At 30 June 2016 and 31 December 2015 the valuation of investment property was carried out by the independent firm of valuers Cushman & Wakefield. The basis used for the valuation was mainly the income approach using the discounted cash flow technique. The critical assumptions used in the valuation are disclosed in Note 14.

IAS 40 requires the fair value of investment property to exclude prepaid lease income because the entity recognises it as a separate liability. The Group already considered the prepaid lease income in determining the fair value of investment property and thus no additional adjustment for deferred rental income is required to arrive to the carrying value of investment property.

7 Loans issued

In thousands of US Dollars	**30 June 2016**	**31 December 2015**
Loans issued - due in more than 12 months	192 191	174 871
Loans issued - current portion	732	1 594
Total loans issued	**192 923**	**176 465**
Loans issued to related parties (Note 15)	99 562	86 495
Loans issued to other companies	93 361	89 970
Total loans issued	**192 923**	**176 465**

At 30 June 2016 the Group had two counterparties (31 December 2015: three counterparties) with balances of loans issued above 10% of the aggregate balances of loans issued. Aggregate balances of loans issued to the above counterparties as at 30 June 2016 amounted to USD 125 886 thousand (31 December 2015: USD 146 340 thousand).

At 30 June 2016 and 31 December 2015 loans issued were not past due, were not secured and were denominated in USD and RR. At 30 June 2016 loans were impaired in the amount USD 8 700 thousand (31 December 2015: USD 22 306 thousand) and had maturity dates from 31 December 2016 to 31 December 2025 and fixed interest at rates from 3.65 % to 14% per annum.

The fair value of loans issued is disclosed in Note 14.

8 Borrowings

In thousands of US Dollars	30 June 2016	31 December 2015
Non-current borrowings		
Loans from banks	2 350 758	2 387 139
Loans from related parties	10 093	13 237
Loans from other companies and individuals	-	249
Rouble bonds financing	233 172	205 577
Redeemable preference shares	70 000	68 776
Finance lease liabilities	18 724	16 952
Total non-current borrowings	**2 682 747**	**2 691 930**
Current borrowings		
Loans from banks	78 755	83 213
Loans from related parties	224	197
Loans from other companies and individuals	1 068	1 243
Rouble bonds financing	104 939	89 762
Redeemable preference shares	2 608	49
Finance lease liabilities	2 595	1 910
Total current borrowings	**190 189**	**176 374**
Total borrowings	**2 872 936**	**2 868 304**

Rouble bonds financing represents funding received by the Group as a result of the issue by a company controlled by the Ultimate Controlling Shareholder of Rouble bonds guaranteed by the Company.

Redeemable preference shares balance as at 30 June 2016 represents the financial liability element of preference shares of Afelmor Overseas Limited ("Afelmor", a subsidiary of the Group holding White Square property (Notes 1)). The redeemable preference shares: (1) have minimum cumulative dividends of 7% per annum payable quarterly in priority to any other distribution, (2) have voting rights, (3) give the holder a right to require Afelmor to redeem all the redeemable preference shares for the calculable amount during the period from February 2018 to August 2018 or if any of the specified events occur, (4) give the Group a right to require the holder to sell all of the redeemable preference shares to Afelmor for the calculable amount during the period from March 2018 to July 2018, (5) are automatically convertible into ordinary shares of Afelmor in August 2018.

8 Borrowings (Continued)

The detailed information on borrowings at 30 June 2016 is presented below:

Name of Lender	Facility	Carrying amount in thousands of US Dollars	Currency	Contractual interest rate, % per annum		Repayment terms	Investment property pledged
Sberbank Russia	Facility Agreement dated 5 December 2012	651 149	USD	3 months LIBOR + 5.9%	payable quarterly	by quarterly installments to 5 December 2019	WHITE SQUARE
Sberbank Russia	Facility Agreement dated 20 March 2013	270 905	USD	3 months LIBOR + 6.2%	payable quarterly	by quarterly installments to 20 March 2020	VIVALDI PLAZA
Sberbank Russia	Facility Agreement dated 13 March 2014	163 863	USD	6.9%	payable quarterly	by quarterly installments to 13 March 2022	WHITE STONE
Sberbank Investments Limited (Cyprus)	Subscription and Shareholders' Agreement dated 5 December 2012	72 608	USD	13.5%	payable quarterly	-	-
Aareal Bank	Facility Agreement dated 20 July 2007	350 273	USD	6.12%	payable quarterly	by quarterly installments to 31 January 2020	KRUGOZOR,
Aareal Bank	Facility Agreement dated 20 July 2007	51 299	USD	3 months LIBOR + 5.1%	payable quarterly	by quarterly installments to 31 January 2020	STANISLAVSKY FACTORY, LeFORT
VTB Capital Plc	Facility Agreement dated 2 August 2013	210 296	USD	3 months LIBOR + 6.05%	payable quarterly	by 2 August 2020	SILVER CITY
VTB Bank (Deutchland) AG	Facility Agreement dated 29 May 2013	142 708	USD	7.0%	payable quarterly	by quarterly installments by 23 October 2019	LIGHTHOUSE
UniCredit Bank AG London	Facility Agreement dated 3 June 2013	226 566	USD	3 months LIBOR + 5.0%	payable quarterly	by 1 December 2018	DUCAT III
UniCredit Bank Austria AG	Facility Agreement dated 17 April 2014	74 634	USD	3 months LIBOR + 6.2%	payable quarterly	by quarterly installments by 4 June 2021	ICUBE
Gazprombank	Facility Agreement dated 16 December 2013	228 651	USD	3 months LIBOR + 5.25%	payable quarterly	by quarterly installments to 16 December 2019	LEGENDA TSVETNOGO
Rouble bonds financing	Agreement dated 5 October 2015	238 872	RR	13.0%	semiannualy	by 2 October 2020	-
Rouble bonds financing	Agreement dated 7 August 2013	99 239	RR	12.0%	semiannualy	Note 1	-
PPF Banka A.S.	Facility Agreement dated 14 April 2015	59 169	USD	8.0%	payable quarterly	by quarterly installments to 15 April 2020	ZARECHIE
Other	-	11 385	-	from 10.0% to 14.0%	payable at maturity date	-	-
Finance lease liabilities	-	21 319	RR	-	-	-	-
Total borrowings		**2 872 936**					

