Report on Review of Interim Financial Information

Public Joint-Stock Company OR and its subsidiaries

for the six months ended 30 June 2018

August 2018

Translation of the original Russian version

Translation of the original Russian version

Contents

Совершенствуя бизнес, улучшаем мир

Ernst & Young LLC
Sadovnicheskaya Nab., 77, bld. 1
Moscow, 115035, Russia
Tel: +7 (495) 705 9700
+7 (495) 755 9700
Fax: +7 (495) 755 9701
www.ey.com/ru

ООО «Эрнст энд Янг»
Россия, 115035, Москва
Садовническая наб., 77, стр. 1
Тел.: +7 (495) 705 9700
+7 (495) 755 9700
Факс: +7 (495) 755 9701
ОКПО: 59002827

Report on Review of Interim Financial Information

Translation of the original Russian version

To the Board of Directors and shareholders of
Public Joint-Stock Company OR

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Public Joint-Stock Company OR and its subsidiaries, which comprise the interim condensed consolidated statement of financial position as at 30 June 2018 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and selected explanatory notes (interim financial information).

Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Translation of the original Russian version

Conclusion

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

A.A. SHLENKIN
Partner
Ernst & Young LLC

20 August 2018

Details of the audited entity

Name: Public Joint-Stock Company OR
Record made in the State Register of Legal Entities on 12 August 2013, State Registration Number 1135476124101.
Change of record made in in the State Register of Legal Entities on 18 December 2017,
State Registration Number 7175476450791.
Address: 630110, Russia, Novosibirsk, str. Bogdana Khmelnitskogo, building 56.

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002; State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulated organization of auditors "Russian Union of auditors" (Association) ("SRO RUA"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 11603050648.

Translation of the original Russian version

PJSC OR

Interim condensed consolidated statement of comprehensive income

for the six months ended 30 June 2018

(in thousands of Russian rubles)

	Note	Six months of 2018 (unaudited)	Six months of 2017 (unaudited)
Revenue	3	4,492,855	4,140,913
Cost of sales	4	(1,854,537)	(1,661,959)
Gross profit		**2,638,318**	**2,478,954**
Selling and distribution expenses	5	(1,454,183)	(1,146,016)
Administrative expenses	6	(454,740)	(514,250)
Other income	7	80,966	167,626
Other expenses	7	(66,077)	(64,364)
Finance income	8	23,321	8,981
Finance expenses	8	(379,706)	(529,213)
Profit before tax		**387,899**	**401,718**
Income tax expense		(75,182)	(54,010)
Net profit for the period		**312,717**	**347,708**
Other comprehensive income		–	–
Total comprehensive income for the period		**312,717**	**347,708**
Weighted average number of ordinary shares (thousand)		113,056	70,660
Basic earnings per share, RUB		**2.766**	**4.921**

General Director A.M. Titov ____________________

20 August 2018

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

Translation of the original Russian version

PJSC OR

Interim condensed consolidated statement of financial position

as at 30 June 2018

(in thousands of Russian rubles)

	Note	30 June 2018 (unaudited)	31 December 2017
Non-current assets			
Property, plant and equipment	9	1,820,148	1,824,866
Goodwill and intangible assets	10	41,112	39,988
Other non-current financial assets	13	69,300	90,379
Advances for construction in progress		215,205	180,925
Deferred tax assets		257,401	197,209
Total non-current assets		**2,403,166**	**2,333,367**
Current assets			
Inventories	11	8,822,472	6,444,672
Trade and other receivables	12	2,224,499	2,947,618
Advances issued		4,210,036	4,109,025
Income tax receivable		53,252	32,653
Other taxes receivable and VAT recoverable		359,572	106,058
Other current financial assets	13	1,194,570	1,498,702
Cash and cash equivalents		508,268	2,168,814
Total current assets		**17,372,669**	**17,307,542**
Total assets		**19,775,835**	**19,640,909**
Equity			
Share capital		11,305,600	11,305,600
Additional paid-in capital		(5,715,802)	(5,715,802)
Retained earnings		6,436,828	6,424,205
Total equity		**12,026,626**	**12,014,003**
Long-term liabilities			
Interest-bearing loans and borrowings	15	4,594,248	6,180,088
Deferred tax liabilities		39,288	40,146
Total long-term liabilities		**4,633,536**	**6,220,234**
Short-term liabilities			
Interest-bearing loans and borrowings	15	2,234,053	720,801
Trade and other payables	16	592,851	379,535
Advances received		66,615	2,630
Current income tax liabilities		11,268	34,743
Deferred revenue		2,094	2,077
Other taxes payable		204,061	263,305
Provisions		4,731	3,581
Total short-term liabilities		**3,115,673**	**1,406,672**
Total liabilities		**7,749,209**	**7,626,906**
Total equity and liabilities		**19,775,835**	**19,640,909**

