

Lenta PLC
Interim condensed consolidated financial statements
for the six-month period ended 30 June 2020

July 2020

Report on Review of Interim Financial Information of Lenta PLC and its subsidiaries

Contents	Page
Report on Review of Interim Financial Information	3
Appendices	
Statement of Directors' responsibilities for the preparation and approval of the interim condensed consolidated financial statements for the six months ended 30 June 2020	4
Interim condensed consolidated statement of financial position	5
Interim condensed consolidated statement of profit or loss and other comprehensive income	6
Interim condensed consolidated statement of cash flows	7
Interim condensed consolidated statement of changes in equity	8
Notes to the interim condensed consolidated financial statements	
1. The Lenta Group and its operations	9
2. Basis of preparation and changes to the Group's accounting policies	9
3. Balances and transactions with related parties	11
4. Property, plant and equipment	13
5. Prepayments for construction	14
6. Right-of-use assets and lease liabilities	15
7. Operating segments	16
8. Intangible assets	18
9. Other non-current assets	18
10. Inventories	19
11. Trade and other receivables	19
12. Advances paid	19
13. Cash and cash equivalents	20
14. Issued capital and reserves	20
15. Earnings per share	22
16. Borrowings	22
17. Income taxes	23
18. Trade and other payables	23
19. Other taxes payable	24
20. Cost of sales	24
21. Selling, general and administrative expenses	24
22. Other operating income and expenses	25
23. Share options reserve	25
24. Capital expenditure commitments	27
25. Financial instruments	28
26. Contingencies	29
27. Events occurring after the reporting period	31



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Report on Review of Interim Financial Information

To the Members of Lenta PLC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Lenta PLC and its subsidiaries, which comprise the interim condensed consolidated statement of financial position as at 30 June 2020 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, Interim condensed consolidated statement of cash flows, Interim condensed consolidated statement of changes in equity for the six-month period then ended, and selected explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of 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 interim financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Andreas Avraamides
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia, 24 July 2020

Lenta PLC and subsidiaries

Statement of Directors' responsibilities for the preparation and approval of the interim condensed consolidated financial statements for the six-month period ended 30 June 2020

The following statement is made with a view to the respective responsibilities of Directors in relation to the interim condensed consolidated financial statements of Lenta PLC ("the Company") and its subsidiaries ("the Group").

Directors are responsible for the preparation of these interim condensed consolidated financial statements that present fairly the financial position of Lenta PLC and its subsidiaries as at 30 June 2020 and the results of its operations, cash flows and changes in shareholders' equity for the six months then ended, in compliance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* ("IAS 34").

In preparing the interim condensed consolidated financial statements, Directors are responsible for:

- ▶ applying consistently the accounting principles prescribed by IAS 34;
- ▶ making judgments and estimates that are reasonable and prudent;
- ▶ stating whether IAS 34 has been followed, subject to any material departures disclosed and explained in the interim condensed consolidated financial statements; and
- ▶ preparing the interim condensed consolidated financial information on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Directors are also responsible for:

- ▶ designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- ▶ maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the interim condensed consolidated financial statements of the Group comply with IAS 34;
- ▶ maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- ▶ taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- ▶ preventing and detecting fraud and other irregularities.

The interim condensed consolidated financial statements of the Group for the six-month period ended 30 June 2020 were approved by Directors on 24 July 2020.

On behalf of the Directors as authorised by the Board of Directors.



Herman Tinga
(Director)



Rud Pedersen
(Director)

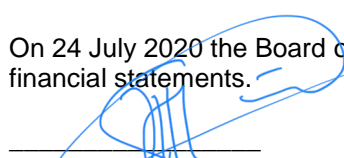
Lenta PLC and subsidiaries

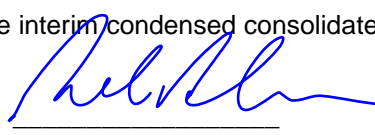
Interim condensed consolidated statement of financial position as at 30 June 2020

(in thousands of Russian roubles)

	Note	30 June 2020 (unaudited)	31 December 2019
Assets			
Non-current assets			
Property, plant and equipment	4	159,905,786	165,443,239
Prepayments for construction	5	3,280,920	2,312,814
Right-of-use assets	6	33,315,691	32,667,443
Intangible assets	8	2,328,957	2,270,975
Other non-current assets	9	468,939	444,316
Total non-current assets		199,300,293	203,138,787
Current assets			
Inventories	10	38,201,731	38,453,265
Trade and other receivables	11	6,320,237	8,604,102
Advances paid	12	1,858,722	1,582,931
Taxes recoverable		–	163,364
Prepaid expenses		467,695	103,059
Cash and cash equivalents	13	19,323,227	73,404,760
Total current assets		66,171,612	122,311,481
Total assets		265,471,905	325,450,268
Equity and liabilities			
Equity			
Share capital	14	6,711	–
Additional paid-in capital	14	27,056,040	27,062,751
Share options reserve	23	280,133	390,536
Treasury shares		(1,011,190)	(1,011,190)
Retained earnings		60,734,784	51,708,795
Total equity		87,066,478	78,150,892
Liabilities			
Non-current liabilities			
Long-term borrowings	16	76,209,399	82,110,441
Deferred tax liabilities		7,193,451	6,508,488
Long-term lease liabilities	6	30,511,900	29,520,222
Total non-current liabilities		113,914,750	118,139,151
Current liabilities			
Trade and other payables	18	40,088,398	54,689,103
Short-term borrowings and short-term portion of long-term borrowings	16	18,572,137	68,430,816
Short-term lease liabilities	6	3,060,114	2,639,784
Contract liabilities		389,293	482,160
Advances received		190,739	191,953
Other taxes payable	19	1,649,310	1,173,563
Current income tax payable		540,686	1,552,846
Total current liabilities		64,490,677	129,160,225
Total liabilities		178,405,427	247,299,376
Total equity and liabilities		265,471,905	325,450,268

On 24 July 2020 the Board of Directors of Lenta PLC authorised these interim condensed consolidated financial statements.