8 Borrowings (Continued)

The detailed information on borrowings at 31 December 2015 is presented below:

Name of Lender	Facility	Carrying amount in thousands of US Dollars	Currency	Contractual interest rate, % per annum		Repayment terms	Investment property pledged
Sberbank Russia	Facility Agreement dated 5 December 2012	661 578	USD	3 months LIBOR + 5.9%	payable quarterly	by quarterly installments to 5 December 2019	WHITE SQUARE
Sberbank Russia	Facility Agreement dated 20 March 2013	273 921	USD	3 months LIBOR + 6.2%	payable quarterly	by quarterly installments to 20 March 2020	VIVALDI PLAZA
Sberbank Russia	Facility Agreement dated 13 March 2014	163 361	USD	6.9%	payable quarterly	by quarterly installments to 13 March 2022	WHITE STONE
Sberbank Investments Limited (Cyprus)	Subscription and Shareholders' Agreement dated 5 December 2012	68 825	USD	13.5%	payable quarterly	-	-
Aareal Bank	Facility Agreement dated 20 July 2007	354 539	USD	6.12%	payable quarterly	by quarterly installments to 31 January 2020	KRUGOZOR, STANISLAVSKY FACTORY, LeFORT
Aareal Bank	Facility Agreement dated 20 July 2007	64 862	USD	3 months LIBOR + 5.1%	payable quarterly	by quarterly installments to 31 January 2020	
VTB Capital Plc	Facility Agreement dated 2 August 2013	212 280	USD	3 months LIBOR + 6.05%	payable quarterly	by 2 August 2020	SILVER CITY
VTB Bank (Deutchland) AG	Facility Agreement dated 29 May 2013	144 412	USD	7.0%	payable quarterly	by quarterly installments by 23 October 2019	LIGHTHOUSE
UniCredit Bank AG London	Facility Agreement dated 3 June 2013	229 424	USD	3 months LIBOR + 5.0%	payable quarterly	by 1 December 2018	DUCAT III
UniCredit Bank Austria AG	Facility Agreement dated 17 April 2014	75 041	USD	3 months LIBOR + 6%	payable quarterly	by quarterly installments by 4 June 2021	ICUBE
Gazprombank	Facility Agreement dated 16 December 2013	230 948	USD	3 months LIBOR + 5.25%	payable quarterly	by quarterly installments to 16 December 2019	LEGENDA TSVETNOGO
Rouble bonds financing	Agreement dated 5 October 2015	211 771	RR	13.0%	semiannualy	by 2 October 2020	-
Rouble bonds financing	Agreement dated 7 August 2013	83 568	RR	12.0%	semiannualy	Note 1	-
PPF Banka A.S.	Facility Agreement dated 14 April 2015	59 986	USD	8.0%	payable quarterly	by quarterly installments to 15 April 2020	ZARECHIE
Other	-	14 926	-	from 10.0% to 14.0%	payable at maturity date	-	-
Finance lease liabilities	-	18 862	RR	-	-	-	-
Total borrowings		**2 868 304**					

Note 1: The Rouble bonds with agreement dated 7 August 2013 provide the right to the bond holders to request repayment either in August 2016 or at maturity date in August 2018.

8 Borrowings (Continued)

At 30 June 2016 the undrawn facilities totalled USD 50 000 thousand (31 December 2015: USD 50 000 thousand).

The Group is subject to a number of financial covenants related to its borrowings including the following key ratios and indices:

- Loan to Value Ratios – represented by different types of ratios expressed as a percentage of the aggregate loans outstanding under the specific credit facility (subject to certain adjustments and depending on the amount of the committed loan facility) to the aggregate market value of a specific property or the property portfolio according to the most recent valuation;
- Debt Service Cover Ratios – represented by different types of ratios expressed as a percentage of the net rental income of the Group or its subsidiaries for the specified period to the aggregate of principal, interest and other amounts payable under the specific credit facility for the same period;
- Equity ratios – expressed as a percentage of total equity to the aggregate amount of debt; and
- Minimum amounts of total equity.

The Group is also subject to compliance with a number of various non-financial covenants. Additional information on covenants is disclosed in Note 13.

The Group was in compliance with or had waivers on all covenants related to borrowings at 30 June 2016 and 31 December 2015.

9 Share Capital and Share Premium

Share capital issued and fully paid comprises:

In thousands of US Dollars	Number of class A shares issued	Number of class B shares issued	Nominal amount	Share premium	Total
Balance at 1 January 2015	**20 418 480**	**62 058 603**	**1 026**	**1 075 601**	**1 076 627**
New shares issued	-	3 953 794	44	57 682	57 726
Shares issued to top management (Subscribed in June 2013)	-	74 114	1	-	1
Shares issued to top management (Subscribed in April 2014)	-	88 751	1	-	1
Shares issued to top management (Subscribed in January 2015)	-	125 000	2	-	2
Balance at 30 June 2015	**20 418 480**	**66 300 262**	**1 074**	**1 133 283**	**1 134 357**
Balance at 1 January 2016	**21 694 704**	**69 086 269**	**1 139**	**1 193 219**	**1 194 358**
Shares issued to top management (Subscribed in April 2014)	-	88 748	1	-	1
Balance at 30 June 2016	**21 694 704**	**69 175 017**	**1 140**	**1 193 219**	**1 194 359**

9 Share Capital and Share Premium (Continued)

In accordance with the Articles of Association of the Company class “A” shares (1) do not have voting rights, (2) are entitled to non-cumulative quarterly dividends at the absolute discretion of directors of the Company not exceeding USD 2.17 per share p.a. and in priority to other shares, (3) receive maximum USD 18.11 per share upon liquidation and (4) give the holder the right to convert its class “A” shares into the same number of class “B” shares subject to payment of an exchange amount calculated by the Company. Class “B” shares (1) have voting rights, (2) may receive dividends only if at least minimum amount of dividends has been distributed to the holders of class “A” shares within the same period, and (3) are entitled to distributions upon liquidation.

2016 events. On 1 January 2016 in accordance with the Subscription agreement dated 17 April 2014 the installment of 88 748 class “B” shares was registered in the name of certain members of top management of the Group or legal entities they control.

The Board of Directors does not recommend the payment of interim dividends for the result for the six months ended 30 June 2016.