General Director A.M. Titov ____________________

20 August 2018

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

Translation of the original Russian version

PJSC OR

Interim condensed consolidated statement of changes in equity

for the six months ended 30 June 2018

(in thousands of Russian rubles)

	Share capital	Additional paid-in capital	Retained earnings	Total equity
At 31 December 2016	**7,066,000**	**(6,904,204)**	**5,121,596**	**5,283,392**
Net profit for the period (unaudited)	–	–	347,708	**347,708**
Total comprehensive income for the period (unaudited)	**–**	**–**	**347,708**	**347,708**
Dividends accrued	–	–	(7,471)	**(7,471)**
At 30 June 2017 (unaudited)	**7,066,000**	**(6,904,204)**	**5,461,833**	**5,623,629**
At 31 December 2017	**11,305,600**	**(5,715,802)**	**6,424,205**	**12,014,003**
Impact of adopting IFRS 9 (Note 2.4)	–	–	(37,804)	**(37,804)**
Balance at 1 January 2018 restated under IFRS 9	**11,305,600**	**(5,715,802)**	**6,386,401**	**11,976,199**
Net profit for the period (unaudited)	–	–	312,717	**312,717**
Total comprehensive income for the period (unaudited)	**–**	**–**	**312,717**	**312,717**
Dividends accrued	–	–	(262,290)	**(262,290)**
At 30 June 2018 (unaudited)	**11,305,600**	**(5,715,802)**	**6,436,828**	**12,026,626**

General Director A.M. Titov ____________________

20 August 2018

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

Translation of the original Russian version

PJSC OR

Interim condensed consolidated statement of cash flows

for the six months ended 30 June 2018

(in thousands of Russian rubles)

	Six months of 2018 (unaudited)	Six months of 2017 (unaudited)
Profit before tax	**387,899**	**401,718**
Adjustments		
Depreciation of property, plant and equipment and amortization of intangible assets	133,161	129,876
Changes in loss allowance of receivables and other financial assets	170,501	309,456
Write-down of goods for resale	18,353	19,765
Changes in provisions	1,150	(193)
Foreign exchange differences	6,704	7,902
Claims of suppliers	–	(101,269)
Supplier discounts	(158,779)	–
Finance income	(23,321)	(8,981)
Finance expenses	379,706	529,213
Loss on disposal of property, plant and equipment	11,435	4,354
Other	9,799	14,863
Operating profit before changes in working capital	**936,608**	**1,306,704**
Changes in working capital		
Decrease in trade and other receivables	603,357	407,630
(Increase) in inventories	(3,446,834)	(11,831)
(Increase)/decrease in advances issued	1,105,810	(544,220)
(Increase) in VAT recoverable	(253,514)	(101,404)
Decrease in trade and other payables	(85,982)	(464,519)
Increase/(decrease) in other tax liabilities	(59,244)	71,971
Increase/(decrease) in payables to employees	19,389	(3,759)
Increase/(decrease) in deferred revenue	17	(176)
Increase in advances from customers	63,985	77,281
(Increase) in cash loans to individuals receivable	(140,156)	(251,056)
Net cash from / (used in) operating activities before income tax and interest paid	**(1,256,564)**	**486,621**
Interest paid	(363,870)	(502,678)
Income tax paid	(170,856)	(151,856)
Net cash used in operating activities	**(1,791,290)**	**(167,913)**
Investing activities		
Purchase of property, plant and equipment and intangible assets	(125,126)	(29,811)
Proceeds from sale of property, plant and equipment and intangible assets	598	4,119
Loans issued	(246,906)	(868,356)
Repayment of loans issued	564,398	621,322
Interest received on loans issued	11,984	3,322
Interest received on deposits	14,220	3,157
Net cash from / (used in) investing activities	**219,168**	**(266,247)**

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

Translation of the original Russian version

PJSC OR

Interim condensed consolidated statement of cash flows (continued)

(in thousands of Russian rubles)

	Six months of 2018 (unaudited)	Six months of 2017 (unaudited)
Financing activities		
Proceeds from loans and borrowings	1,516,646	4,492,577
Repayment of loans and borrowings	(1,605,070)	(4,113,565)
Dividends paid	–	(7,471)
Net cash from/(used in) financing activities	**(88,424)**	**371,541**
Net decrease in cash and cash equivalents	**(1,660,546)**	**(62,619)**
Cash and cash equivalents at the beginning of the year	2,168,814	352,190
Cash and cash equivalents at the end of the period	**508,268**	**289,571**

General Director A.M. Titov ____________________

20 August 2018

Translation of the original Russian version

PJSC OR

Notes to the interim condensed consolidated financial statements

for the six months ended 30 June 2018

(in thousands of Russian rubles)

1. Corporate information

The interim condensed consolidated financial statements of Public Joint-Stock Company OR (the "PJSC OR") and its subsidiaries for the six months ended 30 June 2018 were authorized for issue by its General Director A.M. Titov on 20 August 2018.

