

Intraware Investments Public Ltd

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

*prepared in accordance with
International Financial Reporting Standards (IFRS)
for the period ended 30 June, 2018*

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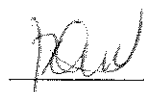
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
OF INTRAWARE GROUP FOR THE SIX MONTHS ENDED 30 JUNE, 2018
(in thousand EURO)

| | Note | Six months ended 30 June 2018 (unaudited) | Six months ended 30 June 2017 (unaudited) |
|---|------|--|--|
| Revenue | | 23 993 | 23 537 |
| Cost of sales | | (17 680) | (17 851) |
| Gross profit | | 6 313 | 5 686 |
| Selling and marketing expenses | | (758) | (1 577) |
| Administrative expenses | | (3 848) | (3 799) |
| Other income | | 1 133 | 1 433 |
| Other losses | | (814) | (702) |
| Operating income | | 2 026 | 1 041 |
| Financial income | | 188 | 196 |
| Financial expenses | | (119) | (71) |
| Profit before tax | | 2 095 | 1 166 |
| Income tax expense | 3 | (256) | (307) |
| Profit for the period from continuing operations | | 1 839 | 859 |
| Net profit for the period | | 1 839 | 859 |
| Net profit for the period attributable to: | | | |
| Owners of the Group | 5 | 1 826 | 873 |
| Non-controlling interests | | 13 | (14) |
| Total profit for the period | | 1 839 | 859 |
| Other comprehensive income for the period | | | |
| Comprehensive income attributable to: | | | |
| Owners of the Group | 5 | 1 826 | 873 |
| Non-controlling interests | | 13 | (14) |
| Total comprehensive income for the period | | 1 839 | 859 |

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

On 28 September 2018 the Board of Directors of Intraware Investments Public Ltd authorized these financial statements for issue.

Director



Myrianthi Petrou

Director



Andreas Christofi


INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
OF INTRAWARE GROUP AS AT 30 JUNE, 2018 AND 31 DECEMBER, 2017
(in thousand EURO)

| | Note | 30 June 2018 (unaudited) | 31 December 2017 (audited) |
|---------------------------------|------|-----------------------------|-------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 1 | 3 166 | 10 843 |
| Goodwill | 2 | 4 804 | 5 092 |
| Other intangible assets | | 2 007 | 2 615 |
| Other non-current assets | | 98 | 240 |
| Deferred tax assets | 3 | 86 | 215 |
| Total non-current assets | | 10 161 | 19 005 |
| Current assets | | | |
| Advances paid | | 17 348 | 18 530 |
| Inventories | | 337 | 334 |
| Other receivables | | 600 | 245 |
| Other current assets | | 56 | 50 |
| Income tax overpayment | | 57 | 72 |
| Trade receivables | | 93 | 2 494 |
| Loans granted to shareholders | | 2 157 | 1 388 |
| Loans granted to other parties | | 1 382 | 356 |
| Cash and cash equivalents | | 3 052 | 3 702 |
| Total current assets | | 25 082 | 27 171 |
| TOTAL ASSETS | | 35 243 | 46 176 |

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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, 2018 AND 31 DECEMBER, 2017

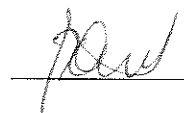
(in thousand EURO)

| | Note | 30 June 2018 (unaudited) | 31 December 2017 (audited) |
|---|------|-----------------------------|-------------------------------|
| Owners' equity | | | |
| Share capital | | 40 | 40 |
| Translation reserve | | 151 | 142 |
| Additional paid-in capital | | 222 | 222 |
| Accumulated profit (loss) | | (1 079) | (1 849) |
| Current year profit (loss) | | 1 826 | 831 |
| Equity attributable to owners of the Group | | 1 160 | (614) |
| Non-controlling interest | | 42 | 29 |
| TOTAL EQUITY | | 1 202 | (585) |
| Non-current liabilities | | | |
| Long-term loans and borrowings | | 2 055 | 2 130 |
| Deferred tax liabilities | 3 | 286 | 548 |
| Total non-current liabilities | | 2 341 | 2 678 |
| Current liabilities | | | |
| Short-term loans and borrowings | | 9 767 | 20 730 |
| Short-term payables | | 4 663 | 2 865 |
| Other liabilities | | 667 | 908 |
| Deferred revenue | | 16 603 | 19 580 |
| Total current liabilities | | 31 700 | 44 083 |
| TOTAL EQUITY AND LIABILITIES | | 35 243 | 46 176 |