2015 events. On 1 January 2015 in accordance with the Subscription agreements signed in June 2013 and 17 April 2014 the instalments of 74 114 and 88 751 class “B” shares respectively were registered in the name of certain members of top management of the Group or their subsidiaries.

On 1 January 2015 the Company issued 125 000 class “B” shares to Top Management with a nominal value EUR 0.01.

On 30 June 2015 the Company issued 3 953 794 class “B” shares to ICT Holding Ltd with a nominal value of EUR 0.01 and a share premium of USD 14.59 per share.

On 27 July 2015 the shareholders of the Company resolved to extinguish through the cancellation 1 278 119 Class B shares issued to Centimila Services Limited at a total price of USD 19.56 per share. Following the reduction of capital, the amount of USD 25 000 007.64 constituting the total value of share capital extinguished, was payable to Centimila Services Limited, which liability was settled by the Company returning to Centimila Services Limited the promissory notes issued by Centimila Services Limited to the Company.

On 28 December 2015 the Company issued 1 276 224 class “A” shares and 4 064 126 class “B” shares to new shareholders Mr. Barinskiy and Mr. Zubrilin with a nominal value of USD 0.01 and EUR 0.01 respectively and a share premium of USD 18.10 for class “A” and USD 15.21 per class “B” share.

During the year 2015 the shareholders of the Company approved dividends in the amount of USD 44 308 thousand on Class “A” shares and USD 14 800 thousand on Class “B” shares.

Dividends for the year 2015 were declared in the amount of USD 2.17 per class “A” shares and USD 0.23 per class “B” shares.

During the year 2015 dividends in amount of USD 11 606 thousand on Class “A” shares and in amount of USD 7 301 thousand on Class “B” shares were netted-off with loans issued.

9 Share Capital and Share Premium (Continued)

Calculation of net assets value before deferred taxation per share

In thousands of US Dollars	30 June 2016	31 December 2015
Total equity	**1 066 669**	**1 075 407**
Deferred taxation amounts		
Deferred income tax asset	69 068	76 315
Deferred income tax	(103 029)	(107 400)
Share in deferred income tax liability of joint venture	970	(1 403)
Total equity before deferred taxation	**1 099 660**	**1 107 895**
Less: Non-controlling interest	(49 477)	(43 680)
Net assets value attributable to the owners of the Company before accounting for deferred taxation	1 050 183	1 064 215
Number of class "A" shares issued	21 694 704	21 694 704
Number of class "B" shares issued	69 175 017	69 086 269
Net assets value before deferred taxation per class "A" share in USD	18.11	18.11
Net assets value before deferred taxation per class "B" share in USD	9.50	9.72

10 Net Rental Income

		For the six months ended 30 June	
In thousands of US Dollars	Note	2016	2015
White Square		36 798	44 385
Vivaldi Plaza		18 738	19 169
Legenda Tsvetnogo		16 649	16 826
Ducat III		15 081	15 182
Krugozor		12 214	14 443
White Stone		11 615	13 613
Silver City		11 237	14 470
Stanislavsky Factory		10 265	12 105
Lighthouse		8 022	9 089
Zarechie		6 553	-
LeFort		6 264	12 603
Icube		5	5 075
Avion	16	-	3 812
Other		711	528
Total net rental income		**154 152**	**181 300**

The operating expenses for the six months ended 30 June 2016 and 2015:

	For the six months ended 30 June	
In thousands of US Dollars	2016	2015
Property management fees	5 193	5 987
Cleaning and utilities	4 222	4 668
Security	1 007	1 322
Repairs and maintenance	625	1 552
Insurance	511	651
Property tax	492	8 048
Other	790	766
Total operating expenses of investment property	**12 840**	**22 994**

11 General and Administrative Expenses and Other Operating Expenses

In thousands of US Dollars	For the six months ended 30 June 2016	2015
Employees compensation and related social contributions	4 730	1 350
Professional services	807	465
Marketing and advertising	521	86
Depreciation of property, plant and equipment	288	317
Own premises related expenses	247	446
Bank fees	215	404
Travel	95	144
Information services	95	112
Taxes other than income	7	194
Other	1 180	1 043
Total general and administrative expenses	**8 185**	**4 561**

In thousands of US Dollars	For the six months ended 30 June 2016	2015
Professional services	1 541	1 377
Leasing commissions	451	570
Other	28	411
Total other operating expenses	**2 020**	**2 358**

Other operating expenses represent mainly incremental expenses related to administering of individual investment properties and related holding structures.

Information on transactions with related parties is presented in Note 15.

12 Finance Income and Finance Costs

In thousands of US Dollars	For the six months ended 30 June 2016	2015
Interest income on loans	8 472	2 547
Interest income on deposits	4 542	1 859
Income from guarantees issued	907	1 003
Other	15	678
Total finance income	**13 936**	**6 087**
Interest expense on borrowings (excluding finance lease liability)	109 001	108 216
Net loss from derivatives	3 733	6 066
Impairment of loan issued	8 700	-
Interest expense on accretion of interest on tenants deposits	4 718	6 527
Finance charge on lease liabilities	1 005	1 173
Other	1 267	780
Total finance costs	**128 424**	**122 762**

Information on transactions with related parties is presented in Note 15.

13 Contingencies, Commitments and Operating Risks

***Legal proceedings*.** From time to time and in the normal course of business, claims against the Group may be received. On the basis of management's own estimates and internal professional advice, management is of the opinion that no material losses will be incurred in respect of any such claims, and accordingly no provision has been recorded in this condensed consolidated interim financial information.

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

As Russian tax legislation does not provide definitive guidance in certain areas, from time to time, the Group adopts interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the relevant authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), with certain specific features. This legislation allows tax authorities to assess additional taxes for controllable transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's length basis.

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the Company's operations.