PJSC OR ("the Company") and its subsidiaries (together referred to as "the Group") form a federal retail footwear chain, one of major players in the Russian footwear market. The Group was established in 2003; its head office is located at: Novosibirsk, st. Bogdana Khmelnitskogo, building 56. The Company was founded on 12 August 2013 as a holding company of the Group.

The Group is developing several business lines:

- Retail trade of footwear, accessories and related goods;
- Wholesale and franchising;
- Footwear production;
- Issuance of cash loans;
- Research and development in footwear production;
- Cash transfers with no bank accounts opened.

Retail line is represented by seven brands:

- Westfalika is the main retail chain of the Group that comprises mono-brand stores of mid-price segment;
- Peshekhod is a chain of footwear supermarkets (multi-brand stores);
- Emilia Estra is a trademark for fashionable footwear, bags and accessories and the same-name chain of specialized stores;
- Rossita is a chain of supermarkets. It comprises family-centered mono-brand stores of European footwear of mid-price segment;
- Lisette is a chain of mono-brand stores of youth footwear of mid-price segment;
- All.Go is a trademark for beach, summer, gardening, sport and hiking footwear;
- Snow Guard is a trademark for outdoor activity clothes.

1. Corporate information (continued)

The Group comprises:

Entity	Principal activity	30 June 2018 (unaudited)	31 December 2017
PJSC OR	Operations management	Parent	Parent
Obuv Rossii LLC	Trade	100%	100%
Westfalika M LLC	Trade, manufacturing	100%	100%
Peshekhod LLC	Trade	100%	100%
Obuvrus LLC	Trade	100%	100%
MFO LLC	Trade	–*	100%
OBUV ROSSII LLC	Manufacturing	100%	100%
R&D Center Modified Polymers LLC	Research and development in natural sciences and engineering	100%	100%
Integra LLC	Trade, financial transactions	100%	100%
MiraStil LLC	Trade, financial transactions	100%	100%
ModernShoes LLC	Trade	100%	100%
Trade House Rossita LLC	Trade	100%	100%
StilMarket LLC	Trade, financial transactions	100%	100%
Dion LLC	Trade, financial transactions	100%	100%
Design Studia LLC	Trade	100%	100%
NKO Platezhny Standard LLC	Financial transactions	100%	100%
MKK Arifmetika LLC	Financial transactions	100%	100%
EvaLink LLC	Manufacturing	100%	–**

* *On 1 June 2018, MFO LLC was reorganized through merger with Obuv Rossii LLC.*

** *On 5 June 2018, EvaLink LLC was established.*

The Group shareholder structure as at 30 June 2018 and 31 December 2017 was as follows:

	30 June 2018 (unaudited)		2017	
Shareholder	Number of shares	Ownership, %	Number of shares	Ownership, %
A.M. Titov	49,691,802	43.953	49,691,802	43.953
Shares controlled by CARIO HOLDINGS CORP. (BVI)	17,664,900	15.625	17,664,900	15.625
Shares controlled by the Group's management	2,561,048	2.265	2,561,048	2.265
Free float	43,138,250	38.157	43,138,250	38.157
	113,056,000	**100**	**113,056,000**	**100**

Seasonality

The Group's activities are seasonal in nature. The sales peaks fall at months before beginning of each season. The highest sales peaks fall at the beginning of autumn-winter period. Therefore, the revenue for 2H is significantly higher than that for 1H.

2. Basis of preparation and summary of significant accounting policies

2.1. Basis of preparation

These interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with IAS (34) *Interim Financial Reporting*. These interim condensed consolidated financial statements rely on accounting policies and calculation methods that were adopted in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2017. The Group's management believes that explanations of events and transactions disclosed in the notes to the interim condensed consolidated financial statements are sufficient to provide an understanding of significant changes in financial position and performance of the Group since the end of 2017.

The preparation of financial statements requires management to use professional judgment and make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and amounts of income and expenses during the reporting period. The most significant professional judgments relate to operating leases where the Group is a lessee, and the treatment of revenue from retail services. The most significant estimates relate to the useful life of property, plant and equipment, impairment of financial assets, net realizable value of inventories, deferred taxes, and fair value of financial instruments at initial recognition. Actual results could differ from those estimates.

