

*Intraware Investments Public Ltd*

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**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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*prepared in accordance with  
International Financial Reporting Standards (IFRS)  
for the period ended 30 June, 2016*

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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**OF INTRAWARE GROUP FOR THE SIX MONTHS ENDED 30 JUNE, 2016**  
*(in thousand RUB)*

	Note	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited) adjusted*
Revenue		1 284 566	103 001
Cost of sales		(814 015)	(92 519)
<b>Gross profit</b>		<b>470 551</b>	<b>10 482</b>
Selling and marketing expenses		(84 667)	(6 204)
Administrative expenses		(232 767)	(17 131)
Other income		25 976	682
Other losses		(59 031)	(3 853)
<b>Operating income</b>		<b>120 062</b>	<b>(16 024)</b>
Financial income		123	-
Financial expenses		(38 376)	(6 593)
<b>Profit before tax</b>		<b>81 809</b>	<b>(22 617)</b>
Income tax expense	4	(14 699)	2 181
<b>Profit for the period from continuing operations</b>		<b>67 110</b>	<b>(20 436)</b>
<b>Net profit for the period</b>		<b>67 110</b>	<b>(20 253)</b>
<b>Net profit for the period attributable to:</b>			
Owners of the Group	6	66 838	(20 253)
Non-controlling interests		272	(183)
<b>Total profit for the period</b>		<b>67 110</b>	<b>(20 436)</b>
<b>Other comprehensive income for the period</b>			
<b>Comprehensive income attributable to:</b>			
Owners of the Group	6	66 838	(20 253)
Non-controlling interests		272	(183)
<b>Total comprehensive income for the period</b>		<b>67 110</b>	<b>(20 436)</b>

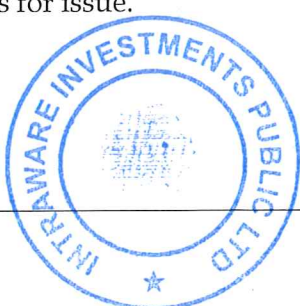
\* see note 1

The notes on pages 9 to 24 are an integral part of these consolidated financial statements.

On 29 August 2016 the Board of Directors of Intraware Investments Public Ltd authorized these financial statements for issue.

Director

Director




Myrianthi Petrou

Andreas Christofi

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**OF INTRAWARE GROUP AS AT 30 JUNE, 2016 AND 31 DECEMBER, 2015**  
*(in thousand RUB)*

	Note	30 June 2016 (unaudited)	31 December 2015 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	2	589 577	613 143
Goodwill	3	350 669	350 669
Other intangible assets		372 956	446 724
Long-term rent deposits		19 665	19 542
Deferred tax assets	4	93 379	107 267
<b>Total non-current assets</b>		<b>1 426 246</b>	<b>1 537 345</b>
<b>Current assets</b>			
Inventories		67 101	44 086
Trade receivables		140 782	157 730
Other receivables		129 334	123 221
Prepayments for services and inventories		974 377	735 308
Other current assets		6 169	4 848
Income tax overpayment		3 833	8 745
Cash and cash equivalents		172 072	185 045
<b>Total current assets</b>		<b>1 493 668</b>	<b>1 258 983</b>
<b>TOTAL ASSETS</b>		<b>2 919 914</b>	<b>2 796 328</b>

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Director



Myrianthi Petrou

Director



Andreas Christofi





## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

OF INTRAWARE GROUP AS AT 30 JUNE, 2016 AND 31 DECEMBER, 2015

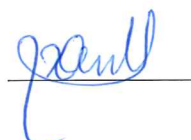
(in thousand RUB)

	Note	30 June 2016 (unaudited)	31 December 2015 (audited)
<b>Owners' equity</b>			
Share capital		2 287	2 287
Share premium		12 614	12 614
Accumulated profit (loss)		2 649	174
Current year profit		66 839	54 817
<b>Equity attributable to owners of the Group</b>		<b>84 389</b>	<b>69 892</b>
Non-controlling interest		(3 738)	(4 010)
<b>TOTAL EQUITY</b>		<b>80 651</b>	<b>65 882</b>
<b>Non-current liabilities</b>			
Long-term loans and borrowings		764 829	734 672
Deferred tax liabilities	4	26 002	31 710
<b>Total non-current liabilities</b>		<b>790 831</b>	<b>766 382</b>
<b>Current liabilities</b>			
Short-term loans and borrowings		813 805	749 759
Short-term payables		163 040	109 060
Other liabilities		17 820	21 629
Deferred revenue		1 053 767	1 083 616
<b>Total current liabilities</b>		<b>2 048 432</b>	<b>1 964 064</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2 919 914</b>	<b>2 796 328</b>