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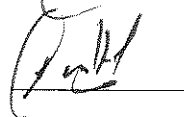
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Director



Myrianthi Petrou

Director



Andreas Christofi

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
OF INTRAWARE GROUP FOR THE SIX MONTHS ENDED 30 JUNE, 2018**

(in thousand EURO)

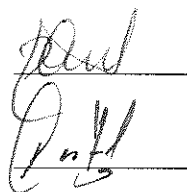
| | Share capital | Additional capital | Translation differences | Accumulat ed profit (loss) | Non- controlling interest | Total |
|---|------------------|-----------------------|----------------------------|----------------------------------|---------------------------------|-------|
| As at 1 January 2017 (audited) | 40 | 222 | 16 | (370) | (70) | (162) |
| Dividends | - | - | - | (893) | - | (893) |
| Current year profit | - | - | - | 873 | (14) | 859 |
| Translation differences | - | - | (51) | - | - | (51) |
| As at 30 June 2017 (unaudited) | 40 | 222 | (35) | (391) | (84) | (248) |

| | Share capital | Additional capital | Translation differences | Accumulat ed profit (loss) | Non- controlling interest | Total |
|---|------------------|-----------------------|----------------------------|----------------------------------|---------------------------------|-------|
| As at 1 January 2018 (audited) | 40 | 222 | 142 | (1 019) | 29 | (585) |
| Dividends | - | - | - | (60) | - | (60) |
| Current year profit | - | - | - | 1 826 | 13 | 1 839 |
| Translation differences | - | - | 9 | - | - | 9 |
| As at 30 June 2018 (unaudited) | 40 | 222 | 151 | 747 | 42 | 1 203 |

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

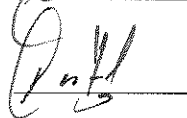
On 28 September 2018 the Board of Directors of Intraware Investments Public Ltd authorized these financial statements for issue.

Director



Myrianthi Petrou

Director



Andreas Christofi

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
OF INTRAWARE GROUP FOR THE SIX MONTHS ENDED 30 JUNE, 2018
(in thousand EURO)

| | Note | For the six months ended 30 June 2018 (unaudited) | For the six months ended 30 June 2017 (unaudited) |
|--|------|---|---|
| Cash flows from operating activities | | | |
| Profit before tax | | 2 095 | 1 167 |
| Amortization and impairment of intangible assets | | 529 | 797 |
| Depreciation and impairment of property, plant and equipment | | 201 | 813 |
| Interest expense | | 119 | 71 |
| Foreign exchange differences (net) | | (137) | (51) |
| Other non-cash expenses/(income) net | | (1 802) | (1 385) |
| Operating cash flows before working capital changes | | 1 006 | 1 412 |
| (Increase)/decrease in trade and other receivables | | 2 025 | 1 347 |
| (Increase) / decrease in inventories | | 7 | 1 |
| (Increase) in other assets | | (45) | (16) |
| (Decrease)/increase in trade and other payables | | 1 871 | 641 |
| (Decrease) / Increase in deferred revenue | | (2 977) | (937) |
| (Decrease) / Increase in vacation provisions | | (93) | 130 |
| Cash generated from operating activities | | 1 793 | 2 579 |
| Income tax paid | | (462) | (210) |
| Interest paid | | (63) | (67) |
| Net cash from operating activities | | 1 267 | 2 302 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 1 | (406) | (1 170) |
| Loans issued | | (2 035) | (752) |
| Loans and interest received | | 248 | - |
| Net cash used in investing activities | | (2 193) | (1 922) |

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, 2018
(in thousand EURO)

| | Note | Six months ended 30 June 2018 (unaudited) | Six months ended 30 June 2017 (unaudited) |
|---|------|---|---|
| Cash flows from financing activities | | | |
| Proceeds of loans and borrowings | | 408 | 167 |
| Dividends paid to company's shareholders | | (60) | (961) |
| Net cash from financing activities | | 347 | (795) |
| Cash and cash equivalents at the beginning of the period | | 3 702 | 2 813 |
| Increase (decrease) of cash and cash equivalents | | (518) | (415) |
| Translation differences | | (133) | (121) |
| Cash and cash equivalents at the end of the period | | 3 052 | 2 277 |

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

On 28 September 2018 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 fitness clubs services to population, services of management of fitness clubs and additional activities (catering, retail of sport goods).