Herman Tinga
(Director)


Rud Pedersen
(Director)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Lenta PLC and subsidiaries

Interim condensed consolidated statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2020

(in thousands of Russian roubles)

		Six months ended 30 June 2020, unaudited	Six months ended 30 June 2019, unaudited
	Note		
Sales		216,975,140	199,210,950
Cost of sales	20	(166,271,808)	(154,168,238)
Gross profit		50,703,332	45,042,712
Selling, general and administrative expenses	21	(37,463,636)	(37,434,612)
Other operating income	22	2,484,187	2,491,203
Other operating expenses	22	(151,290)	(510,508)
Operating profit before impairment		15,572,593	9,588,795
Reversal of impairment/(Impairment) of non-financial assets	4, 6, 8	41,754	(9,005,439)
Operating profit		15,614,347	583,356
Interest expense		(5,177,821)	(7,699,134)
Interest income		458,103	1,628,573
Foreign exchange (losses)/gains		(271,959)	188,156
Profit/(loss) before income tax		10,622,670	(5,299,049)
Income tax expense	17	(1,711,536)	470,206
Profit/(loss) for the period		8,911,134	(4,828,843)
Other comprehensive income for the period, net of tax		—	—
Total comprehensive income/(loss) for the period, net of tax		8,911,134	(4,828,843)
Earnings/(losses) per share (in thousands of Russian roubles per share)			
- basic and diluted, for profit/(loss) for the period attributable to equity holders of the parent	15	0.092	(0.050)

Lenta PLC and subsidiaries

Interim condensed consolidated statement of cash flows for the six-month period ended 30 June 2020

(in thousands of Russian roubles)

	Note	Six months ended 30 June 2020, unaudited	Six months ended 30 June 2019, unaudited *
Cash flows from operating activities			
Profit/(loss) before income tax		10,622,670	(5,299,049)
<i>Adjustments for:</i>			
Net loss on disposal of property, plant and equipment	22	42,125	162,422
Loss on disposal of intangible assets	22	4,672	8,283
Cancellation of lease contracts	22	5,582	125,984
Interest expense		5,177,821	7,699,134
Interest income		(458,103)	(1,628,573)
(Reversal of write-down)/write-down of inventories to net realisable value	10	(109,044)	145,671
Net foreign exchange loss/(gain) attributable to financing activities		85,216	(87,565)
Change in expected credit losses of accounts receivable and write-offs of accounts receivable	22	(1,371)	(8,947)
Impairment and write-offs of advances paid and prepayments for construction	22	44,786	52,045
Depreciation and amortisation	4, 6, 8	9,239,580	9,234,868
(Reversal of impairment)/impairment of non-financial assets	4, 6, 8	(41,754)	9,005,439
Share options expense	23	199,808	293,856
		24,811,988	19,703,568
<i>Movements in working capital</i>			
Decrease in trade and other receivables	11	2,182,309	3,076,722
(Increase)/decrease in advances paid	12	(344,570)	678,245
Increase in prepaid expenses		(364,636)	(9,422)
Decrease in inventories	10	360,578	1,203,061
Decrease in trade and other payables	18	(14,045,080)	(16,911,939)
Decrease in contract liabilities and advances received		(94,081)	(55,524)
Increase in net other taxes payable	19	639,111	1,056,989
Cash from operating activities		13,145,619	8,741,700
Income taxes paid		(2,038,733)	(930,092)
Interest received		533,726	1,613,218
Interest paid		(5,379,545)	(7,144,308)
Net cash generated from operating activities		6,261,067	2,280,518
Cash flows from investing activities			
Purchases of property, plant and equipment		(3,151,280)	(5,558,870)
Purchases of intangible assets		(363,601)	(241,829)
Proceeds from sale of property, plant and equipment		14,314	8,314
Net cash used in investing activities		(3,500,567)	(5,792,385)
Cash flows from financing activities			
Proceeds from borrowings		30,842,004	73,174,286
Repayments of borrowings		(86,400,001)	(30,547,143)
Payments for the principal portion of the lease liabilities	6	(1,284,036)	(1,230,628)
Purchase of treasury shares	14	–	(720,099)
Net cash (used in)/generated from financing activities		(56,842,033)	40,676,416
Net (decrease)/increase in cash and cash equivalents		(54,081,533)	37,164,549
Cash and cash equivalents at the beginning of the period		73,404,760	33,804,860
Cash and cash equivalents at the end of the period	13	19,323,227	70,969,409

* Certain amounts shown here do not correspond to the financial statements for the six-months period ended 30 June 2019 reflect reclassification described in Note 2.

Lenta PLC and subsidiaries

Interim condensed consolidated statement of changes in equity for the six-month period ended 30 June 2020

(in thousands of Russian roubles)

	Share capital	Additional paid-in capital	Treasury shares	Share options reserve	Retained earnings	Total equity
Balance at 1 January 2020	–	27,062,751	(1,011,190)	390,536	51,708,795	78,150,892
Profit for the period	–	–	–	–	8,911,134	8,911,134
Total comprehensive income	–	–	–	–	8,911,134	8,911,134
Share option expenses (Note 23)	–	–	–	199,808	–	199,808
Share option settlement by cash (Note 23)	–	–	–	(289,725)	94,369	(195,356)
Share option expired worthless (Note 23)	–	–	–	(20,486)	20,486	–
Amendment to par value of ordinary shares (Note 23)	6,711	(6,711)	–	–	–	–
Balance at 30 June 2020 (unaudited)	6,711	27,056,040	(1,011,190)	280,133	60,734,784	87,066,478

	Share capital	Additional paid-in capital	Treasury shares	Share options reserve	Retained earnings	Total equity
Balance at 1 January 2019	–	26,935,309	(291,091)	633,165	54,238,545	81,515,928
Loss for the period	–	–	–	–	(4,828,843)	(4,828,843)
Total comprehensive loss	–	–	–	–	(4,828,843)	(4,828,843)
Share option expenses (Note 23)	–	–	–	293,856	–	293,856
Share option settlement by shares (Notes 14, 23)	–	127,442	–	(127,442)	–	–
Share option settlement by cash (Note 23)	–	–	–	(550,308)	264,124	(286,184)
Purchase of treasury shares (Note 14)	–	–	(720,099)	–	–	(720,099)
Balance at 30 June 2019 (unaudited)	–	27,062,751	(1,011,190)	249,271	49,673,826	75,974,658

Notes

Additional paid-in capital: Additional paid-in capital is the difference between the fair value of consideration received and nominal value of the issued shares.

Treasury shares: Treasury shares are own equity instruments reacquired by the Group

Lenta PLC and subsidiaries

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2020

(in thousands of Russian roubles)

1. The Lenta Group and its operations

The Lenta Group (the “Group”) comprises Lenta PLC (“the Company”) and its subsidiaries. The Group’s principal business activity is the development and operation of hypermarket and supermarket stores in Russia.