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Director

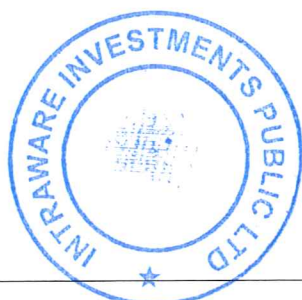


Myrianthi Petrou

Director



Andreas Christofi



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF INTRAWARE GROUP FOR THE SIX MONTHS ENDED 30 JUNE, 2016

(in thousand RUB)

	Note	Share capital	Additional capital	Accumulated profit (loss)	Non-controlling interest	Total
As at 1 January 2015 (audited)		420		174		594
Current year profit		-	-	(20 253)	(183)	(20 436)
Issue of additional shares		1 867	-	-	-	1 867
Share premium		-	12 614	-	-	12 614
Acquisitions		-	-	-	(1 029)	(1 029)
As at 30 June 2015 (unaudited)		2 287	12 614	(20 079)	(1 212)	(6 390)

	Note	Share capital	Additional capital	Accumulated profit (loss)	Non-controlling interest	Total
As at 1 January 2016 (audited)		2 287	12 614	54 820	(4 010)	65 882
Current year profit		-	-	66 838	272	67 110
Dividends		-	-	(52 341)	-	(52 341)
As at 30 June 2016 (unaudited)		2 287	12 614	69 488	(3 738)	80 651

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Director

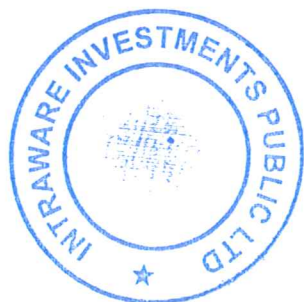


Myrianthi Petrou

Director



Andreas Christofi



**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**OF INTRAWARE GROUP FOR THE SIX MONTHS ENDED 30 JUNE, 2016**  
*(in thousand RUB)*

	Note	For the six months ended 30 June 2016 (unaudited)	For the six months ended 30 June 2015 (unaudited)
<b>Cash flows from operating activities</b>			
Profit before tax		81 809	(22 617)
Amortization and impairment of intangible assets		73 580	6 951
Depreciation and impairment of property, plant and equipment		50 841	-
Interest expense		32 115	5 001
Interest income		-	-
Foreign exchange differences (net)		(3 231)	(1 255)
Other non-cash expenses net		(14 009)	(15 315)
<b>Operating cash flows before working capital changes</b>		<b>221 104</b>	<b>(27 664)</b>
(Increase)/decrease in trade and other receivables		(224 749)	(687 236)
Increase in inventories		(23 015)	(105 557)
Increase in other assets		(4 788)	(20 232)
Decrease/(increase) in trade and other payables		54 505	252 859
Increase in deferred revenue		(29 849)	570 581
Increase in vacation provisions		950	137
Decrease in working capital as a result of acquisition		-	(39 104)
<b>Cash generated from operating activities</b>		<b>(5 841)</b>	<b>(56 217)</b>
Income tax paid		(6 893)	78
<b>Net cash from operating activities</b>		<b>(12 735)</b>	<b>(55 708)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(27 346)	-
Payment for acquisition of subsidiaries, net of cash acquired		-	(22 129)
Purchase of intangible assets		-	-
<b>Net cash used in investing activities</b>		<b>(27 346)</b>	<b>(22 129)</b>

The notes on pages 9 to 24 are an integral part of these consolidated financial statements.