The subsidiaries as at 30 June 2018 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 "Rost Fitnes" | Rostov-on-Don |
| FOK "Chistye Prudy" | 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 "Park Pobedy" | Moscow |
| LLC "Altufeyvo-Sport" | Moscow |
| FOK "Mosfilmovskiy" | Moscow |
| LLC "Sport Center" | Moscow |

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

The Group owns 49% in the share capital of LLC "RTI-Finance" according to agreement with current shareholders.

In addition the Group has control over LLC "RTI-Finance" through the appointment of a director having unlimited and full rights as to the activities of the Company, its investments, its financing, any amendments to its corporate structure, any new business or activities introduced to the Company, approval of financial transactions and any other actions on which the decision are made by Company's Governing bodies.

"Sport Center" LLC was incorporated upon the completion of the reorganization of LLC "XFIT Service" in the 1st quarter of 2018 based on a shareholders' general meeting decision made in 2017. Assets and liabilities of LLC "XFIT Service" related to the current activity of fitness clubs were transferred to "Sport Center" LLC and the Group disposed of control over LLC "XFIT Service" with residual assets of EUR 9 783 thousand (including property, plant and equipment in amount of EUR

8 127 thousand as well as trade receivables and advances paid in amount of EUR 1 510 thousand), liabilities of EUR 10 584 thousand (including short-term loans and borrowings in amount of EUR 10 381 thousand) and received profit in amount of EUR 801 thousand that appeared mainly due to differences between local Russian GAAP and IFRS carrying amounts of these assets and liabilities.

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 2018 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 2017.

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 2018. 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 Board of Directors during its meeting held on 22 January 2018, has decided to change its presentation currency from Russian Ruble to Euro for the preparation of its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Community as from the financial year ended 31 December 2017. The reason for the change is that the majority of the income of Intraware Investments Public Ltd, the main bank account and the majority of the expenses are in EUR.

All relevant comparatives have been properly restated to present comparable information.

The financial statements are presented in thousands of Euros, unless otherwise stated, which is the Company's presentation currency. 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.

The results and financial position of the Company are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- (ii) income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognised as a separate component of equity as a cumulative translation reserve.

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 2018 | 31 December 2017 |
|-----------------------|----------------------------------|----------------------------------|
| RUB to 1 US dollar | 62,7565 | 57,6002 |
| RUB to 1 Euro | 72,9921 | 68,8668 |
| Exchange rate average | Six months ended 30 June 2018 | Six months ended 30 June 2017 |
| RUB to 1 Euro | 71,8223 | 62,7187 |

Impact of effective changes in International Financial Reporting Standards

The Group has adopted all new standards, interpretations and amendments, effective from 1 January 2018 and are relevant to the operations of the Group, including IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. The application of these changes will not have a material impact on the Group's interim consolidated financial statements. Below is a list of new standards/interpretations that became effective for the Group from 1 January 2018:

IFRS 9, Financial Instruments (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortized cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortized cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value through other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity is required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a ‘three stage’ approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Group performed detailed analysis and has not determined significant effects from moving from an incurred loss model under IAS 39 to an expected loss model as required by IFRS 9. As a result of this analysis IFRS 9 did not have a material impact on the Group’s interim condensed consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018).

The new standard introduces the core principle that revenue must be recognized when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognized if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalized and amortized over the period when the benefits of the contract are consumed.

The Group performed detailed analysis and has not determined significant effects from changes to revenue recognition under new standard. As a result of this analysis IFRS 15 did not have a material impact on the Group’s interim condensed consolidated financial statements.

Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018).

The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognized at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

In accordance with the transition provisions in IFRS 15, the Group chose the possibility of applying the new rules retrospectively with recognition of combined effect of initial adoption in the opening retained earnings as at 1 January 2018. The application of the standard had no material impact on the Group's consolidated interim condensed financial statements and, therefore, the retained earnings as at 1 January 2018 were not restated.