The Company was incorporated as a company limited by shares under the laws of the British Virgin Islands (BVI) on 16 July 2003. The Company’s registered address was at P.O. Box 3340, Road Town, Tortola, BVI.

In September 2019 the Company established a representative office in St. Petersburg.

In October 2019 the Company was registered as a Russian tax resident.

In December 2019 the Company has started the process of its redomiciliation to Cyprus. In February 2020 the redomiciliation process was completed. The Department of Registrar of Companies and Official Receiver issued the Certificate of Continuation of the Company by which it certifies that the Company was registered from 21 February 2020 in accordance with the Cyprus Companies Law Cap 113, in particular section 354H as a company continuing in the Republic of Cyprus.

The Company’s registered address is 6 Karaiskaki Street, City House, 3032 Limassol, Cyprus.

On 30 June 2020 the Company announced Extraordinary Meeting of Shareholders to consider the proposed redomiciliation of the Company from the Republic of Cyprus to the Russian Federation into the special administrative region of Oktyabrsky Island, Kaliningrad.

Starting from March 2014 the Company’s shares are listed on the London Stock Exchange and Moscow Exchange in the form of Global Depositary Receipts (GDR).

At 30 June 2020 and 31 December 2019 the Group has one main operating subsidiary, Lenta LLC (100% owned), a legal entity registered under the laws of the Russian Federation. The registered office of Lenta LLC, is located at 112, Lit. B, Savushkina Street, 197374, Saint Petersburg, Russia. Other subsidiaries are property or investment holding companies by their nature.

2. Basis of preparation and changes to the Group’s accounting policies

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2019.

A general slowdown in the global economy caused by COVID-19, continued economic uncertainty and consequent challenging market conditions may affect the ability to continue as a going concern.

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2020

(in thousands of Russian roubles)

2. Basis of preparation and changes to the Group's accounting policies (continued)

2.1 Basis of preparation (continued)

Management has considered the Group's cash flow forecasts for the foreseeable future, which take into account the current and expected economic situation in Russia, the Group's financial position, available borrowing facilities, loan covenant compliance, planned store opening program and the anticipated cash flows and related expenditures from retail stores. The Group doesn't expect any material adverse impact from the current economic slowdown to its operations.

Management believes it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

Accordingly, management is satisfied that it is appropriate to adopt the going concern basis of accounting in preparing the interim financial information for these interim condensed consolidated financial statements.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2020

(in thousands of Russian roubles)

2. Basis of preparation and changes to the Group's accounting policies (continued)

2.2 New standards, interpretations and amendments adopted by the Group (continued)

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the consolidated financial statements of the Group.

Reclassifications in the interim condensed consolidated statement of cash flows

Certain reclassifications were done in terms of presentation of expected credit losses of accounts receivable and write-offs of accounts receivable.

3. Balances and transactions with related parties

The transactions with related parties are made on terms substantially equivalent to those that prevail in arm's length transactions.

In 2019 “Severgroup” LLC (“Severgroup”) has completed its acquisition of 76,109,776 shares of the Company. As at 30 June 2020 76,110,584 shares of the Company belongs to Severgroup, which represents 77.99% of the share capital or 78.73% of the voting rights.

As at 30 June 2020 and 31 December 2019 Alexey Mordashov is the ultimate controlling party of the Group. TPG and EBRD cease to be related parties starting from May, 2019.

Lenta PLC and subsidiaries

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2020

(in thousands of Russian roubles)

3. Balances and transactions with related parties (continued)

The interim condensed consolidated financial statements include the following transactions with related parties:

Entities with significant influence over the Group:

	Six months ended 30 June 2020	Six months ended 30 June 2019
Severgroup		
Revenue from related parties	41,828	341
Other operating income from related parties	3,944	1,024
Prepaid expense from related parties	(85,882)	(3,198)
Selling, General and Administrative expenses	(123,714)	(65)
TPG Group		
Selling, General and Administrative expenses	–	(4,610)
	30 June 2020	31 December 2019
Severgroup		
Amounts owed by related parties	14,549	7,215
Amounts owed to related parties	(17,971)	(16,469)
Advances received	(1,795)	(360)
Advances paid	144,054	344

Remuneration to the members of the Board of Directors and key management personnel is as follows:

	Six months ended 30 June 2020	Six months ended 30 June 2019
Short-term benefits	398,756	460,325
Long-term benefits (including share-based payments, Note 23)	356,635	457,511
Termination benefits	1,361	14,992
Total remuneration	756,752	932,828

Lenta PLC and subsidiaries

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2020

(in thousands of Russian roubles)

4. Property, plant and equipment

	Land	Land improvements	Buildings	Machinery and equipment	Assets under construction	Total
Cost						
Balance at 1 January 2020	23,523,525	12,690,508	132,371,508	64,442,345	2,910,262	235,938,148
Additions	–	–	–	87	1,437,508	1,437,595
Transfers from construction in progress	57,998	3,739	189,128	646,628	(897,493)	–
Transfers from right-of-use assets	70,858	–	–	–	–	70,858
Disposals	(3,789)	–	(42,189)	(312,590)	(163,703)	(522,271)
Balance at 30 June 2020	23,648,592	12,694,247	132,518,447	64,776,470	3,286,574	236,924,330
Accumulated depreciation and impairment						
Balance at 1 January 2020	1,799,114	4,795,619	31,777,892	31,802,328	319,956	70,494,909
Depreciation charge	–	1,388,163	2,219,425	3,430,025	–	7,037,613
Impairment charge/(reverse)	–	–	–	791	(42,545)	(41,754)
Disposals	–	–	(36,001)	(272,520)	(163,703)	(472,224)
Balance at 30 June 2020	1,799,114	6,183,782	33,961,316	34,960,624	113,708	77,018,544
Net book value						
Balance at 1 January 2020	21,724,411	7,894,889	100,593,616	32,640,017	2,590,306	165,443,239
Balance at 30 June 2020	21,849,478	6,510,465	98,557,131	29,815,846	3,172,866	159,905,786
Cost						
Balance at 1 January 2019	22,237,066	12,358,156	124,825,097	59,986,683	3,770,316	223,177,318
Additions	–	–	–	–	3,857,100	3,857,100
Transfers from construction in progress	514,827	227,658	1,207,514	2,329,761	(4,279,760)	–
Transfers from right-of-use assets	267,167	–	207,132	–	–	474,299
Disposals	(4,947)	–	(180,257)	(536,435)	(86,832)	(808,471)
Balance at 30 June 2019	23,014,113	12,585,814	126,059,486	61,780,009	3,260,824	226,700,246
Accumulated depreciation and impairment						
Balance at 1 January 2019	–	2,044,272	19,077,836	25,031,147	–	46,153,255
Depreciation charge	–	1,357,623	2,322,833	3,413,471	–	7,093,927
Impairment charge	1,087,102	12,538	6,465,104	949,200	319,956	8,833,900
Disposals	–	–	(75,738)	(480,441)	–	(556,179)
Balance at 30 June 2019	1,087,102	3,414,433	27,790,035	28,913,377	319,956	61,524,903
Net book value						
Balance at 1 January 2019	22,237,066	10,313,884	105,747,261	34,955,536	3,770,316	177,024,063
Balance at 30 June 2019	21,927,011	9,171,381	98,269,451	32,866,632	2,940,868	165,175,343