Most of the Group's companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia, except for those entities that have registered commercial Branches in the Russian Federation.. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

Certain changes into Russian Tax Code that came into force starting 1 January 2015, which introduced the following concepts: (i) the "controlled foreign companies rules" (the "CFC Rules"). Under the Russian CFC Rules, in certain circumstances, undistributed profits of foreign companies and non-corporate structures (e.g., trusts, funds or partnerships) domiciled in foreign jurisdictions, which are ultimately owned and/ or controlled by Russian tax residents (legal entities and individuals), shall be subject to taxation in Russia; (ii) the concept of tax residency for legal entities. Under this concept a legal entity may be recognized as Russian tax resident if such entity is in fact managed from Russia. When an entity is recognized as Russian tax resident it is obligated to register, calculate tax on its worldwide income and comply with other tax-related rules established for Russian entities; (iii) the concept of "beneficial ownership". Under the Federal Law, a beneficial owner is defined as a person holding directly, through its direct and/or indirect participation in other organizations or otherwise, the right to own, use or dispose of income, or the person on whose behalf another person is authorized to use and/or dispose of such income.

13 Contingencies, Commitments and Operating Risks (Continued)

Tax liabilities of the Group companies are determined based on the underlying assumption that Group companies except registered in the Russian Federation are not Russian tax residents and are beneficial owners of income received from Russia. It is possible, with the evolution of the above concepts, that such approach could be challenged both for the reporting period and in certain cases for previous years open for tax audits. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the Company's operations.

Management assessed the impact of these changes and believe that it is not probable that the manner of doing operations by and with the foreign Group companies may give rise to material tax liabilities other than those provided in this condensed consolidated interim financial information. The tax legislation in Russia is subject to varying interpretations which can change frequently and as such an unquantifiable risk remains that the tax authorities could seek to challenge this position in the future and levy additional tax on the Group. Accordingly as of 30 June 2016 no provision for potential tax liabilities had been recognized.

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

In addition to the above matters, management estimates that at 30 June 2016 the Group had possible obligations from exposures to other than remote tax risks of approximately up to USD 84 951 thousand (31 December 2015: approximately up to USD 62 848 thousand). In the event that these possible tax risks crystallise as liabilities in the near future, the tax losses could be used to settle these liabilities. These exposures are estimates that result from uncertainties in interpretation of applicable legislation and related documentation requirements. Based on various valid arguments Management will vigorously defend the Group's positions and interpretations that were applied in determining taxes recognised in this condensed consolidated interim financial information if these are challenged by the authorities.

Capital commitments. At 30 June 2016 the Group has contractual capital expenditure commitments in respect of properties under development approximating USD 913 thousand (31 December 2015: USD 6 270 thousand). The Group believes that future net income and funding will be sufficient to cover this and any similar such commitments.

Assets pledged and restricted. At 30 June 2016 investment properties and owner occupied premises with a fair value of USD 3 691 820 thousand and USD 21 180 thousand respectively (31 December 2015: USD 3 688 599 thousand and USD 21 025 thousand respectively) and related land lease and lease proceeds were pledged in relation to borrowings (Notes 6 and 8). Also refer to Note 1 for the information on shares of subsidiaries of the Group pledged.

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. Refer to Note 8.

In relation to the Borrowings detailed above in the section "Assets pledged and restricted" the Company accepted an obligation to comply with certain covenants and conditions.

During the six months period to 30 June 2016, the Group was in breach of some financial covenants. The Group received a waiver in respect of such covenants and as at 30 June 2016 was in compliance with all covenants.

During 2015 the Group was in breach of some financial covenants. The Group received a waiver in respect of such breach and at 31 December 2015 was in compliance with all covenants.

Management is currently in active discussion with a number of lenders with a view to amend certain covenants in order to introduce more favourable covenants for the Group in future.

Share based payments to employees. At 30 June 2016 the liabilities relating to the directors' share based payments plan approximated to USD 31 thousand (31 December 2015: USD 31 thousand) and were recorded through general and administrative expenses in the profit or loss (Note 11).

13 Contingencies, Commitments and Operating Risks (Continued)

Also refer to Note 9 for the information on shares allocated to top management.

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

The valuation of the derivatives is performed based on discounted cash flows models. The key inputs to the models are the interest rate curves which are based on the market information. The valuations are performed internally and validated against the valuations of the transactions obtained independently from the counterparty banks.

At 30 June 2016 the Group had interest rate swap contracts with a total notional amount of USD 1 435 858 thousand (31 December 2015: USD 1 462 074 thousand) whereby the Group was paying a fixed interest rate in exchange for floating interest rate. At 30 June 2016 the negative fair value of these contracts was USD 14 702 thousand (31 December 2015: USD 2 092 thousand positive fair value and USD 5 797 thousand negative fair value).

During the six months ended 30 June 2016 the Group issued number of discounts to tenants in a form of foreign currency exchange derivatives. As a result the Group recognised during the six months ended 30 June 2016: (1) discounts issued in the amount of USD 1 066 thousand (During the year ended 31 December 2015: USD 40 774 thousand), accounted in Prepayments and deferred expenses; (2) foreign currency exchange derivatives in the amount of USD 1 066 thousand (During the year ended 31 December 2015: USD 40 774 thousand) whereby the Group had obligation to cover part of revenue related USD/RR exchange rate difference to number of tenants. At 30 June 2016 the negative fair value of these contracts was USD 18 128 thousand (31 December 2015: the negative value was USD 34 491 thousand) with a total notional amount of USD 68 800 thousand (31 December 2015: USD 98 397 thousand) and residual value of discounts issued was USD 16 750 thousand (31 December 2015: USD 23 113 thousand).

Guarantees. In relation to a USD 115,6 million borrowing (the "Borrowing") by a company (the "Intermediary Shareholder") which (1) is controlled by the Ultimate Controlling Shareholder (Note 1) and (2) owns and controls 100% interests in Centimila Services Limited (Note 1), the Group: (1) guaranteed performance of the Intermediary Shareholder with respect to the Borrowing, (2) pledged all shares in Ratado Holding Limited ("Ratado", a holding company for subsidiaries of the Group which own Vivaldi, Lighthouse, Silver City, Ducat III, Legenda Tsvetnogo, White Stone and Bolshevik properties (Notes 1)) as security with respect to the Borrowing, (3) pledged rights for balances receivable by the Group from Ratado as security with respect to the Borrowing, (4) subordinated its rights related to balances receivable by the Group from Ratado to rights of creditors under the Borrowing, (5) accepted subordination of liabilities of certain subsidiaries of the Group to the Intermediary Shareholder to rights of creditors under the Borrowing, (6) accepted obligation to comply with certain covenants and conditions and (7) guaranteed payment of certain fees.