A number of interpretations and amendments to current IFRSs became effective for the periods beginning on or after 1 January 2018:

- IFRIC 22 Foreign Currency Transactions and Advance Consideration (issued in December 2016) provides requirements for recognising a non-monetary asset or a non-monetary obligation arising from a result of committing or receiving prepayment until the recognition of the related asset, income or expense.
- The amendments to IFRS 2 Share-based Payment (issued in June 2016). These amendments clarify accounting for a modification to the terms and conditions of a share-based payment and for withholding tax obligations on share-based payment transactions.
- The amendments to IAS 40 Investment Property (issued in December 2016). These amendments clarify the criteria for the transfer of objects in the category or from the category of investment property.

The Group has reviewed these interpretations and amendments to standards while preparing consolidated interim condensed financial statements. The interpretations and amendments to standards have no significant impact on the Group's consolidated interim condensed financial statements.

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 2018, but will be effective for later periods:

IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019).

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

This standard may have a material impact on financial performance and financial position of the Group: the management is currently assessing the possible consequences of adopting this standard. The Group does not intend to adopt the standard before its effective date.

The following other new pronouncements are not expected to have any material impact on the Group when adopted:

- IFRS 17 Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).
- IFRIC 23 – Uncertainty over Income Tax Treatments (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 cycle - Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).
- Plan Amendment, Curtailment or Settlement - Amendments to IAS 19 (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise described above, the new standards, amendments to standards and interpretations are expected to have no impact or to have a non-material impact on the Group's interim consolidated financial statements.

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, 2017, 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, 2017.

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. Property, plant and equipment

During the six months ended 30 June 2018, the Group disposed of control over LLC "XFIT Service" with residual assets of EUR 8 127 thousand (during six months ended 30 June 2017 the Group acquired assets with a cost of 73 378 thousand), including property, plant and equipment and property under construction.

2. Goodwill

The Group performs 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 2017. As at 30 June 2018 no indicators of impairment were observed.

3. Income tax

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

Components of income tax expense:

| <i>In thousand EURO</i> | 6m2018 | 6m2017 |
|-----------------------------|------------|------------|
| Current income tax (12,5%) | 62 | 292 |
| Deferred income tax (12,5%) | - | - |
| Current income tax | 256 | 160 |
| Deferred income tax | - | 62 |
| Total tax expense | 256 | 307 |

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 2018 was calculated at the 20% rate.

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

| <i>In thousand EURO</i> | 6m2018 | 6m2017 |
|--|---------------|---------------|
| Profit before tax | (159) | 2 254 |
| Tax rates | 20,00% | 12,50% |
| Tax calculated at the applicable tax rates | 32 | (282) |
| Tax effect of expenses not deductible for tax purposes | (226) | 220 |
| Tax income (expense) | (194) | (62) |

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):

| | As at 01 January 2018 | Recognized in the Statement of Comprehen sive Income in profit and losses | Disposal due to LLC "XFIT Service" reorganisati on | Translation differences | As at 30 June 2018 |
|--|-----------------------------|--|---|----------------------------|-----------------------|
| <i>In thousand EURO</i> | | | | | |
| Property, plant and equipment and construction in progress | (214) | 49 | 169 | (13) | (9) |
| Intangible assets | (512) | 94 | - | 27 | (391) |
| Receivables | 233 | (56) | (112) | (10) | 55 |
| Deferred income | 113 | 29 | - | (6) | 136 |
| Other | 46 | (54) | 19 | (2) | 9 |
| Net deferred tax asset (liability) | (334) | 62 | 76 | (4) | (199) |
| <i>Recognized in the Statement of Financial Position:</i> | | | | | |
| Deferred tax asset | 215 | | | | 86 |
| Deferred tax liability | (548) | | | | (286) |

| | As at 01 January 2017 | Recognized in the Statement of Comprehensive Income in profit and losses | Translation differences | As at 30 June 2017 |
|--|-----------------------------|--|----------------------------|-----------------------|
| <i>In thousand EURO</i> | | | | |
| Property, plant and equipment and construction in progress | (526) | 42 | 26 | (458) |
| Intangible assets | 1 029 | (143) | (46) | 840 |
| Receivables | 660 | 2 | (36) | 626 |
| Deferred income | 174 | 187 | (23) | 339 |
| Deferred tax losses for the future | 0 | 78 | (6) | 73 |
| Other | 180 | (21) | (8) | 151 |
| Net deferred tax asset (liability) | 1 518 | 145 | (93) | 1 570 |
| <i>Recognized in the Statement of Financial Position:</i> | | | | |
| Deferred tax asset | 1 766 | | | 1 861 |
| Deferred tax liability | (247) | | | (291) |