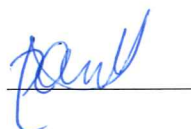
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**  
**OF INTRAWARE GROUP FOR THE SIX MONTHS ENDED 30 JUNE, 2016**  
*(in thousand RUB)*

Note	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
<b>Cash flows from financing activities</b>		
Proceeds of loans and borrowings	71 050	122 400
Proceeds from issue of share capital	-	14 521
Proceeds from the owner	-	456
Dividends paid to company's shareholders	(52 341)	-
Repayment of loans and borrowings	(444)	-
<b>Net cash from financing activities</b>	<b>18 265</b>	<b>137 376</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>185 045</b>	<b>-</b>
Increase of cash and cash equivalents	(21 816)	72 553
Translation differences	8 842	-
<b>Cash and cash equivalents at the end of the period</b>	<b>172 072</b>	<b>72 553</b>

The notes on pages 9 to 24 are an integral part of these consolidated financial statements.

On 29 August 2016 the Board of Directors of Intraware Investments Public Ltd authorized these financial statements for issue.

Director



Myrianthi Petrou

Director



Andreas Christofi





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### I. GENERAL INFORMATION ABOUT THE GROUP

Intraware Investments Public Ltd (the "Company") and its subsidiaries (together with the Company, the "Group") is one of the largest chains of fitness clubs in Russian market of fitness services. Key activities of the Group are exploitation of fitness clubs, services of management of fitness clubs and additional activities (catering, sale of sport goods).

The subsidiaries as at 30 June 2016 are as follows:

Name of the subsidiary	Russian City
FOK "Monarh"	Moscow
FOK "Senator"	Moscow
FOK "Fusion"	Moscow
FOK "Planeta"	Moscow
FOK "Nagatinskaia"	Moscow
FOK "Marino"	Moscow
FOK "RostFitnes"	Rostov-on-Don
FOK "ChistyePrudy"	Moscow
FOK "Terra"	Kazan
FOK "AK-Bars"	Kazan
FOK "Volga-Fitnes"	Volgograd
FOK "Olimp"	Voronezh
FOK "Zchemchuzhina"	Perm
FOK "Sam-Fitnes"	Samara
FOK "Sun-City"	Novosibirsk
FOK "Platinum"	Voronezh
FOK "ParkPobedy"	Moscow
"Altufevo-Sport"	Moscow

The parent company holds 98% in each of the above subsidiaries.

Since January 2016 the Company is listed on the Cyprus Stock Exchange.

### II. BASIS OF PREPARATION

#### General provisions

The interim condensed consolidated financial statements for the six months ended 30 June 2016 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 financial statements as at 31 December 2015.

The Group maintains its accounting records in Russian Ruble in accordance with the Russian regulations on accounting and reporting. Russian accounting principles are significantly different from IFRS. In this regard, the financial statements that have been prepared in accordance with the accounting records of the Group and Russian accounting standards have been adjusted to ensure that the consolidated financial statements comply with IFRS.

The consolidated financial statements have been prepared on a historical cost basis except when IFRS require the application of other basis of valuation, in particular, financial instruments that have been measured initially at fair value and then at amortized cost, and identifiable assets and liabilities acquired in the course of a business combination.

### Principles of consolidation

The consolidated financial statements comprise the financial statements of Intraware Group and its subsidiaries as at 30 June 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The date of exchange is the acquisition date where a business combination is achieved in a single transaction, and is the date of each share purchase where a business combination is achieved in stages by successive share purchases.

The excess of the cost of acquisition over the acquirer's share of the fair value of the net assets of the acquiree at each exchange transaction is recorded as goodwill. The excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired over cost is recognized immediately in profit or loss for the year.



Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date.

Inter-group transactions, balances and unrealized gains on transactions between group companies are eliminated; unrealized losses are also eliminated unless the cost of the corresponding asset cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

### Going concern

The Group has prepared these consolidated financial statements based on the going concern assumption.

### Currency

The Group's presentation currency is the national currency of the Russian Federation, Russian rubles ("RUB"). All amounts in these financial statements are presented in thousands of Russian Rubles, unless otherwise stated.

The functional currency is the currency of the primary economic environment in which a company operates. The Group's functional currency is the national currency of the Russian Federation, the Russian rubles.

Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the official exchange rate of the Central Bank of Russia at the respective reporting dates. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into RUB at the Central Bank's official year-end exchange rates are recognized in profit or loss. Translation at year-end rates does not apply to non-monetary items, including equity investments.