At 30 June 2016 the Group guaranteed liabilities of its joint venture in the amount of USD 141 700 thousand (31 December 2015: USD 141 018 thousand).

14 Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The estimated fair values have been determined by the Group using available market information, when such information exists and is considered a reliable indicator, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market (Note 2). Market quotations may be outdated or reflect distressed sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

14 Fair Value (Continued)

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) Level 3 measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Valuation of investment properties. The fair value of investment properties represents Level 3 measurement. In determining the fair value of the Group's investment property, management have regard to reports of independent appraisers who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category. Since the information on current or recent prices of comparable investment properties was limited, the fair value of investment properties was determined mainly using discounted cash flow valuation techniques. The Group used assumptions that were mainly based on market conditions existing and contracted rental agreements as at each reporting date. Changes in assumptions used in the valuation techniques could affect reported fair values. The valuation recognised that most rental contracts are denominated in USD. During the six months ended 30 June 2016 and the year ended 31 December 2015, the Management have signed amendments to some rental agreements to temporarily cap the rental payments when RR rate exceeded a specific USD level. If management in the future agree to extend similar adjustments in the remaining contractual period of leases signed by 30 June 2016, this may have a negative impact on the valuation.

The methodology used for the valuation of investment property has not changed since 31 December 2015.

The valuation technique, inputs used in the fair value measurement of the investment property and related sensitivity to reasonably possible changes in those inputs were as follows at 30 June 2016:

In thousands of US Dollars	**Valuation technique**	**Inputs used**	**Range of inputs**	**Reasonable change (% of input)**	**Sensitivity of fair value measurement**	**Fair value**
Yielding Investment property	Discounted Cash Flow Technique	Discount rates	10.0 - 13.0%	+10 %	(157 900)	
				-10 %	168 300	
		Estimated rental value	200-2000 USD/ sq.m.	+10 %	228 100	
				-10 %	(236 900)	
		Exit capitalization rates	9.0 - 10.5%	+10 %	(222 500)	
				-10 %	266 700	3 713 000
Investment property under development	Discounted Cash Flow Technique	Discount rates	20.0%	+10 %	(9 100)	
				-10 %	10 200	
		Estimated rental value	200-750 USD/ sq.m.	+10 %	12 600	
				-10 %	(12 700)	
		Exit capitalization rates	10.0%	+10 %	(9 000)	
				-10 %	10 800	33 000
Total fair value of investment property per valuation reports at 30 June 2016 (Note 6)						**3 746 000**

14 Fair Value (Continued)

The valuation technique, inputs used in the fair value measurement of the investment property and related sensitivity to reasonably possible changes in those inputs were as follows at 31 December 2015:

In thousands of US Dollars	**Valuation technique**	**Inputs used**	**Range of inputs**	**Reasonable change (% of input)**	**Sensitivity of fair value measurement**	**Fair value**
				+10 %	(154 600)	
		Discount rates	10.0 - 13.0%	-10 %	164 300	
		Estimated rental	200-2000	+10 %	219 500	
	Discounted	value	USD/ sq.m.	-10 %	(218 900)	
Yielding Investment	Cash Flow	Exit capitalization		+10 %	(217 000)	
property	Technique	rates	9.0 - 10.5%	-10 %	265 700	3 708 500
				+10 %	(10 100)	
		Discount rates	20.0%	-10 %	11 600	
		Estimated rental	200-750	+10 %	18 800	
	Discounted	value	USD/ sq.m.	-10 %	(12 600)	
Investment property under	Cash Flow	Exit capitalization		+10 %	(11 000)	
development	Technique	rates	10.0%	-10 %	13 500	30 600
Total fair value of investment property per valuation reports at 31 December 2015 (Note 6)						**3 739 100**

Refer to Note 6 for information on movements in fair value of the investment property. The sensitivity of fair value measurement to change of inputs is estimated by adjusting the variable and assuming that other variables remain the same.

During the six months ended 30 June 2016 and 2015 there were no reclassifications from or into Level 3 measurements.

All gain from valuation is unrealised and presented in net gain from fair value adjustment on investment property line in the condensed consolidated interim statement of profit and loss and other comprehensive income.

***Cash and cash equivalents*.** Cash and cash equivalents are carried at amortised cost which approximates their current fair value.

***Financial assets carried at amortised cost*.** The estimated fair value of financial assets carried at amortised cost is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Interest rates used depend on the perceived credit risk of the counterparty and ranged at 30 June 2016 from 3.65% p.a. to 14% p.a. (31 December 2015: from 3.65% p.a. to 14% p.a.).

***Liabilities carried at amortised cost*.** The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. Interest rates used ranged from 5% p.a. to 14% p.a]. (31 December 2015: from 5% p.a. to 17% p.a.).

14 Fair Value (Continued)

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

In thousands of US Dollars	30 June 2016		31 December 2015	
	Fair value	**Carrying value**	**Fair value**	**Carrying value**
Loans issued (Level 3)	191 053	192 923	175 602	176 465
Trade and other receivables (Level 3)	52 647	52 647	49 260	49 260
Cash and cash equivalents (Level 2)	164 180	164 180	210 639	210 639
Loans from banks (Level 3)	2 382 280	2 429 513	2 472 464	2 470 352
Loans from other companies and individuals (Level 3)	1 063	1 068	1 455	1 492
Loans from related parties (Level 3)	11 412	10 317	14 628	13 434
Rouble bonds financing (Level 1)	336 898	338 111	293 744	295 339
Redeemable preference shares (Level 3)	81 666	72 608	82 249	68 825
Finance lease liabilities (Level 3)	21 319	21 319	18 862	18 862
Tenant deposits (Level 3)	55 459	54 053	57 562	53 978
Trade and other payables (Level 3)	31 183	31 183	42 180	42 180

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

***Financial instruments carried at fair value*.** At 30 June 2016 and 31 December 2015 all derivative financial instruments were valued using valuation techniques (Discounted Cash Flow) with inputs observable in markets which is Level 2 measurement. Refer to Note 13.