4. 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 EURO</i> | Other related parties | |
|-------------------------------|------------------------------|---------------------|
| | 30 June 2018 | 30 June 2017 |
| Loans received for the period | 786 | 700 |
| Interest accrued on loans | 42 | 56 |

Settlement of account balances with related parties:

| <i>In thousand EURO</i> | Other related parties | |
|--------------------------|------------------------------|-------------------------|
| | 30 June 2018 | 31 December 2017 |
| Other receivable | 2 174 | 1 388 |
| Total assets | 2 174 | 1 388 |
| Loans payable | 2 055 | 2 130 |
| Total liabilities | 2 055 | 2 130 |

Key management personnel expenses (3 employees):

| <i>In thousand EURO</i> | Rewards as at 30 June 2018 | Rewards as at 30 June 2017 |
|---------------------------------|---------------------------------------|---------------------------------------|
| Short-term rewards to personnel | 25 | 21 |
| Social security contributions | 7 | 7 |
| Total | 32 | 28 |

5. Earnings per share

| <i>thousand EURO per share</i> | 6m2018 | 6m2017 |
|---------------------------------------|---------------|---------------|
| Basic earnings per share | | |
| From continuing operations | 46 | 22 |
| From discontinued operations | - | - |
| Total basic earnings per share | 46 | 22 |

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:

| | 6m2018 | 6m2017 |
|---|---------------|---------------|
| Profit attributable to ordinary equity holders of the parent: | | |
| Continuing operations | 1 826 | 873 |

| | | |
|--|--------------|------------|
| Discontinued operations | - | - |
| Profit attributable to ordinary equity holders of the parent for basic earnings | 1 826 | 873 |
| Weighted average number of ordinary shares for basic EPS | 40 000 | 40 000 |

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.

6. 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 20 FOK entities (see note 7). 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.

The Group has designated the aggregated operating segments in Moscow (11 legal entities or 11 fitness clubs aggregated to a segment 'Fitness clubs in Moscow') and other regions of Russia (9 legal entities or 9 fitness clubs aggregated to a segment 'Fitness clubs in other regions') as separate reporting segments given that, according to perception of the management, these regions demonstrate different stages of economic development and therefore their economic performance may be different in the future.

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 2018:

| <i>In thousand EURO</i> | Fitness clubs in Moscow | Fitness clubs in other regions | Other minor segments | Total according to financial statements of the Group |
|---|----------------------------|---|----------------------------|--|
| Revenues from external customers, including: | 16 312 | 6 915 | 766 | 23 993 |
| Revenue from club cards sales | 9 949 | 4 698 | 217 | 14 865 |
| Revenue from related services and retail | 6 292 | 2 217 | - | 8 509 |
| Other revenue (operating lease and franchising) | 71 | - | 549 | 620 |
| Revenues from transactions with other operating segments of the Group | 562 | 6 | 18 915 | 19 483 |

| | | | | |
|---|---------------|---------------|--------------|---------------|
| Costs from transactions with other operating segments of the Group | (10 311) | (3 343) | (5 830) | (19 483) |
| Cost of goods sold, selling and marketing and other administrative expenses | (13 251) | (5 962) | (3 073) | (22 287) |
| Depreciation and amortization | (404) | (172) | (104) | (680) |
| Financial income (expenses) | 12 | 9 | 48 | 68 |
| Income tax gains (expenses) | (123) | (57) | (76) | (256) |
| Profit or loss for the segment | 1 654 | (145) | 330 | 1 839 |
| Tangible fixed assets of the segment | 1 702 | 333 | 1 131 | 3 166 |
| Goodwill allocated to the segment | 2 771 | 2 111 | 288 | 4 878 |
| Other intangible assets recognized at fair value on acquisition of the entities | 1 147 | 739 | 67 | 1 953 |
| Cash of the segment | 539 | 513 | 1 999 | 3 052 |
| Total assets of the reportable segment | 16 695 | 10 790 | 7 759 | 35 243 |
| Total liabilities of the reportable segment | 17 645 | 10 712 | 5 684 | 34 041 |