Lenta PLC and subsidiaries

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2020

(in thousands of Russian roubles)

4. Property, plant and equipment (continued)

During the six months ended 30 June 2020 and the six months ended 30 June 2019 the Group was not involved in acquisition or contribution of any assets that would satisfy the definition of qualifying assets for the purposes of borrowing costs capitalisation. Thus, no borrowings costs were capitalised during those periods.

Depreciation, amortisation and impairment expense

The amount of depreciation and amortisation during the six months ended 30 June 2020 and the six months ended 30 June 2019 is presented within depreciation and amortisation in the Group's Interim condensed consolidated statement of profit or loss and other comprehensive income and Interim condensed consolidated statement of cash flows as follows:

	Six months ended 30 June 2020	Six months ended 30 June 2019
Depreciation of property, plant and equipment	7,037,613	7,093,927
Amortisation of intangible assets (Note 8)	300,947	242,056
Amortisation of right-of-use assets (Note 6)	1,911,902	1,914,189
Capitalisation of right-of-use asset depreciation to CIP	(10,882)	(15,304)
Total depreciation and amortisation	9,239,580	9,234,868

See Note 24 for capital commitments.

5. Prepayments for construction

Prepayments for construction are made to contractors building stores and to suppliers.

Prepayments are regularly monitored for the indicators of impairment. As at 30 June 2020 prepayments for construction were impaired in the amount of RUB 225,311 (31 December 2019: RUB 236,851).

Lenta PLC and subsidiaries

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2020

(in thousands of Russian roubles)

6. Right-of-use assets and lease liabilities

Set out below are the carrying amounts of the Group's right-of-use assets and the movements during the six-month period ended 30 June 2020 and six-months ended 30 June 2019:

Cost	Land	Buildings	Total
Balance as at 1 January 2020	5,368,027	31,300,482	36,668,509
Additions	178,740	2,826,702	3,005,442
Cancellation of lease contracts	(218,279)	(190,005)	(408,284)
Transfer to property, plant and equipment resulted from purchase of the underlining assets in the lease	(74,026)	–	(74,026)
Balance as at 30 June 2020	5,254,462	33,937,179	39,191,641
Accumulated depreciation and impairment			
Balance as at 1 January 2020	439,396	3,561,670	4,001,066
Depreciation charge	89,386	1,822,516	1,911,902
Impairment charge	–	–	–
Cancellation of lease contracts	(9,353)	(24,497)	(33,850)
Transfer to property, plant and equipment resulted from purchase of the underlining assets in the lease	(3,168)	–	(3,168)
Balance as at 30 June 2020	516,261	5,359,689	5,875,950
Net book value			
Balance as at 1 January 2020	4,928,631	27,738,812	32,667,443
Balance as at 30 June 2020	4,738,201	28,577,490	33,315,691
Cost	Land	Buildings	Total
Balance as at 1 January 2019	5,810,044	30,547,558	36,357,602
Additions	7,246	750,474	757,720
Cancellation of lease contracts	(127,182)	–	(127,182)
Transfer to property, plant and equipment resulted from purchase of the underlining assets in the lease	(268,694)	(212,310)	(481,004)
Balance as at 30 June 2019	5,421,414	31,085,722	36,507,136
Accumulated depreciation and impairment			
Balance as at 1 January 2019	–	–	–
Depreciation charge	111,525	1,802,664	1,914,189
Impairment charge	171,214	–	171,214
Cancellation of lease contracts	(1,198)	–	(1,198)
Transfer to property, plant and equipment resulted from purchase of the underlining assets in the lease	(1,527)	(5,178)	(6,705)
Balance as at 30 June 2019	280,014	1,797,486	2,077,500
Net book value			
Balance as at 1 January 2019	5,810,044	30,547,558	36,357,602
Balance as at 30 June 2019	5,141,400	29,288,236	34,429,636

Transfer to property, plant and equipment resulted from purchase of the underlining assets in the lease.

Lenta PLC and subsidiaries

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2020

(in thousands of Russian roubles)

6. Right-of-use assets and lease liabilities (continued)

Set out below are the carrying amounts of the Group's lease liabilities and the movements during the six-month period ended 30 June 2020 and six-months ended 30 June 2019:

	Six months ended 30 June 2020	Six months ended 30 June 2019
Lease liabilities at the beginning of the period	32,160,006	34,120,002
Additions	2,979,680	755,858
Cancellation of lease contracts	(368,852)	–
Interest expense	1,360,248	1,397,543
Payments for the principal portion of the lease liabilities	(1,284,036)	(1,230,628)
Payments for the interest portion of the lease liability	(1,360,248)	(1,397,543)
Foreign exchange gain	85,216	(87,565)
Lease liabilities at the end of the period	33,572,014	33,557,667
	30 June 2020	31 December 2019
Long-term lease liabilities	30,511,900	29,520,222
Short-term lease liabilities	3,060,114	2,639,784
Total lease liabilities	33,572,014	32,160,006

Set out below are the amounts recognised in profit or loss for the six-month period ended 30 June 2020 and for the six months ended 30 June 2019:

	Six months ended 30 June 2020	Six months ended 30 June 2019
Depreciation of right-of-use assets	1,911,902	1,914,189
Impairment of right-of-use assets	–	171,214
Capitalisation of depreciation to CIP	(10,882)	(15,304)
Interest expense on lease liabilities	1,360,248	1,397,543
Interest income on security deposits	(11,943)	(7,291)
Foreign exchange gain	85,216	(87,565)
Rent expense – short-term leases	340,304	498,179
Rent expense – variable lease payments	132,676	100,119
Total amounts recognised in profit or loss	3,807,521	3,971,084

7. Operating segments

The Group's principal business activity is the development and operation of food retail stores located in Russia. Risks and returns are affected primarily by economic development in Russia and by the development of Russian food retail industry.