15 Related Party Transactions

For the purposes of this condensed consolidated interim financial information, parties are considered to be related if they are under common control, or if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

15 Related Party Transactions (Continued)

The outstanding balances with related parties were as follows:

In thousands of US Dollars	30 June 2016 Immediate shareholders (excluding key management personnel)	30 June 2016 Companies under significant influence of ultimate controlling shareholder	30 June 2016 Joint venture	30 June 2016 Key management personnel	31 December 2015 Immediate shareholders (excluding key management personnel)	31 December 2015 Companies under significant influence of ultimate controlling shareholder	31 December 2015 Joint venture	31 December 2015 Key management personnel
Loans issued (Note 7)	7 941	6 584	85 037	-	7 801	9 200	69 494	-
Trade and other receivables	2	2 056	1 762	-	-	722	1 551	-
Borrowings (Note 8)	(10 099)	(203)	(15)	-	(1 220)	(12 201)	(13)	-
Trade and other payables	-	(2 318)	(52)	(2 500)	-	(2 856)	(61)	(2 500)
Dividends (Note 9)	(12 843)	(2 863)	-	-	(12 843)	(2 863)	-	-

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

In thousands of US Dollars	2016 Immediate shareholders (excluding key management personnel)	2016 Companies under significant influence of ultimate controlling shareholder	2016 Joint venture	2016 Key management personnel	2015 Immediate shareholders (excluding key management personnel)	2015 Companies under significant influence of ultimate controlling shareholder	2015 Joint venture	2015 Key management personnel
Rental revenue	-	493	441	-	-	840	97	-
Salaries and bonuses and related social contribution expense	-	-	-	(738)	-	-	-	(356)
Reversal of accrued bonuses	-	-	-	-	-	-	-	3 419
Income from guarantees issued	907	-	-	-	-	-	-	-
Interest income	591	1 327	2 597	-	-	-	1 587	-
Interest expense	(13)	(402)	-	-	(13)	(4 897)	(1)	-
Finance costs	-	(8 700)	-	-	-	-	-	-

15 Related Party Transactions (Continued)

In addition the Group guaranteed obligations of related parties and pledged shares in certain subsidiaries in relation to liabilities of related parties (Notes 1 and 13).

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

Refer to Note 9 and 13 for the description of the share based payments to management.

Refer to Note 16 for the information on acquisition of Zarechie.

Refer to Note 16 for the information on Avion disposal.

Refer to Note 8 for the information on (1) significant borrowings received by the Group from Sberbank of Russia, a significant non-controlling shareholder of Afelmor, and (2) funding received by the Group as a result of issue by a company controlled by the Ultimate Controlling Shareholder of Rouble bonds guaranteed by the Company.

16 Acquisitions and Disposals

Acquisition of Ducat III. On 31 March 2015 the Group acquired for total consideration of USD 67 100 thousand a 100% interest in Mokati Limited (Cyprus) which owns a 100% interest in Gasheka Realty Limited (Russia), company which owns the office center Ducat III in Moscow. The companies acquired constituted a group of net assets, rather than businesses as defined in IFRS 3 “Business combinations”, as the Group purchased physical assets and not the accompanying processes.

The details of the assets and liabilities acquired were as follows:

In thousands of US Dollars	**Attributed value**
Cash and cash equivalents	4 294
Loans issued	25 434
Prepayments	722
VAT recoverable	248
Trade and other receivables	4 008
Current income tax prepayments	8
Deferred tax asset	632
Investment property	396 420
Borrowings	(234 054)
Tenant deposits	(1 950)
Land lease liability	(1 339)
Deferred rental income	(6 101)
Current income tax liabilities	(14)
Trade and other payables	(121 208)
Attributed value of identifiable net assets of subsidiaries acquired	**67 100**
Total purchase consideration	**(67 100)**
Less: Non-cash consideration	67 000
Less: Cash and cash equivalents of subsidiary acquired	4 294
Inflow of cash and cash equivalents on acquisition	**4 194**

Non-cash consideration represents the set-off of mutual obligations under the Shares Sale and Purchase Agreement and Set-off Agreement in respect of the sale and purchase of the entire issued share capital of Mokati Limited (Cyprus).

Refer to Note 4 for Critical judgements on acquisition of investment properties.

16 Acquisitions and Disposals (Continued)

Acquisition of Bolshevik. On 31 March 2015 the Group acquired for total consideration of USD 28 100 thousand a 100% interest in Blandid Limited (Cyprus) which owned a 50.1% interest in Solorita Holding Limited (Cyprus). Solorita Holding Limited owns a 100% interest in Asabelle Limited (Cyprus) which owns Nezoral Limited (Cyprus), Finance Marekkon Limited (Cyprus) and Merissania Holding Limited (Cyprus). These three companies own the office center Bolshevik in Moscow. The companies acquired constituted a group of net assets, rather than businesses as defined in IFRS 3 “Business combinations”, as the Group purchased physical assets and not the accompanying processes.

The details of the assets and liabilities acquired were as follows:

In thousands of US Dollars	**Attributed value**
Cash and cash equivalents	2 389
Loans issued	9 977
Prepayments	6 188
VAT recoverable	2 032
Trade and other receivables	28 576
Current income tax prepayments	103
Deferred tax ssset	7 785
Investment property	194 537
Borrowings	(177 621)
Tenant deposits	(1 046)
Deferred rental income	(4 026)
Current income tax liabilities	(245)
Trade and other payables	(12 561)
Attributed value of identifiable net assets of joint venture acquired	**56 088**
Less: interest owned by the joint venture partner	(27 988)
Total purchase consideration	**(28 100)**
Less: Non-cash consideration	28 000

Non-cash consideration represents the set-off of mutual obligations under the Shares Sale and Purchase Agreement and Set-off Agreement in respect of the sale and purchase of the entire issued share capital of Blandid Limited (Cyprus).

Refer to Note 4 for Critical judgements on acquisition of investment properties.

16 Acquisitions and Disposals (Continued)

Acquisition of Legenda. On 12 May 2015 the Group acquired for total consideration of USD 72 100 thousand a 100% interest in Sabaton Holdings Limited (Cyprus) which owns 50.5% interest in Narvi Finance Limited (Cyprus). Narvi Finance Limited owns 100% interest in Goldstyle Holdings Limited (Cyprus) which owns the office centre Legenda Tsvetnogo in Moscow. The companies acquired constituted a group of net assets, rather than businesses as defined in IFRS 3 “Business combinations”, as the Group purchased physical assets and not the accompanying processes.