Financial information in respect of operating segments for the period ended 30 June 2017:

| <i>In thousand EURO</i> | Fitness clubs in Moscow | Fitness clubs in other regions | Other minor segments | Total according to financial statements of the Group |
|---|------------------------------------|---|-------------------------------------|---|
| Revenues from external customers, including: | 15 004 | 7 810 | 723 | 23 537 |
| Revenue from club cards sales | 9 075 | 5 394 | 169 | 14 638 |
| Revenue from related services and retail | 5 916 | 2 416 | - | 8 332 |
| Other revenue (operating lease and franchising) | 13 | - | 554 | 568 |
| Revenues from transactions with other operating segments of the Group | 21 | - | 6 317 | 6 338 |
| Costs from transactions with other operating segments of the Group | (3 474) | (1 774) | (1 090) | (6 338) |
| Cost of goods sold, selling and marketing and other administrative expenses | (11 942) | (5 721) | (5 563) | (23 227) |
| Depreciation and amortization | (596) | (336) | (86) | (1 018) |
| Financial income (expenses) | 59 | 33 | 34 | 126 |
| Income tax gains (expenses) | (41) | (20) | (245) | (307) |
| Profit or loss for the segment | (491) | 665 | 686 | 860 |
| Tangible fixed assets of the segment | 5 932 | 224 | 5 593 | 11 750 |
| Goodwill allocated to the segment | 2 827 | 2 154 | 294 | 5 275 |
| Other intangible assets recognized at fair value on acquisition of the entities | 2 148 | 1 404 | 208 | 3 761 |
| Cash of the segment | 385 | 369 | 1 522 | 2 277 |
| Total assets of the reportable segment | 18 588 | 11 885 | 14 818 | 45 291 |
| Total liabilities of the reportable segment | 17 633 | 10 733 | 17 173 | 45 539 |

7. Business combination

The Group didn't acquire subsidiaries during 6 months of 2018 year.

8. 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%.

9. 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 the reporting period.

(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 EURO | Carrying amount | | Fair value | | Level | Initial data | Valuation method |
|---|-----------------|------------------|--------------|------------------|---------|--------------|------------------|
| | 30 June 2018 | 31 December 2017 | 30 June 2018 | 31 December 2017 | | | |
| Financial assets, liabilities and accounts receivable | | | | | | | |
| Short-term accounts receivable | 245 | 2 706 | 245 | 2 706 | Level 3 | Market rates | DCF |
| Short-term loans advanced | 3 538 | 1 744 | 3 538 | 1 744 | Level 3 | Market rates | DCF |
| Cash | 3 052 | 3 702 | 3 052 | 3 702 | Level 1 | - | - |
| Total financial assets, liabilities and accounts receivable | 6 835 | 8 152 | 6 835 | 8 152 | - | - | - |
| Financial liabilities at amortised cost | | | | | | | |
| Long-term loans and borrowings received | (2 055) | (2 130) | (2 055) | (2 130) | Level 3 | Market rates | DCF |
| Short-term loans and borrowings received | (9 767) | (20 730) | (9 767) | (20 730) | Level 3 | Market rates | DCF |
| Short-term accounts payable | (4 617) | (3 088) | (4 617) | (3 088) | Level 3 | Market rates | DCF |
| Total financial liabilities at amortized cost | (16 439) | (25 948) | (16 439) | (25 948) | - | - | - |

10. Contingencies and Commitments

Group had no other commitments and contingencies as at 30 June 2018, other than those disclosed in the annual consolidated financial statements for the year ended December 31, 2017.

11. Subsequent events

The Group obtained control over the following subsidiaries after the balance sheet date of these interim condensed consolidated financial statements, through the appointment of a director having unlimited and full rights as to the activities of the Company, its investments, its financing, any amendments to its corporate structure, any new business or activities introduced to the Company, approval of financial transactions and any other actions on which the decisions are made by Company's Governing bodies.:

1. FOK Primorskiy
2. FOK Petrogradskiy
3. FOK Ocityabrskiy
4. FOK Aviamotornaya
5. FOK 64
6. FOK 63
7. FOK 62

On 28 September 2018 the Board of Directors of Intraware Investments Public Ltd authorized these financial statements for issue.

Director



Myrianthi Petrou

Director



Andreas Christofi