Exchange rate as at	30 June 2016	31 December 2015
RUB to 1 US dollar	64,2575	72,8827
RUB to 1 Euro	71,2102	79,6972

### Impact of effective changes in International Financial Reporting Standards

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2015:

- *Annual Improvements Cycle - 2010-2012*(effective date - 1 July 2014)

- *IFRS 2 Share-based Payment* – clarifies the definition of ‘vesting condition’ and now distinguishes between ‘performance condition’ and ‘service condition’. This improvement is applied prospectively.
- *IFRS 3 Business Combinations* – clarifies that an obligation to pay contingent consideration is classified as financial liability or equity under the principles in IAS 32 and that all non-equity contingent consideration (financial and non-financial) is measured at fair value at each reporting date. This improvement is applied prospectively.
- *IFRS 8 Operating Segments* – requires disclosure of the judgements made by management in aggregating operating segments and clarifies that a reconciliation of segment assets must only be disclosed if segment assets are reported.
- *IFRS 13* confirms that short-term receivables and payables can continue to be measured at invoice amounts if the impact of discounting is immaterial.
- *IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets* – clarifies that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The amendment is applied retrospectively.
- *IAS 24 Related Party Disclosures* – where an entity receives management personnel services from a third party (a management entity), the fees paid for those services must be disclosed by the reporting entity, but not the compensation paid by the management entity to its employees or directors. The amendment is applied retrospectively.
- **Annual Improvements Cycle - 2011-2013** (effective date - 1 July 2014)
  - *IFRS 3 Business Combinations*. The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:
    - Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
    - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
  - *IFRS 13 Fair Value Measurement*. The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39.
  - *IAS 40 Investment Property*– the description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination.

Other new standards and interpretations currently do not relate to the Group’s operations.

#### **Application of new and revised International Financial Reporting Standards**

Below is a list of standards/interpretations that have been issued and are not effective for periods starting on 1 January 2015, but will be effective for later periods:



- *Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)* - effective for annual periods beginning on or after 1 January 2016, with early adoption permitted). The amendments to IFRS 11 clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business.

This includes:

- measuring identifiable assets and liabilities at fair value
- expensing acquisition-related costs
- recognising deferred tax, and
- recognising the residual as goodwill, and testing this for impairment annually.

Existing interests in the joint operation are not remeasured on acquisition of an additional interest, provided joint control is maintained.

The amendments also apply when a joint operation is formed and an existing business is contributed.

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)* - effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The IASB has amended IAS 16 Property, Plant and Equipment to clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment. IAS 38 Intangible Assets now includes a rebuttable presumption that the amortization of intangible assets based on revenue is inappropriate. This presumption can be overcome if either

- The intangible asset is expressed as a measure of revenue (ie where a measure of revenue is the limiting factor on the value that can be derived from the asset), or
- It can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated.

- *Annual Improvements to IFRSs 2012-2014 Cycle - various standards* - effective for annual periods beginning on or after 1 January 2016. The latest annual improvements clarify:

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* - assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.
- IFRS 7 *Financial Instruments: Disclosures* (Servicing contracts). The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- Applicability of the amendments to IFRS 7 to condensed interim financial statements. The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.
- IAS 19 *Employee Benefits* – the amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.
- IAS 34 *Interim Financial Reporting* – the amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments must be applied retrospectively.

▪ **Disclosure Initiative (Amendments to IAS 1)** - effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The amendments to IAS 1 Presentation of Financial Statements are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including:

- Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes – confirmation that the notes do not need to be presented in a particular order.
- OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

▪ **IFRS 15 Revenue from Contracts with Customers** - effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The IASB has issued a new standard for the recognition of revenue. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. IFRS 15 will supersede all current revenue recognition requirements under IFRS. This will replace IAS 18 *Revenue* which covers contracts for goods and services and IAS 11 *Construction Contracts* which covers construction contract, IFRIC 13 *Customer Loyalty Programmes*.



IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. A new five-step process must be applied before revenue can be recognized:

- identify contracts with customers
- identify the separate performance obligation
- determine the transaction price of the contract
- allocate the transaction price to each of the separate performance obligations, and
- recognize the revenue as each performance obligation is satisfied.

▪ **IFRS 9 Financial Instruments** - effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

Other pronounced standards and interpretations currently do not relate to the Group's operations.

### Significant accounting estimates and professional judgments

In preparing the interim consolidated financial statements, the management of the Group makes estimates and assumptions on matters which affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates, by definition, seldom equal the related actual results.