All values in the interim condensed consolidated financial statements are rounded to the nearest thousand except where otherwise indicated.

2.2. Going concern

These interim condensed consolidated financial statements have been prepared on a going concern basis, assuming that the Group will continue its operations in the foreseeable future and will be able to realize its assets and meet its liabilities in the normal course of business.

2.3. Functional and presentation currency

These interim condensed consolidated financial statements are presented in the national currency of the Russian Federation – Russian ruble ("RUB"), which is the functional currency of the Group.

2. Basis of preparation and summary of significant accounting policies (continued)

2.4. Summary of significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as at 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Unified tax on imputed income (UTII)

Before 30 June 2017, certain legal entities within the Group applied special tax regime, according to which unified tax on imputed income was assessed on certain operations. Such tax is calculated using tax rates established for one square meter of retail trade areas. Revenue of legal entities applying special tax regime is not subject to the value added tax ("VAT") and therefore VAT is not separated from the revenue.

Starting from 1 July 2017, certain companies of the Group ceased to comply with the qualifying criteria of such regime. Therefore they applied general tax regime, where the revenue is subject to VAT and in the statement of comprehensive income the revenue is presented net of VAT.

IFRS 9 *Financial Instruments*

The Group is a first-time adopter of IFRS 9 *Financial Instruments,* which requires a recalculation of the previously issued financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* and is effective for annual periods beginning on or after 1 January 2018. IFRS 9 brings together all three aspects of the financial instruments accounting: classification and measurement, impairment, and hedge accounting.

The Group has adopted IFRS 9 starting 1 January 2018 and made no adjustments to comparative information for 2017.

a) Classification and measurement

Loans and trade receivables are held for collecting contractual cash flows and are expected to give rise to cash flows in the form of payments of principal and interest only.

The Group analyzed the features of contractual cash flows from these instruments and concluded that such instruments qualify to be measured at amortized cost in accordance with IFRS 9.

Therefore, no reclassification is required.

2. Basis of preparation and summary of significant accounting policies (continued)

2.4. Summary of significant accounting policies (continued)

b) Impairment

IFRS 9 requires that the Group record expected credit losses for 12 months or expected credit losses for the entire effective period with regard to all loans and trade receivables.

The Group applied a simplified approach and recorded lifetime expected credit losses on receivables.

c) Hedge accounting

As the Group does not use hedge accounting, application of IFRS 9 requirements to hedge accounting had no effect on its financial statements.

Cumulative effect of applying IFRS 9 on the consolidated statement of financial position is as follows amounted to RUB 47,255 with cumulative effect on retained earnings amounted to RUB 37,804, including the effect for deffered tax assets in amount RUB 9,451.

1) The Group applied a simplified approach to recognizing expected credit losses relating to tradeand other receivables. The Group used the loss allowance matrix based on its historical experience for incurred credit losses adjusted for expected factors specific to borrowers and changes in the economy. As at 1 January 2018, the Group recognized an additional allowance in the amount of RUB 45,322.

2) An allowance for other financial assets was estimated based on the counterparties' credit risk ratings and taking into account historical credit loss experience and forecasts. As at 1 January 2018, the Group recognized an additional allowance in the amount of RUB 595.

3) Cash and cash equivalents of the Group are subject to a credit risk based on external credit ratings of banks and financial institutions. As at 1 January 2018, the Group recognized allowance in the amount of RUB 1,338.

Line	Amount at 31 December 2017 IAS 39	Effect of application of new standard	Commentary reference	Amount at 1 January 2018 IAS 9
Deferred tax assets	257,401	9,451		266,852
Trade and other receivables	2,947,618	(45,322)	[1]	2,902,296
Other current financial assets	1,498,702	(595)	[2]	1,498,107
Cash and cash equivalents	2,168,814	(1,338)	[3]	2,167,476
Total assets	**19,775,835**	**(37,804)**		**19,738,031**
Net effect on equity	**12,014,003**	**(37,804)**		**11,976,199**

Translation of the original Russian version

PJSC OR

Notes to the interim condensed consolidated financial statements (continued)

3. Revenue

	Six months of 2018 (unaudited)	Six months of 2017 (unaudited)
Revenue from retail	2,464,076	2,742,648
Revenue from wholesale	1,310,196	669,763
Gains on issuance of cash loans	718,583	728,502
Total	**4,492,855**	**4,140,913**

In the reporting period, the Group sold goods, contractual payment for which provided for fulfillment of the counterparties' liabilities in cash or non-cash form. During the six months of 2018, fulfilled liabilities in the form of mutual claim offsets (in the form of mutual footwear shipments) totaled RUB 111,472 (net of VAT).