The Group has no significant assets outside the Russian Federation (excluding investments in its foreign wholly owned intermediate holding subsidiary Zoronvo Holdings Limited, which are eliminated on consolidation). Due to the similar economic characteristics of food retail stores, the Group's management has aggregated its operating segments represented by stores into one reportable operating segment.

Lenta PLC and subsidiaries

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2020

(in thousands of Russian roubles)

7. Operating segments (continued)

Within the segment all business components are similar in respect of:

- ▶ The products;
- ▶ The customers;
- ▶ Centralised Group structure (commercial, operational, logistic, finance, HR and IT functions are centralised).

The Group's operations are regularly reviewed by the chief operating decision maker, represented by the CEO, to analyse performance and allocate resources within the Group. The CEO assesses the performance of operating segments based on the dynamics of revenue and earnings before interest, tax, depreciation, amortisation (EBITDA). EBITDA is a non-IFRS measure. Other information is measured in a manner consistent with that in the consolidated financial statements.

The segment information for the six-month period ended 30 June 2020 and 30 June 2019 is as follows:

	Six months ended 30 June 2020	Six months ended 30 June 2019
Sales	216,975,140	199,210,950
EBITDA	24,812,173	18,823,663

Reconciliation of EBITDA to IFRS profit for the period is as follows:

	Six months ended 30 June 2020	Six months ended 30 June 2019
EBITDA	24,812,173	18,823,663
Interest expense	(5,177,821)	(7,699,134)
Interest income	458,103	1,628,573
Income tax (expense) benefit (see Note 17)	(1,711,536)	470,206
Depreciation and amortisation (see Notes 4, 6, 8, 21)	(9,239,580)	(9,234,868)
Reversal of impairment/(Impairment) of non-financial assets (see Notes 4, 6, 8)	41,754	(9,005,439)
Foreign exchange (loss)/gains	(271,959)	188,156
Profit/(loss) for the period	8,911,134	(4,828,843)

Lenta PLC and subsidiaries

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2020

(in thousands of Russian roubles)

8. Intangible assets

Intangible assets as at 30 June 2020 consist of the following:

	Software	Total
Cost		
At 1 January 2020	4,770,994	4,770,994
Additions	363,601	363,601
Disposals	(7,434)	(7,434)
At 30 June 2020	5,127,161	5,127,161
Accumulated amortisation and impairment		
At 1 January 2020	2,500,019	2,500,019
Amortisation charge	300,947	300,947
Disposals	(2,762)	(2,762)
At 30 June 2020	2,798,204	2,798,204
Net book value		
At 1 January 2020	2,270,975	2,270,975
At 30 June 2020	2,328,957	2,328,957

Intangible assets as at 30 June 2019 consisted of the following:

	Software	Total
Cost		
At 1 January 2019	3,904,454	3,904,454
Additions	241,829	241,829
Disposals	(8,556)	(8,556)
At 30 June 2019	4,137,727	4,137,727
Accumulated amortisation		
At 1 January 2019	1,998,564	1,998,564
Amortisation charge	242,056	242,056
Impairment charge	325	325
Disposals	(273)	(273)
At 30 June 2019	2,240,672	2,240,672
Net book value		
At 1 January 2019	1,905,890	1,905,890
At 30 June 2019	1,897,055	1,897,055

Amortisation expense is included in selling, general and administrative expenses (Note 21).

9. Other non-current assets

Other non-current assets are represented by guarantee deposits under lease contracts subject to reimbursement by cash at the end of lease.

Lenta PLC and subsidiaries

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2020

(in thousands of Russian roubles)

10. Inventories

	30 June 2020	31 December 2019
Goods for resale (at lower of cost and net realisable value)	36,540,545	37,146,606
Raw materials	1,661,186	1,306,659
Total inventories at lower of cost and net realisable value	38,201,731	38,453,265

Raw materials are represented by inventories used in own production process in butchery, bakery and culinary.

During the six months ended 30 June 2020 the Group accounted for reversal of write down of inventories to their net realisable value within cost of sales in the interim condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2020 in the amount of RUB 109,044.

During the six months ended 30 June 2019 the Group wrote down inventories to their net realisable value, which resulted in recognition of expenses within cost of sales in the interim condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2019 in the amount of RUB 145,671.

11. Trade and other receivables

	30 June 2020	31 December 2019
Accounts receivable on rental and other services and on suppliers' advertising	3,935,210	5,423,210
Suppliers' rebates receivable	2,351,415	3,205,036
Other receivables	205,335	154,866
Expected credit losses of accounts receivable	(171,723)	(179,010)
Total trade and other receivables	6,320,237	8,604,102

Debtor credit risk is managed in accordance with the Group's established policy, procedures and control relating to debtor credit risk management. Credit quality of a debtor is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

12. Advances paid

	30 June 2020	31 December 2019
Advances for services	1,344,553	1,327,153
Advances to suppliers of goods	570,325	309,833
Impairment of advances paid	(56,156)	(54,055)
Total advances paid	1,858,722	1,582,931

Lenta PLC and subsidiaries

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2020

(in thousands of Russian roubles)

13. Cash and cash equivalents

	30 June 2020	31 December 2019
Rouble denominated short-term deposits	17,035,561	66,312,184
Foreign currency denominated short-term deposits	349,791	10,455
Rouble denominated balances with banks	1,104,592	3,818,264
Rouble denominated cash in transit	444,987	2,884,525
Rouble denominated cash on hand	293,741	276,419
Foreign currency denominated balances with banks	94,555	102,913
Total cash and cash equivalents	19,323,227	73,404,760

Cash in transit represents cash receipts during the last days of the reporting period (30 June or 29-31 December), which were sent to banks but not deposited into the respective bank accounts until the next reporting period.

Significant rouble denominated cash in transit result from the business seasonality, indicating higher levels of retail sales in holiday periods such as the New Year's Eve as well as the closing day in relation to the official banking days in Russia. If the closing day is on non-banking days, the amount of cash in transit increases.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

14. Issued capital and reserves

Issued capital

As at 30 June 2020 the Company's share capital is comprised of 97,585,932 authorised and issued ordinary shares (as at 31 December 2019: 97,585,932).