Critical accounting estimates and assumptions made in the preparation of the interim consolidated financial statements are consistent with those made in the preparation of the annual consolidated financial statements for the year ended December 31, 2015, except for the estimation methodologies applied in deriving corporate income tax.

### Accounting policies

Significant accounting policies and estimates adopted in the preparation of the interim consolidated financial statements are consistent with those adopted in the preparation of the annual consolidated financial statements for the year ended December 31, 2015.

Income tax expense for the interim period is recognized based on management's best estimate of the weighted average annual effective income tax rate expected for the full financial year. The estimated average annual tax rate is applied to the pre-tax income.

### III. RELEVANT DISCLOSURES

#### 1. Retrospective adjustment of comparatives

The interim condensed statement of financial results for 6 months 2015 has been retrospectively amended in accordance with IAS 8 during preparation of these financial statements due to changes in accounting policies. The main changes result from changes in revenue recognition, additional depreciation and amortization expenses for intangible assets recognized at acquisition (client pools) and resulting deferred tax income. Statements of changes in equity, statement of changes in cash flows and relevant disclosures were amended correspondingly.

<i>In thousands of rubles</i>	Original data for 6 months ended June 30, 2015	Retrospective adjustment	Final data for 6 months ended June 30, 2015
Revenue	35 708	67 293	103 001
Cost of Sales	(19 996)	(72 523)	(92 519)
<b>Gross profit</b>	<b>15 711</b>	<b>(5 229)</b>	<b>10 482</b>
Selling and marketing expenses	(1 428)	(4 776)	(6 204)
Administrative expenses	(8 546)	(8 585)	(17 131)
Other income	-	682	682
Other losses	-	(3 853)	(3 853)
<b>Operating income</b>	<b>5 737</b>	<b>(21 761)</b>	<b>(16 024)</b>
Financial income	19	(19)	-
Financial expenses	(2 973)	(3 620)	(6 593)
<b>Profit before tax</b>	<b>2 784</b>	<b>(25 401)</b>	<b>(22 617)</b>
Income tax expense	(2 382)	4 563	2 181
<b>Net profit/(loss) for the year</b>	<b>402</b>	<b>(20 838)</b>	<b>(20 436)</b>
<b>Other comprehensive income for the year</b>	-	-	-
<b>Total comprehensive income for the year</b>	<b>402</b>	<b>(20 838)</b>	<b>(20 436)</b>

#### 2. Property, plant and equipment

During the six months ended 30 June 2016, the Group acquired assets with a cost of 27 346 thousand (no acquisitions during six months ended 30 June 2015), including property, plant and equipment and property under construction.

#### 3. Goodwill

The Group performed its annual impairment test in December and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculations. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual consolidated financial statements for the year ended 31 December 2015. As at 30 June 2016 no indicators of impairment were observed.



#### 4. Income tax

Income tax in the Statement of Comprehensive Income in profit and losses includes:

##### Components of income tax expense:

<i>In thousand RUB</i>	6m2016	6m2015
Current income tax (12,5%)	-	-
Deferred income tax (12,5%)	-	-
Current income tax	6 519	1 971
Deferred income tax	8 180	(4 152)
<b>Total income tax expense</b>	<b>14 699</b>	<b>(2 181)</b>

Tax rate is 12,5% for parent company in Cyprus and 20% for its subsidiaries in Russia.

The deferred tax in Russian subsidiaries as at 30 June 2016 was calculated at the 20% rate.

Reconciliation between the expected and the actual tax charge is provided below:

<i>In thousand RUB</i>	6m2016		6m2015	
Profit before tax	37 179	44 630	(12 780)	(7 473)
<b>Tax rates</b>	<b>20,00%</b>	<b>12,50%</b>	<b>20,00%</b>	<b>12,50%</b>
Tax calculated at the applicable tax rates	(7 436)	(5 579)	2 556	934
Tax effect of expenses not deductible for tax purposes	(7 264)	(1 201)	(4 738)	(934)
Tax effect of allowances and income not subject to tax	-	6 780	-	-
Tax effect of tax losses brought forward	-	-	-	-
<b>Tax charge</b>	<b>(14 699)</b>	<b>-</b>	<b>2 181</b>	<b>-</b>

The basis of temporary differences between the value of assets and liabilities in the Statement of financial position and their tax bases are the differences between IFRS and the legislation on taxes and duties of countries in which the Group companies are operating. The sources of the appearance and the tax effect of the change in temporary differences are presented in the table below.