4. Cost

	Six months of 2018 (unaudited)	Six months of 2017 (unaudited)
Cost of sales	1,661,197	1,519,107
Material costs	127,017	86,997
Payroll and social charges	21,406	17,731
Depreciation of property, plant and equipment and amortization of intangible assets	23,070	16,264
Other	21,847	21,860
	1,854,537	**1,661,959**

5. Selling and distribution expenses

	Six months of 2018 (unaudited)	Six months of 2017 (unaudited)
Leases	632,679	525,870
Payroll and social charges	426,392	311,920
Advertising and marketing expenses	102,658	93,722
Depreciation of property, plant and equipment and amortization of intangible assets	89,087	89,684
Bank fees, cash collection in stores	82,755	49,360
Material costs	46,373	26,840
Warehouse expenses	24,127	25,266
Property insurance	1,766	2,301
Other	48,346	21,053
Total	**1,454,183**	**1,146,016**

6. Administrative expenses

	Six months of 2018 (unaudited)	Six months of 2017 (unaudited)
Payroll and social charges	108,202	75,927
Loss allowance for expected credit losses on other financial assets (Note 13)	104,633	139,507
Loss allowance for expected credit losses on receivables	65,868	169,949
Communication, post	47,097	29,318
Depreciation of property, plant and equipment	21,004	23,928
Remuneration to the members of the Board of Directors	20,957	–
Leases	19,971	18,347
Travel expenses	15,286	8,542
Information, advisory, audit and legal services	13,549	14,454
Taxes other than income tax	11,229	11,979
Material costs	10,310	7,994
Fee and commission expense	9,107	–
Other	7,527	14,305
Total	**454,740**	**514,250**

7. Other income and expenses

Other income	Six months of 2018 (unaudited)	Six months of 2017 (unaudited)
Penalties received	66,888	60,586
Claims to suppliers	–	101,269
Other	14,078	5,771
Other operating income	**80,966**	**167,626**

Penalties received comprise penalties paid by individuals for overdue payments under installment agreements.

Gains on claims to suppliers comprise penalties for failure to comply with contractual delivery terms.

Other expenses	Six months of 2018 (unaudited)	Six months of 2017 (unaudited)
Write-down of goods for resale	18,353	19,765
Loss on disposal of property, plant and equipment	10,427	4,354
Foreign exchange difference	6,704	7,902
Write-down of receivables and advances issued	8,884	10,336
Expenses related to leased out items	1,554	1,078
Taxes and other penalties	881	5,365
Agency fee	786	547
Fee and commission expense	–	5,599
Other expenses	18,488	9,418
Other operating expenses	**66,077**	**64,364**

ОБУВЬ РОССИИ

Translation of the original Russian version

PJSC OR

Notes to the interim condensed consolidated financial statements (continued)

8. Finance income and expenses

	Six months of 2018 (unaudited)	Six months of 2017 (unaudited)
Finance income		
Interest receivable on loans	23,321	8,981
Total	**23,321**	**8,981**
Finance expenses		
Interest on loans	155,507	389,532
Interest on bonds	224,199	139,572
Other	–	109
Total	**379,706**	**529,213**

9. Property, plant and equipment

	Land	Buildings	Machinery and equip-ment, office equipment	Vehicles	Retail space equipment	Other property, plant and equipment	Construc-tion in progress	Total
Carrying amount at 1 January 2018	**39,743**	**604,332**	**449,636**	**9,441**	**451,533**	**21,613**	**248,568**	**1,824,866**
Cost								
Balance at 1 January 2018	**39,743**	**703,421**	**535,520**	**30,488**	**856,374**	**45,032**	**248,568**	**2,459,146**
Additions	–	–	–	–	–	–	141,276	**141,276**
Commissioning	–	28,838	32,839	1,528	98,030	6,031	(167,266)	**–**
Disposals	–	–	(1,656)	(2,426)	(1,637)	(214)	(13,496)	**(19,429)**
Balance at 30 June 2018 (unaudited)	**39,743**	**732,259**	**566,703**	**29,590**	**952,767**	**50,849**	**209,082**	**2,580,993**
Accumulated depreciation								
Balance at 1 January 2018	**–**	**(99,089)**	**(85,884)**	**(21,047)**	**(404,841)**	**(23,419)**	**–**	**(634,280)**
Depreciation charge	–	(14,048)	(25,720)	(1,324)	(83,165)	(6,415)	–	**(130,672)**
Depreciation disposal	–	–	1,328	2,252	465	62	–	**4,107**
Balance at 30 June 2018 (unaudited)	**–**	**(113,137)**	**(110,276)**	**(20,119)**	**(487,541)**	**(29,772)**	**–**	**(760,845)**
Carrying amount at 30 June 2018 (unaudited)	**39,743**	**619,122**	**456,427**	**9,471**	**465,226**	**21,077**	**209,082**	**1,820,148**