According to the requirement of the laws of the Republic of Cyprus each share in the Company has a par value. Therefore immediately before a continuation of the Company into the Republic of Cyprus, each share of no par value was automatically converted into an ordinary share of EUR 0.001 par value and reclassification from share capital to additional paid-in capital in the interim condensed consolidated statement of financial position in the amount of RUB 6,711 was made.

All outstanding ordinary shares are entitled to an equal share in any dividend declared by the Company. No dividends to holders of ordinary shares were declared for the six-month period ended 30 June 2020 and for the year ended 31 December 2019.

	Number of shares	30 June 2020 kEUR	30 June 2020 kRUB
<i>Authorised</i>			
Ordinary shares of EUR0,001 each	200,000,000	200	13,754
<i>Issued and fully paid</i>			
Balance at the beginning of the period	-	-	-
Amendment to par value of ordinary shares	97,585,932	98	6,711
Balance at the end of the period	97,585,932	98	6,711

Lenta PLC and subsidiaries

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2020

(in thousands of Russian roubles)

14. Issued capital and reserves (continued)

Issued capital (continued)

The number of shares as at 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020	31 December 2019
	No.	No.
Authorised share capital (ordinary shares)	200,000,000	unlimited
Issued and fully paid	97,585,932	97,585,932
Treasury shares	(910,546)	(910,546)

The movements in the number of shares for the six-month period ended 30 June 2020 and for the six months ended 30 June 2019 are as follows:

	Six months ended 30 June 2020	Six months ended 30 June 2019
	No.	No.
Balance of shares outstanding at beginning of the period	96,675,386	97,272,922
Additional issue of shares	–	77,667
Shares buy-back	–	(675,203)
Balance of shares outstanding at the end of the period	96,675,386	96,675,386

During the six months ended 30 June 2019 the Group issued 77,667 shares of no par value with respect to long-term incentive plans to certain members of management (see Note 23). Issued shares were distributed to relevant participants. Total expense for the services received from the employees previously recognised with respect to issued shares under long-term incentive plans was RUB 127,442.

Treasury shares

In June 2018 the Group issued 91,302 shares of no par value with respect to long-term incentive plans to certain members of management and share value appreciation rights to top management. The issued shares were transferred into GDR, of which 91,278 shares were distributed to relevant participants and 24 issued shares remained undistributed.

In October 2018 the Group launched GDR repurchase programme up to an aggregate value of RUB 11,600,000, which was terminated on 2 April 2019. As the result of the programme 910,522 shares were repurchased as at 30 June 2020 and 31 December 2019. During the six months ended 30 June 2019 the Group repurchased 675,203 shares of no par value for RUB 720,099.

Share options reserve

The share options reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 23 for further details of these plans.

Lenta PLC and subsidiaries

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2020

(in thousands of Russian roubles)

15. Earnings per share

	Six months ended 30 June 2020	Six months ended 30 June 2019
Earnings /(losses) per share (in thousands of Russian roubles per share)		
- basic and diluted, for profit/(loss) for the period attributable to equity holders of the parent	0.092	(0.050)

The calculation of basic earnings per share for the period is based on the profit/(loss) attributable to shareholders (profit for the six-month period ended 30 June 2020: RUB 8,911,134, loss for the six months ended 30 June 2019: RUB (4,828,843) and weighted average number of ordinary shares outstanding during the respective periods (96,675,386 shares at 30 June 2020 and 96,840,538 shares as at 30 June 2019).

The Group has issued share-based payment instruments (Note 23) that could potentially dilute basic earnings per share in the future. These instruments have no material effect on dilution of earnings per share for the period.

16. Borrowings

Short-term borrowings:

	Currency	30 June 2020	31 December 2019
Fixed rate short-term bank loans	RUB	17,653,378	63,031,173
Fixed rate short-term bonds	RUB	918,759	5,399,643
Total short-term borrowings and short-term portion of long-term borrowings		18,572,137	68,430,816

Long-term borrowings:

	Currency	30 June 2020	31 December 2019
Fixed rate long-term bank loans	RUB	46,228,182	61,591,407
Fixed rate long-term bonds	RUB	29,981,217	20,519,034
Total long-term borrowings		76,209,399	82,110,441

The Groups' borrowings as at 30 June 2020 and 31 December 2019 bear market interest rates, all of them are denominated in Russian roubles and are not secured.

As at 30 June 2020 the Group had RUB 164,700,000 of unused credit facilities (as at 31 December 2019: RUB 89,136,000).

The loan agreements contain financial and non-financial covenants. As at 30 June 2020 the Group is in compliance with the covenants.

Lenta PLC and subsidiaries

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2020

(in thousands of Russian roubles)

17. Income taxes

The Group's income tax expense for the six-month period ended 30 June 2020 and 30 June 2019 is as follows:

	Six months ended 30 June 2020	Six months ended 30 June 2019
Current tax expense	(1,026,573)	(921,203)
Deferred tax (expense)/benefit	(684,963)	1,391,409
Income tax (expense)/benefit recognised in profit for the period	(1,711,536)	470,206
Income tax expense recognised in OCI	–	–
	Six months ended 30 June 2020	Six months ended 30 June 2019
Profit/(loss) before tax	10,622,670	(5,299,049)
Theoretical tax charge at 20% being statutory tax rate in Russia	(2,124,534)	1,059,810
Difference in tax regimes of foreign companies	101,132	(125,556)
Add tax effect of non-taxable income and non-deductible expenses.	(21,822)	(83,848)
Reversal/(recognition) of previously unrecognised uncertain tax position	333,688	(380,200)
Income tax (expense)/benefit	(1,711,536)	470,206

18. Trade and other payables

	30 June 2020	31 December 2019
Trade payables	32,774,723	46,537,381
Accrued liabilities and other creditors	6,496,107	6,446,591
Payables for purchases of property, plant and equipment	817,568	1,705,131
Total trade and other payables	40,088,398	54,689,103

The trade and other payables are denominated in:

	30 June 2020	31 December 2019
Russian roubles	39,276,472	53,785,883
USD	583,057	650,158
EUR	223,529	249,815
CHF	4,912	–
GBP	428	3,246
Total trade and other payables	40,088,398	54,689,103

Lenta PLC and subsidiaries

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2020

(in thousands of Russian roubles)

19. Other taxes payable

	30 June 2020	31 December 2019
Social taxes	657,160	805,661
Output VAT	713,930	–
Personal income tax	214,686	238,786
Other taxes	45,609	36,221
Property tax	17,925	92,895
Total other taxes payable	1,649,310	1,173,563

20. Cost of sales

Cost of goods sold is reduced by rebates and promotional bonuses received from suppliers.