The details of the assets and liabilities acquired were as follows:

In thousands of US Dollars	**Attributed value**
Cash and cash equivalents	1 792
Loans issued	12
Prepayments	774
Trade and other receivables	4 287
Deferred tax asset	922
Investment property	402 449
Borrowings	(237 429)
Tenant deposits	(4 608)
Deferred rental income	(4 957)
Current income tax liabilities	(413)
Trade and other payables	(20 056)
Attributed value of identifiable net assets of subsidiaries acquired	**142 773**
Less: non-controlling interest	(70 673)
Total purchase consideration	**(72 100)**
Less: Non-cash consideration	72 000
Less: Cash and cash equivalents of subsidiary acquired	1 792
Inflow of cash and cash equivalents on acquisition	**1 692**

Non-cash consideration represents the set-off of mutual obligations under the Shares Sale and Purchase Agreement and Set-off Agreement in respect of the sale and purchase of the entire issued share capital of Sabaton Holdings Limited (Cyprus).

Refer to Note 4 for Critical judgements on acquisition of investment properties.

16 Acquisitions and Disposals (Continued)

Acquisition of Sharezone. On 26 June 2015 the Group acquired for total consideration of USD 232 400 thousand a 100% in Sharezone Capital Limited (Cyprus) which owns 100% interest in (1) Le Fortaco Limited (Cyprus), the owner of the office centre Lefort in Moscow, (2) Krugozor Business Center (Cyprus) Limied, the owner of the office centre Krugozor in Moscow, and (3) Business Center Stanislavsky (Cyprus) Limited, the owner of the office centre Stanislavsky in Moscow. The companies acquired constituted a group of net assets, rather than businesses as defined in IFRS 3 "Business combinations", as the Group purchased physical assets and not the accompanying processes.

The details of the assets and liabilities acquired were as follows:

In thousands of US Dollars	**Attributed value**
Cash and cash equivalents	5 965
Loans issued	22 792
Prepayments	1 031
Trade and other receivables	12 865
Current income tax prepayments	1 283
Deferred tax ssset	21 531
Investment property	741 454
Borrowings	(432 478)
Tenant deposits	(13 513)
Land lease liability	(13 581)
Deferred rental income	(13 939)
Current income tax liabilities	(67)
Trade and other payables	(100 943)
Attributed value of identifiable net assets of subsidiaries acquired	**232 400**
Total purchase consideration	**(232 400)**
Less: Non-cash consideration	232 300
Less: Cash and cash equivalents of subsidiary acquired	5 965
Inflow of cash and cash equivalents on acquisition	**5 865**

Non-cash consideration represents the set-off of mutual obligations under the Shares Sale and Purchase Agreement and Set-off Agreement in respect of the sale and purchase of the entire issued share capital of Sharezone Capital Limited (Cyprus).

Refer to Note 4 for Critical judgements on acquisition of investment properties.

16 Acquisitions and Disposals (Continued)

Acquisition of Zarechie. On 30 June 2015 the Group acquired from related party for total consideration of USD 57 736 thousand a 100% interest in Filmotinia Ventures Ltd (Cyprus) which owns 100% interest in Management Company "Progress" LLC (Russia). Management Company "Progress" LLC owns 100% interest in Zarechie LLC (Russia) which owns the office centre Zarechie in Moscow. The companies acquired constituted a group of net assets, rather than businesses as defined in IFRS 3 "Business combinations", as the Group purchased physical assets and not the accompanying processes.

The details of the assets and liabilities acquired were as follows:

In thousands of US Dollars	**Attributed value**
Cash and cash equivalents	350
VAT recoverable	206
Trade and other receivables	325
Deferred tax asset	1 848
Investment property	118 030
Borrowings	(60 753)
Land lease liability	(2 076)
Trade and other payables	(194)
Attributed value of identifiable net assets of subsidiaries acquired	**57 736**
Total purchase consideration	**(57 736)**
Less: Cash and cash equivalents of subsidiary acquired	350
Less: Trade and other payables	57 726
Inflow of cash and cash equivalents on acquisition	**340**

The total purchase consideration represents the amount of 3 953 794 class "B" shares issued to ICT Holding Limited by O1 Properties group. Refer to Note 9 for the information on shares issue.

16 Acquisitions and Disposals (Continued)

Disposal of Ducat III. On 25 March 2015 the Group sold its 100% interest in Mokati Limited (Cyprus) which owns a 100% interest in Gasheka Realty Limited (Russia), company which owns the office center Ducat III in Moscow.

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

In thousands of US Dollars	**Carrying amount**
Cash and cash equivalents	4 294
Loans issued	25 434
Prepayments	722
VAT recoverable	248
Trade and other receivables	4 008
Current income tax prepayments	9
Deferred tax asset	632
Investment property	395 631
Borrowings	(234 054)
Tenant deposits	(1 950)
Land lease liability	(1 339)
Deferred tax liability	(39 264)
Deferred rental income	(6 101)
Current income tax liabilities	(14)
Trade and other payables	(121 209)
Carrying value of identifiable net assets of subsidiaries disposed	**27 047**
Gain on disposal	**39 953**
Less: Reclassification of effect of translation to presentation currency	180 313
Net loss from disposal, including reclassification of currency translation reserve on disposal of subsidiary	**(140 360)**
Total sale consideration	**67 000**
Less: Non-cash consideration	(67 000)
Less: Cash and cash equivalents of subsidiary disposed	(4 294)
Outflow of cash and cash equivalents on disposal	**(4 294)**

Non-cash consideration represents the set-off of mutual obligations under the Shares Sale and Purchase Agreement and Set-off Agreement in respect of the sale and purchase of the entire issued share capital of Gasheka Realty Limited (Russia).

16 Acquisitions and Disposals (Continued)

Disposal of Bolshevik. On 25 March 2015 the Group sold its 100% interest in Blandid Limited (Cyprus) which owns a 50.1% interest in Solorita Holding Limited (Cyprus). Solorita Holding Limited owns a 100% interest in Asabelle Limited (Cyprus) which owns Nezoral Limited (Cyprus), Finance Marekkon Limited (Cyprus) and Merissania Limited (Cyprus). These three companies own the office center Bolshevik in Moscow.