9. Property, plant and equipment (continued)

	Land	Buildings	Machinery and equip-ment, office equipment	Vehicles	Retail space equipment	Other property, plant and equipment	Construc-tion in progress	Total
Carrying amount at 1 January 2017	**40,112**	**598,811**	**503,211**	**13,013**	**450,118**	**20,391**	**283,887**	**1,909,543**
Cost								
Balance at 1 January 2017	**40,112**	**671,268**	**520,804**	**30,488**	**742,243**	**35,386**	**283,887**	**2,324,188**
Additions	–	–	–	–	–	–	42,799	**42,799**
Commissioning	–	35,923	4,243	–	18,356	6,315	(64,837)	**–**
Disposals	(758)	(7,041)	(86)	–	(32,105)	(656)	(2,185)	**(42,831)**
Balance at 30 June 2017 (unaudited)	**39,354**	**700,150**	**524,961**	**30,488**	**728,494**	**41,045**	**259,664**	**2,324,156**
Accumulated depreciation								
Balance at 1 January 2017	–	(72,457)	(17,593)	(17,475)	(292,125)	(14,995)	–	**(414,645)**
Depreciation charge	–	(13,647)	(33,809)	(1,885)	(87,196)	(3,170)	–	**(139,707)**
Depreciation disposal	–	743	34	–	24,819	362	–	**25,958**
Balance at 30 June 2017 (unaudited)	**–**	**(85,361)**	**(51,368)**	**(19,360)**	**(354,502)**	**(17,803)**	**–**	**(528,394)**
Carrying amount at 30 June 2017 (unaudited)	**39,354**	**614,789**	**473,593**	**11,128**	**373,992**	**23,242**	**259,664**	**1,795,762**

10. Goodwill and intangible assets

	Trademarks	Software	Other	Total
Carrying amount at 1 January 2018	**17,753**	**19,526**	**2,709**	**39,988**
Cost	–	–	–	–
Balance at the beginning of the year	**19,041**	**24,470**	**2,709**	**46,220**
Additions	–	3,808	–	**3,808**
Disposals	(49)	–	–	**(49)**
Balance at 30 June 2018 (unaudited)	**18,992**	**28,278**	**2,709**	**49,979**
Accumulated depreciation	–	–	–	–
Balance at the beginning of the year	**(1,288)**	**(4,944)**	**–**	**(6,232)**
Depreciation charge	(264)	(2,377)	–	**(2,641)**
Depreciation disposal	6	–	–	**6**
Balance at 30 June 2018 (unaudited)	**1,546)**	**(7,321)**	**–**	**(8,867)**
Carrying amount at 30 June 2018 (unaudited)	**17,446**	**20,957**	**2,709**	**41,112**

10. Goodwill and intangible assets (continued)

	Goodwill	Trademarks	Software	Other	Total
Carrying amount at 1 January 2017	**124**	**17,128**	**14,412**	**2,709**	**34,373**
Cost	–	–	–	–	–
Balance at the beginning of the year	**124**	**18,055**	**16,577**	**2,709**	**37,465**
Additions	–	–	5,221	–	**5,221**
Balance at 30 June 2017 (unaudited)	**124**	**18,055**	**21,798**	**2,709**	**42,686**
Accumulated depreciation	–	–	–	–	–
Balance at the beginning of the year	**–**	**(927)**	**(2,165)**	**–**	**(3,092)**
Depreciation charge	–	(181)	(814)	–	**(995)**
Balance at 30 June 2017 (unaudited)	**–**	**(1,108)**	**(2,979)**	**–**	**(4,087)**
Carrying amount at 30 June 2017 (unaudited)	**124**	**16,947**	**18,819**	**2,709**	**38,599**

11. Inventories

	30 June 2018 (unaudited)	31 December 2017
Raw materials and supplies	141,435	95,788
Work in progress	32,292	30,441
Finished goods and goods for resale	8,648,745	6,318,443
Total	**8,822,472**	**6,444,672**

Provision for the write-down of finished goods and goods for resale to net realizable value amounted to RUB 21,296 (30 June 2017: RUB 7,130).