Cost of sales for the six-month period ended 30 June 2020 includes employee benefits expense of RUB 4,691,642 (for the six months ended 30 June 2019: RUB 4,314,125) of which contributions to state pension fund are comprised of RUB 672,331 (for the six months ended 30 June 2019: RUB 619,467).

Cost of sales for the six-month period ended 30 June 2020 includes cost of raw materials used in own production of RUB 8,059,910 (for the six months ended 30 June 2019: RUB 7,847,555).

21. Selling, general and administrative expenses

	Six months ended 30 June 2020	Six months ended 30 June 2019
Employee benefits	14,906,541	14,175,058
Depreciation and amortisation (Notes 4, 6, 8)	9,239,580	9,234,868
Utilities and communal payments	2,402,611	2,602,276
Professional fees	2,019,705	2,355,378
Advertising	2,117,333	1,979,521
Cleaning	1,794,199	1,867,732
Repairs and maintenance	1,402,717	1,324,767
Security services	996,806	983,065
Taxes other than income tax	706,132	809,061
Rent expense	472,980	598,298
Other	1,405,032	1,504,588
Total selling, general and administrative expenses	37,463,636	37,434,612

Employee benefits for the six-month period ended 30 June 2020 include contributions to state pension fund of RUB 2,105,014 (for the six months ended 30 June 2019: RUB 1,912,561).

Lenta PLC and subsidiaries

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2020

(in thousands of Russian roubles)

22. Other operating income and expenses

Other operating income is comprised of the following:

	Six months ended 30 June 2020	Six months ended 30 June 2019
Rental income	671,844	803,215
Penalties due by suppliers	551,702	532,400
Sale of secondary materials	474,143	552,836
GDR program reimbursement	331,110	–
Insurance compensation	218,038	269,208
Advertising income	160,259	232,503
Gain on property, plant and equipment disposal	3,239	4,079
Changes in expected credit losses of accounts receivable and write-offs of accounts receivable	1,371	8,947
Other	72,481	88,015
Total other operating income	2,484,187	2,491,203

Income generated from the GDR program represents reimbursements done by the depositary out of revenue charged from GDR holders.

Other operating expenses are comprised of the following:

	Six months ended 30 June 2020	Six months ended 30 June 2019
Loss from property, plant and equipment and intangible assets disposal	50,036	174,784
Impairment and write-offs of advances paid and prepayments for construction	44,786	52,045
Penalties from government authorities	20,598	12,298
Non-recoverable VAT	6,220	6,535
Loss from cancelation of lease contracts	5,582	125,984
Other	24,068	138,862
Total other operating expenses	151,290	510,508

23. Share options reserve

Long-term incentive plan

The Group approved a long-term incentive plan (LTIP) to certain members of senior and middle management, according to which the Group annually granted award shares in 2014, 2015, 2016, 2017, 2018 and 2019 along with the communication of the terms of award to participants.

The monetary amount of the award to be granted to the participants of the plan was calculated based on the annual base salary on the grant date, target award interest, business results coefficient and individual performance rating coefficient.

The fair value of the award shares was estimated based on the GDR price on Moscow Exchange on the award grant date.

Lenta PLC and subsidiaries

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2020

(in thousands of Russian roubles)

23. Share options reserve (continued)

Long-term incentive plan (continued)

As at 30 June 2019 Tranche 2014, 2015 are fully vested.

Set out below is the information about awards granted in 2016, 2017, 2018 and 2019:

	Vested during 6m ended 30 June 2019	Vested during 6m ended 30 June 2020	Vested as at 30 June 2020	Remaining vesting dates
Top Management				
LTIP 2016	100%	0%	100%	0%
LTIP 2017	66%	34%	100%	0%
LTIP 2018	34%	0%	34%	66% in Apr 2021
LTIP 2019	0%	25%	25%	Apr 2021 - 25%, May 2021 - 50%
Middle Management				
LTIP 2016	100%	0%	100%	0%
LTIP 2017	0%	100%	100%	0%
LTIP 2018	0%	0%	0%	Apr 2021 - 100%
LTIP 2019	0%	25%	25%	Apr 2021 - 25%, Apr 2022 - 50%

Set out below is the information about awards settlement during six months ended 30 June 2020

	2017 tranche	2019 tranche	Total
<i>Settlement by cash payment (USD 3.6\$ per GDR)</i>			
Settlement by cash in April 2020	79,843	115,513	195,356
Excess of expenses accrued vs. payment made	64,727	29,642	94,369

Set out below is the information about awards settlement during six months ended 30 June 2019:

	2016 tranche	2017 tranche	2018 tranche	2019 tranche	Total
<i>Settlement by shares</i>					
Number of shares issued in April, 2019	16,182	13,354	18,360	29,771	77,667
Total expense recognised with regards to shares issued	37,300	25,370	30,432	34,341	127,442
<i>Settlement by cash payment (USD 3.6\$ per GDR)</i>					
Settlement by cash in May 2019	194,592	53,990	37,602	—	286,184
Excess of expenses accrued vs. payment made	198,382	32,809	15,105	—	246,296

Lenta PLC and subsidiaries

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2020

(in thousands of Russian roubles)

23. Share options reserve (continued)

Long-term incentive plan (continued)

Total expense recognised for the services received from the employees covered by long-term incentive plan for the six-month period ended 30 June 2020 and for the six months ended 30 June 2019 is shown in the following table:

	Six months ended 30 June 2020	Six months ended 30 June 2019
Expense arising from the equity-settled long-term incentive plan payments	197,607	289,197

Share value appreciation rights

During the year 2013 and the year 2016 the Group granted share value appreciation rights (SVARs) to certain members of top management as part of management long-term incentive plan. Each SVAR entitles the holder to a quantity of ordinary shares in Lenta PLC based on an increase in the share price over a predetermined exercise price subject to meeting the performance conditions.

As at 30 June 2019 SVARs of 2013 year fully vested.

In April 2020 SVARs of 2016 year expired worthless. Total expense for the services received from the employees previously recognised with respect to expired SVARs was RUB 20,486.

	Six months ended 30 June 2020	Six months ended 30 June 2019
Expense arising from the equity-settled SVARs transaction	2,201	4,659

The fair value of the management SVARs is estimated at the grant date using the Black Scholes option pricing model, taking into account the terms and conditions upon which the SVARs were granted.