Deferred tax assets (liabilities) classified by types of assets and liabilities which formed differences (net):

<i>In thousand RUB</i>	As at 01 January 2015	Addition as a result of acquisition	Recognized in the Statement of Comprehensive Income in profit and losses	As at 31 June 2015
Property, plant and equipment and construction in progress	-	(42 411)	-	(42 411)
Intangible assets	-	11 215	-	11 215
Receivables	-	7 263	-	7 263
Deferred income	-	7 292	3 403	10 695
Deferred tax losses for the future	-	6 581	-	6 581
Financial liabilities	-	(11 546)	749	(10 796)
Other	-	1 706	-	1 706
<b>Net deferred tax asset (liability)</b>	-	<b>19 899</b>	<b>4 152</b>	<b>(15 747)</b>
<i>Recognized in the Statement of Financial Position:</i>				
Deferred tax asset	-	53 179	-	42 083
Deferred tax liability	-	(73 078)	-	(57 830)

<i>In thousand RUB</i>	As at 01 January 2016	Addition as a result of acquisition	Recognized in the Statement of Comprehensive Income in profit and losses	As at 31 June 2016
Property, plant and equipment and construction in progress	(39 555)	-	2 470	(37 084)
Intangible assets	39 005	-	912	39 918
Receivables	36 788	-	(29 833)	6 955
Deferred income	38 823	-	(7 283)	31 540
Deferred tax losses for the future	3 373	-	258	3 631
Financial liabilities	(5 727)	-	5 727	-
Other	2 850	-	(640)	2 210
<b>Net deferred tax asset (liability)</b>	<b>75 557</b>	<b>-</b>	<b>(28 388)</b>	<b>47 169</b>
<i>Recognized in the Statement of Financial Position:</i>				
Deferred tax asset	107 267	-	-	73 171
Deferred tax liability	-	31 710	-	(26 002)

## 5. Related parties

### Transaction balances and transactions with related parties

Term "related party" is defined in IAS 24 "Related Party Disclosures". Parties are usually considered related if they are under common control, one of them has control, significant influence



or joint control over the other in financial or operating decision making. In relations of parties which can be related it is important to take into account substance of relations, but not their legal form.

Turnover and balance disclosures with related parties under transactions performed by the Group in the reporting period are presented in the following tables. Transactions refer to settlement of accounts with related parties in the category "Other related parties" which includes companies under common control of the Group's owner.

**Settlement of accounts with related parties:**

<i>In thousand RUB</i>	Other related parties	
	30 June 2016	30 June 2015
Loans received for the period	-	123 655
Interest accrued on loans	3 231	1 255

**Account balances with related parties:**

<i>In thousand RUB</i>	Other related parties	
	30 June 2016	31 December 2015
Other receivable	-	1 470
<b>Total assets</b>		<b>1 470</b>
Loans payable	129 979	126 747
Accounts payable to suppliers	5	5
Other payables	11	11
<b>Total liabilities</b>	<b>129 995</b>	<b>126 763</b>

**Key management personnel expenses (3 employees):**

<i>In thousand RUB</i>	Rewards as at	Rewards as at
	30 June 2016	30 June 2015
Short-term rewards to personnel	259	-
Social security contributions	78	-
<b>Total</b>	<b>337</b>	<b>-</b>

There are no settlements of account balances with key management personnel as at the reporting dates.

**6. Earnings per share**

<i>Rubles per share</i>	6m2016	6m2015
<b>Basic earnings per share</b>		
From continuing operations	1 671	(805)
From discontinued operations	-	-
<b>Total basic earnings per share</b>	<b>1 671</b>	<b>(805)</b>

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the reporting period.

Group has no dilutive securities such as convertible securities, options and warrants on shares and other rights, as well as contractual obligations for shares issue in future.

The following table reflects the income and share data used in the basic EPS computations:

	6m2016	6m2015
Profit attributable to ordinary equity holders of the parent:		
Continuing operations	66 838	(20 253)
Discontinued operations	-	-
<b>Profit attributable to ordinary equity holders of the parent for basic earnings</b>	<b>66 838</b>	<b>(20 253)</b>
Weighted average number of ordinary shares for basic EPS	40 000	25 167

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of these financial statements.