12. Trade and other receivables

	30 June 2018 (unaudited)	31 December 2017
Trade receivables from wholesale customers	607,674	218,487
Loss allowance for expected credit losses related to wholesale customers	(3,826)	–
Trade receivables from retail customers	2,219,147	3,237,022
Loss allowance for expected credit losses related to retail customers	(894,897)	(815,562)
Receivables from related parties (Note 18)	1,523	8,463
Other receivables	325,554	299,208
Loss allowance for expected credit losses on other receivables	(30,676)	–
Total	**2,224,499**	**2,947,618**

12. Trade and other receivables (continued)

Trade receivables from wholesale customers and other receivables are denominated in Russian rubles and are normally settled within 12 months. Trade receivables of wholesale customers and other receivables are interest free.

Trade receivables from retail customers are denominated in Russian rubles and arise on sales with deferred payments. Terms of installment range from one to ten months. Trade receivables from retail customers are subject to commission ranging from 0% to 20% from the purchase amount depending on the terms of special offers effective at the certain date.

Movement in loss allowance for expected credit losses :

	2018	**2017**
At 1 January	**815,562**	**561,021**
Impact of adopting IFRS 9	45,322	–
Allowance charge	69,803	169,949
Utilization of allowance	(1,288)	(220)
At 30 June (unaudited)	**929,399**	**730,750**

13. Other financial assets

	30 June 2018 (unaudited)	**31 December 2017**
Other non-current financial assets		
Loans issued to third parties	69,300	81,443
Loans issued to related parties	–	8,936
Total	**69,300**	**90,379**
Other current financial assets		
Loans issued to third parties	24,266	38,573
Cash loans issued to individuals	1,515,950	1,450,471
Loss allowance for expected credit losses on for cash loans	(634,598)	(578,573)
Interest on cash loans receivable	1,126,285	1,051,608
Loss allowance for expected credit losses on interest on cash loans	(837,887)	(790,414)
Loans issued to related parties	554	327,037
Total	**1,194,570**	**1,498,702**

Loans issued to third parties are denominated in Russian rubles, bear interest rate 9.1% (2017: from 10.6% to 14%) and mature from 1 to 3 years. Loans issued to third parties are secured by property collateral.

Cash loans issued to individuals comprise RUB-denominated unsecured amounts of less than RUB 50 with no collateral and with maturities ranging from 1 to 12 months. Interest rate on such cash loans ranges from 25.55% to 766.5% p.a. and mainly depends on the amount of the cash loan (2017: from 25.55% to 766.5%) and its maturity.

13. Other financial assets

Movements in loss allowance for expected credit losses on cash loans issued to individuals:

	2018	2017
At 1 January	**1,368,987**	**1,135,067**
Impact of adopting IFRS 9	(570)	–
Provision charge (Note 6)	104,633	139,507
Utilization of provision	(565)	(1,278)
At 30 June (unaudited)	**1,472,485**	**1,273,296**

14. Equity

Dividends

In the first half of 2018, the Group declared dividends based on results of 2017 in the amount of RUB 262,290 (2017: RUB 7,741).

15. Interest-bearing loans and borrowings

Long-term loans and borrowings	**30 June 2018 (unaudited)**	**31 December 2017**
Bank loans	2,702,950	3,490,850
Bonds	1,891,298	2,689,238
Total	**4,594,248**	**6,180,088**

Short-term loans and borrowings	**30 June 2018 (unaudited)**	**31 December 2017**
Bank loans	925,250	220,002
Bond	1,300,860	500,141
Loans received	1,010	658
Loans from related parties (Note 17)	6,933	–
Total	**2,234,053**	**720,801**

Bank loans are denominated in Russian rubles and bear interest rates ranging from 9.68% to 11.9% p.a. (2017: from 9.68% to 16% p.a.). Long-term bank loans mature in 2019-2022.

A bond issued in 2016 (stock exchange bonds with identification number 4B02-06-16005-R dated 21 March 2016) is represented by 500 bonds with a nominal value of RUB 2,000 each and matures on 22 March 2021. Coupon is paid quarterly during the entire maturity term. As at 30 June 2018, the coupon rate was 13.8% p.a. (2017: 13.8%). The effective rate was 14.52% p.a.

15. Interest-bearing loans and borrowings (continued)

A bond (stock exchange bonds with identification number 4B02-06-16005-R dated 21 March 2016) provides for an offer dated 25 March 2019 allowing the bondholders to demand early redemption of the bonds in the amount of RUB 1,000,000.

A bond issued in 2017 (stock exchange bonds with identification number 4B02-07-16005-R dated 23 March 2016) is represented by 500 bonds with a nominal value of RUB 2,000 each and matures on 20 January 2022. Coupon is paid quarterly during the entire maturity term. As at 30 June 2018, the coupon rate was 13.8% p.a. The effective rate was 14.35% p.a.