24. Capital expenditure commitments

At 30 June 2020 the Group has contractual capital expenditure commitments in respect of property, plant and equipment and intangible assets totaling RUB 4,975,928 net of VAT (31 December 2019: RUB 6,216,727 net of VAT).

Lenta PLC and subsidiaries

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2020

(in thousands of Russian roubles)

25. Financial instruments

Categories of financial instruments

	30 June 2020	31 December 2019
Financial assets measured at amortised cost		
Cash and cash equivalents	19,323,227	73,404,760
Trade and other receivables	6,320,237	8,604,102
Other non-current financial assets	468,939	444,316
Total financial assets measured at amortised cost	26,112,403	82,453,178
Financial liabilities measured at amortised cost		
Fixed rate long-term bank loans and bonds	76,209,399	82,110,441
Fixed rate short-term bank loans and bonds	18,572,137	68,430,816
Trade and other payables	40,088,398	54,689,103
Total financial liabilities measured at amortised cost	134,869,934	205,230,360

Fair values

Quantitative disclosures of fair value measurement hierarchy for the Group's financial liabilities as at 30 June 2020 and 31 December 2019 are presented below:

	30 June 2020	Level 1	Level 2	Level 3
Financial liabilities for which fair values are disclosed				
Fixed rate bonds	31,704,239	31,704,239	–	–
Fixed rate bank loans	63,260,016	–	63,260,016	–
	31 December 2019	Level 1	Level 2	Level 3
Financial liabilities for which fair values are disclosed				
Fixed rate bonds	26,387,036	26,387,036	–	–
Fixed rate bank loans	123,200,098	–	123,200,098	–

During the reporting periods ended 30 June 2020 and 31 December 2019, there are no transfers between Level 1, Level 2 and Level 3 of fair value measurements.

Lenta PLC and subsidiaries

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2020

(in thousands of Russian roubles)

25. Financial instruments (continued)

Fair values (continued)

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts are reasonable approximations of fair values:

	30 June 2020		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
<i>Interest-bearing loans and borrowings</i>				
Fixed rate bank loans and bonds	94,781,536	94,964,255	150,541,257	149,587,134
Total financial liabilities	94,781,536	94,964,255	150,541,257	149,587,134

The management assessed that the carrying amounts of cash and short-term deposits, trade receivables, trade payables, other liabilities approximate their fair values largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions are used to estimate the fair values:

- ▶ Fair values of the Group's interest-bearing borrowings and loans are determined by using DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 30 June 2020 and 31 December 2019 is assessed to be insignificant.
- ▶ The fair value of bonds is based on the price quotations at the reporting date at Moscow exchange where transactions with bonds take place with sufficient frequency and volume.

26. Contingencies

Operating environment of the Group

The Group sells products that are sensitive to changes in general economic conditions that impact consumer spending. Future economic conditions and other factors, including the outbreak of coronavirus infection, sanctions imposed, consumer confidence, employment levels, interest rates, consumer debt levels and availability of consumer credit could reduce consumer spending or change consumer purchasing habits. A general slowdown in the Russian economy or in the global economy, or an uncertain economic outlook, could adversely affect consumer spending habits and the Group's operating results.

The future stability of the Russian economy is largely dependent upon economic reforms, development of the legal, tax and regulatory frameworks, and the effectiveness of economic, financial and monetary measures undertaken by the government of the Russian Federation.

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2020

(in thousands of Russian roubles)

26. Contingencies (continued)

Operating environment of the Group (continued)

The recent outbreak and global spread of the COVID-19 may have a significant and prolonged impact on global economic conditions, disruptions in supply chain, increase in employee absenteeism and adversely impact operations.

Since March 2020, the Russian authorities have taken a number of measures to mitigate the effect of COVID-19 on the Russian economy. The range of measures is very broad and includes, amongst others, the deferral of tax and lease payments, suspension of field audits, prolongation of various state licenses and permits, credit holidays and bank loans at reduced rates. Food retail was not included into the list of most affected sectors. The Group was included into the list of systemically important companies. The Government of Russia provided the following support measures for companies, included into the list of systemically important ones: budget subsidies, deferral of taxes and tax advances, state guarantees for credits and loans. The Group does not plan to apply for support measures provided by the Government.

COVID-19 is having a significant impact on the operations of the Group's business. During the reporting period the Group experienced strong growth of sales and EBITDA exceeding prior year and budgeted amounts. At the same time the Group is incurring additional COVID-19 preventive costs, particularly on additional intensity allowance to personnel to meet the increased demand, on antibacterial protection equipment and liquids for employees and customers, masks and gloves, cleaning services. These additional expenses are more than outweighed by the benefits of increased consumer demand.

While the full financial impact of the crisis in long-term perspective is impossible to predict with a high degree of certainty, the management strongly believes in positive outcome on the performance of the Group.

The Russian economy has been negatively impacted by sanctions imposed on Russia by a number of countries. The Rouble interest rates remained high. The combination of the above resulted in reduced access to capital, a higher cost of capital and uncertainty regarding economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects.

Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

Legal contingencies

Group companies are involved in a number of lawsuits and disputes that arise in the normal course of business. Management assesses the maximum exposure relating to such lawsuits and disputes to be RUB 63,704 as at 30 June 2020 (31 December 2019: RUB 84,015). Management believes there is no exceptional event or litigation likely to affect materially the business, financial performance, net assets or financial position of the Group, which have not been disclosed in these interim condensed consolidated financial statements.

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2020

(in thousands of Russian roubles)

26. Contingencies (continued)

Russian Federation tax and regulatory environment

The government of the Russian Federation continues to reform the business and commercial infrastructure in its transition to a market economy. As a result the laws and regulations affecting businesses continue to change rapidly. These changes are characterised by poor drafting, different interpretations and arbitrary application by the authorities. In particular taxes are subject to review and investigation by a number of authorities who are enabled by law to impose fines and penalties. While the Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the above facts may create tax risks for the Group. Management also assesses the maximum exposure from possible tax risks to be RUB 1,971,803 (31 December 2019: RUB 1,750,623). Management continues to monitor closely any developments related to these risks and regularly reassesses the risk and related liabilities, provisions and disclosures.

Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

27. Events occurring after the reporting period

There were no significant events after the reporting date other than disclosed elsewhere in the interim condensed consolidated financial statements.