## 7. Operating segments

Management of the Group has chosen to operate each of the fitness clubs by separate legal entities that consolidate all the cash flows that are relevant for that component. Operating segments of the Group are the fitness clubs operated by the Group and correspond to 18 FOK entities (see note8). All these entities and segments are engaged in similar activities and are all located in Russian Federation.

All the operating segments (fitness clubs) of the Group exhibit similar long-term financial performance as they have similar economic characteristics. Therefore for the purposes of segment information disclosure the Group has aggregated all the operating segments being similar in each of the following respects:

- (a) the nature of the products and services;
- (b) the nature of the production processes;
- (c) the type or class of customer for their products and services;
- (d) the methods used to distribute their products or provide their services;
- (e) and the nature of the regulatory environment.

Transactions between reportable segments and with other operating segments of the Group (primarily lease) are normally conducted under arm's length basis.



**Financial information in respect of operating segments for the period ended 30 June 2016:**

<i>In thousand RUB</i>	<b>Fitness clubs in Moscow</b>	<b>Fitness clubs in other regions</b>	<b>Other minor segments</b>	<b>Total according to financial statements of the Group</b>
Revenues from external customers, including:	801 260	399 253	84 053	1 284 566
<i>Revenue from club cards sales</i>	430 577	261 822	13 705	706 105
<i>Revenue from related services and retail</i>	370 647	137 359	0	508 006
<i>Other revenue (operating lease and franchising)</i>	36	71	70 349	70 456
Revenues from transactions with other operating segments of the Group	966	0	411 736	412 703
Costs from transactions with other operating segments of the Group	(230 570)	(112 448)	(69 685)	(412 703)
Cost of goods sold, selling and marketing and other administrative expenses	(527 196)	(252 524)	(351 728)	(1 131 449)
Depreciation and amortization	(49 384)	(30 733)	(5 916)	(86 033)
Financial income (expenses)	(23 389)	(12 150)	(2 715)	(38 253)
Income tax gains (expenses)	(3 640)	(10 045)	(1 014)	(14 699)
<b>Profit or loss for the segment</b>	<b>14 914</b>	<b>16 419</b>	<b>35 776</b>	<b>67 110</b>
 Tangible fixed assets of the segment	 312 962	 268 707	 7 908	 589 577
Goodwill allocated to the segment	190 804	145 407	19 815	356 025
Other intangible assets recognized at fair value on acquisition of the entities	223 620	122 385	23 251	369 255
Cash of the segment	32 596	24 538	114 938	172 072
<b>Total assets of the reportable segment</b>	<b>1 718 842</b>	<b>1 126 079</b>	<b>74 992</b>	<b>2 919 914</b>
<b>Total liabilities of the reportable segment</b>	<b>1 262 740</b>	<b>702 271</b>	<b>874 252</b>	<b>2 839 263</b>

**8. Business combination**

The Group didn't acquire subsidiaries during 6 months of 2016 year.

The following subsidiaries were acquired by the Group during 6 months of 2015 year:

Name of the subsidiary	Russian City
FOK "Monarh"	Moscow
FOK "Senator"	Moscow
FOK "Fusion"	Moscow
FOK "Planeta"	Moscow
FOK "Nagatinskaia"	Moscow
FOK "Marino"	Moscow
FOK "RostFitnes"	Rostov-on-Don
FOK "ChistyePrudy"	Moscow
FOK "Terra"	Kazan
FOK "AK-Bars"	Kazan
FOK "Volga-Fitnes"	Volgograd
FOK "Zchemchuzhina"	Perm
FOK "Sun-City"	Novosibirsk

In addition to the above subsidiaries, the Group obtained control over the company LLC "XFIT Service". Information concerning these acquisitions was disclosed in the annual consolidated financial statements for the year ended 31 December 2015.

#### 9. Joint venture in the form of joint operation

In accordance with IFRS 11 the club "Ak-Bars" in Kazan was classified by the Group as a joint operation. The club operates in the building and uses equipment owned by the partner in joint venture. The Group has the full right to all assets and bears full responsibility for all liabilities presented in the financial statements. Under the agreement, the Group's share in the financial result of the club is 22%. Therefore, profits and losses in the statement of comprehensive income are presented in the amount of 22%.