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

In thousands of US Dollars	**Carrying amount**
Cash and cash equivalents	2 389
Loans issued	9 977
Prepayments	6 188
VAT recoverable	2 032
Trade and other receivables	28 576
Current income tax prepayments	103
Deferred tax asset	7 785
Investment property	191 598
Borrowings	(177 621)
Tenant deposits	(1 046)
Deferred tax liability	(30 004)
Deferred rental income	(4 026)
Current income tax liabilities	(245)
Trade and other payables	(12 561)
Carrying value of identifiable net assets of joint venture disposed	**23 145**
Less: interest owned by the joint venture partner	(11 549)
Gain on disposal	**16 404**
Less: Reclassification of effect of translation to presentation currency	27 448
Net loss from disposal, including reclassification of currency translation reserve on disposal of subsidiary	**(11 044)**
Total sale consideration	**28 000**
Less: Non-cash consideration	(28 000)

Non-cash consideration represents the set-off of mutual obligations under the Shares Sale and Purchase Agreement and Set-off Agreement in respect of the sale and purchase of the entire issued share capital of Blandid Limited (Cyprus).

16 Acquisitions and Disposals (Continued)

Disposal of Legenda. On 05 May 2015 the Group sold its 100% interest in Sabaton Holdings Limited (Cyprus) which owns 50.5% interest Narvi Finance Limited (Cyprus). Narvi Finance Limited owns 100% interest in Goldstyle Holdings Limited (Cyprus) which owns the office centre Legenda Tsvetnogo in Moscow.

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

In thousands of US Dollars	**Carrying amount**
Cash and cash equivalents	1 792
Loans issued	12
Prepayments	774
Trade and other receivables	4 287
Deferred tax asset	922
Investment property	401 546
Borrowings	(237 429)
Tenant deposits	(4 608)
Deferred tax liability	(34 282)
Deferred rental income	(4 957)
Current income tax liabilities	(411)
Trade and other payables	(20 058)
Carrying value of identifiable net assets of subsidiaries disposed	**107 588**
Less: non-controlling interest	(53 256)
Gain on disposal	**17 668**
Less: Reclassification of effect of translation to presentation currency attributable to the owners of the Group from other comprehensive income to profit and loss	19 202
Net loss from disposal, including reclassification of currency translation reserve on disposal of subsidiary attributable to the owners of the Group	**(1 534)**
Less: Reclassification of effect of translation to presentation currency attributable to the non-controlling interest	18 823
Net loss from disposal, including reclassification of currency translation reserve on disposal of subsidiary	**(20 357)**
Total sale consideration	**72 000**
Less: Non-cash consideration	(72 000)
Less: Cash and cash equivalents of subsidiary disposed	(1 792)
Outflow of cash and cash equivalents on disposal	**(1 792)**

Non-cash consideration represents the set-off of mutual obligations under the Shares Sale and Purchase Agreement and Set-off Agreement in respect of the sale and purchase of the entire issued share capital of Sabaton Holdings Limited (Cyprus).

16 Acquisitions and Disposals (Continued)

Disposal of Sharezone. On 22 June 2015 the Group sold its 100% interest in Sharezone Capital Limited (Cyprus) which owns 100% interest in (1) Le Fortaco Limited (Cyprus), the owner of the office centre Lefort in Moscow, (2) Krugozor Business Center (Cyprus) Limied, the owner of the office centre Krugozor in Moscow, and (3) Business Center Stanislavsky (Cyprus) Limited, the owner of the office centre Stanislavsky in Moscow.

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

In thousands of US Dollars	**Carrying amount**
Cash and cash equivalents	5 965
Loans issued	22 792
Prepayments	1 031
Trade and other receivables	12 886
Current income tax prepayments	1 283
Deferred tax asset	21 531
Investment property	741 326
Borrowings	(432 478)
Tenant deposits	(13 513)
Land lease liability	(13 581)
Deferred tax liability	(69 708)
Deferred rental income	(13 939)
Current income tax liabilities	(67)
Trade and other payables	(100 943)
Carrying value of identifiable net assets of subsidiaries disposed	**162 585**
Gain on disposal	**69 715**
Less: Reclassification of effect of translation to presentation currency	**256 861**
Net loss from disposal, including reclassification of currency translation reserve on disposal of subsidiary	**(187 146)**
Total sale consideration	**232 300**
Less: Non-cash consideration	(232 300)
Less: Cash and cash equivalents of subsidiary disposed	(5 965)
Outflow of cash and cash equivalents on disposal	**(5 965)**

Non-cash consideration represents the set-off of mutual obligations under the Shares Sale and Purchase Agreement and Set-off Agreement in respect of the sale and purchase of the entire issued share capital of Sharezone Capital Limited (Cyprus).

16 Acquisitions and Disposals (Continued)

Disposal of Avion. On 31 December 2015 the Group sold to a related party its 100% interest in Stabilac Limited (Cyprus) and Valnaz Investments Limited (Cyprus) which owns 100% interest in Avion Corporate Business Center (Cyprus).

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

In thousands of US Dollars	**Carrying amount**
Cash and cash equivalents	997
Loans issued	129
Trade and other receivables	5 637
Current income tax prepayments	86
Investment property	47 119
Borrowings	(53 160)
Tenant deposits	(1 308)
Deferred tax liability	(4 147)
Deferred rental income	(1 391)
Trade and other payables	(4 715)
Carrying value of identifiable net assets of subsidiaries disposed	**(10 753)**
Gain on disposal	**10 753**
Less: Reclassification of effect of translation to presentation currency	(24 169)
Net gain on disposal, including reclassification of currency translation reserve on disposal of subsidiary	**34 922**
Total sale consideration	**-**
Less: Cash and cash equivalents of subsidiary disposed	(997)
Outflow of cash and cash equivalents on disposal	**(997)**

Other disposals. During the six months ended 30 June 2016 and the year ended 31 December 2015 the Group also sold a number of minor subsidiaries, which do not have a material impact on this condensed consolidated interim financial information.

17 Subsequent Events

In August 2016 an amount of RR 682 million was paid in full settlement of the amounts arising from the exercise of the repayment right of the Rouble bonds with agreement dated 7 August 2013 (Note 8).

Refer to Note 2 for the information on significant changes in foreign currency exchange rates during 2016.

There were no other material subsequent events, which have a bearing on the understanding of this condensed consolidated interim financial information for the period ended 30 June 2016.