#### 10. Fair value of financial instruments

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.

Fair value measurement assumes that the transaction to asset sell or liability transfer occurs:

- either on the main market for the asset or liability;
- or on the most advantageous market for the asset or liability in case of absence of the main market.

Financial assets and liabilities of the Group are not traded on active markets. Therefore the fair value of financial assets and liabilities of the Group are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices that are used in existing transactions on the current market.

Assets and liabilities whose fair value is estimated or disclosed in the financial statements are classified as described below under the fair value hierarchy based on the data of the lowest level input that is significant to the fair value measurement in general:

- Level 1 - quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date (without any adjustment);



- Level 2 - measurement models, which are essential for data fair value assessment of the lowest level of the hierarchy, are directly or indirectly observable on the market;
- Level 3 - measurement models, which are essential for data fair value assessment of the lowest level of the hierarchy, are not observable on the market.

Classifying financial instrument to any of the category of the fair value hierarchy, Group use an appropriate judgment. If observable data that require significant adjustment is used in fair value measurement, the financial instrument needs to be classified to Level 3. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress 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.

The tables below shows the hierarchy of the data sources used for the recognition or disclosure of assets and liabilities fair value of the Group in 2015 year.

**(i) Multiple and single estimates of fair value.**

Multiple estimates of fair value are estimates required or permitted by IFRS in the statement of financial position at the end of each reporting period. Single estimates of fair value are estimates required or permitted by IFRS in the statement of financial position at the end of the period under certain conditions. As at the reporting date the Group had no financial assets and liabilities that require multiple and single estimates of fair value as at the reporting date.

**(ii) Assets and liabilities that are not measured at fair value but disclosed at fair value.**

At the Level 2 and Level 3 of the fair value hierarchy its estimation has been performed using method of discounted cash flows. Fair value of unquoted financial instruments with floating interest rate was assumed equal to the book value. The fair value of unquoted instruments with fixed interest rate is based on the method of discounted cash flows using current market interest rates for new instruments with similar credit risk and maturity.

**Financial instruments carried at fair value.** Cash and cash equivalents are carried at cost which approximates the current fair value.

**Financial assets carried at amortized cost.** The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments 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. Discount rates used depend on the credit risk of the counterparty.

**Liabilities carried at amortized cost.** Fair values of other liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturities was estimated based on expected cash flows discounted at current interest rates for instruments with similar credit risk and remaining maturity.



The Group has the following categories of financial instruments:

In thousand RUB	Carrying amount		Fair value		Level	Initial data	Valuation method
	30 June 2016	31 December 2015	30 June 2016	31 December 2015			
Financial assets, liabilities and accounts receivable							
Short-term accounts receivable	268 915	279 923	268 915	279 923	Level 3	Market rates	DCF
Short-term loans advanced	3 962	3 822	3 962	3 822	Level 3	Market rates	DCF
Cash	172 072	185 045	172 072	185 045	Level 1	-	-
Total financial assets, liabilities and accounts receivable	444 950	468 790	444 950	468 790	-	-	-
Financial liabilities at amortised cost							
Long-term loans and borrowings received	(764 829)	(734 671)	(764 829)	(734 671)	Level 3	Market rates	DCF
Short-term loans and borrowings received	(813 805)	(749 759)	(813 805)	(749 759)	Level 3	Market rates	DCF
Short-term accounts payable	(168 568)	(112 822)	(168 568)	(112 822)	Level 3	Market rates	DCF
Total financial liabilities at amortized cost	(1 747 202)	(1 597 253)	(1 747 202)	1 597 253)	-	-	-

## 11. Contingencies and Commitments

Group had no commitments and contingencies as at 30 June 2016 other than ones disclosed in the annual consolidated financial statements for the year ended December 31, 2015.

## 12. Subsequent events

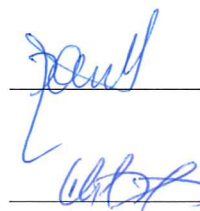
There were no material subsequent events after the reporting period that require disclosure in these interim condensed consolidated financial statements.

On 29 August 2016 the Board of Directors of Intraware Investments Public Ltd authorized these financial statements for issue.

Director

Director





Myrianthi Petrou

  
Andreas Christofi