A bond (stock exchange bonds with identification number 4B02-07-16005-R dated 23 March 2016) provides for an offer dated 25 October 2018 allowing the bondholders to demand early redemption of the bonds in the amount of RUB 200,000.

A bond issued in 2017 (stock exchange bonds with identification number 4B02-01-16005-R dated 20 May 2013) is represented by 1,500,000 bonds with a nominal value of RUB 1 each and matures on 15 July 2020. Coupon is paid semi-annually during the entire maturity term. As at 30 June 2018, the Group purchased bonds amounting to RUB 400,000 (31 December 2017: RUB 400,000). The coupon rate was 15% p.a. The effective rate was 9.63% p.a. As at 30 June 2018, the Group has undrawn credit lines of RUB 2,101,850 (31 December 2017: RUB 2,726,000).

Pledges

As at 30 June 2018, property, plant and equipment, as well as goods for resale pledged as collateral under the loans received amounted to RUB 975,262 and RUB 0, respectively (2017: RUB 975,262 and RUB 1,013,049, respectively).

16. Trade and other payables

	30 June 2018 (unaudited)	**31 December 2017**
Trade payables	163,196	255,121
Payables to employees	71,278	51,889
Other payables	92,338	71,351
Dividends accrued payable	262,290	–
Payables to related parties	3,749	1,174
Total	**592,851**	**379,535**

17. Related party transactions

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties include key management personnel, entities controlled by management personnel and other related parties.

The following table provides the total amount of transactions with related parties:

Six months of 2018 (unaudited)	**Sales to related parties**	**Purchases from related parties**	**Receivables from related parties**	**Advances issued to related parties**	**Payables to related parties**	**Dividends accrued payable**
Entities controlled by management personnel	4,460	2,633	1,523	38,429	3,583	–
Key management personnel	–	–	–	–	–	103,277
Other related parties	–	8,317		419	166	–
Total	**4,460**	**10,950**	**1,523**	**38,848**	**3,749**	**103,277**

Six months of 2017 (unaudited)	**Sales to related parties**	**Purchases from related parties**	**Receivables from related parties**	**Advances issued to related parties**	**Payables to related parties**
Entities controlled by management personnel	8,025	4,875	8,463	2,669	988
Key management personnel	–	–	–	285,556	–
Other related parties	6,563	–	–	19	236
Total	**14,588**	**4,875**	**8,463**	**288,244**	**1,224**

Terms and conditions of related party transactions

Sales to related parties primarily included sales of goods and provision of services.

Related parties may enter into transactions, which unrelated parties might not, and the terms, conditions and amounts of those may differ from the terms, conditions and amounts of transactions between unrelated parties. Balances with related parties outstanding as at the end of the year were unsecured; respective settlements were made in cash. No guarantees were provided or received for any related party receivables or payables. As at 30 June 2018 and 31 December 2017, the Group did not record any impairment of receivables from related parties. The Group assesses whether there are any indicators of impairment in each financial year by analyzing the financial position of the respective related party and conditions existing on the market where such related party operates.

17. Related party transactions (continued)

Terms and conditions of related party transactions (continued)

Loans issued to and received from related parties are detailed below:

Six months of 2018 (unaudited)	Loans receivables from related parties	Loans payable to related parties	Interest income	Interest expense
Entities controlled by management personnel	295	–	1,737	–
Key management personnel	259	6,899	–	80
Other related parties	–	34	–	36
Total	**554**	**6,933**	**1,737**	**116**

Six months of 2017 (unaudited)	Loans issued to related parties	Loans received from related parties	Interest income	Interest expense
Entities controlled by management personnel	37,296	–	2,018	–
Key management personnel	298,677	–	134	–
Total	**335,973**	**–**	**2,152**	**–**

Loans issued to related parties were short-term. Interest rate on loan issued ranges from 0% to 14% (six months of 2017: from 11% to 14% p.a.). Loans issued to related parties mature during 2018-2019. Loans issued to related parties mature in 2018-1H2019.

Compensation to key management personnel of the Group

As at 30 June 2018, key management personnel comprises the Group's top-managers and the members of the Board of Directors, totaling 8 persons (31 December 2017: 8). For the six months of 2018, compensation paid to key management personnel amounted to RUB 32,585 (six months of 2017: RUB 16,341). The amount of compensation included payroll, bonuses, paid vacations, payments for serving on the management bodies and other short-term payments.

18. Operating segments

For management purposes, the Group is divided into two reportable operating segments:

a) Retail trade of footwear, accessories and related goods (sale of goods);

b) Issuance of cash loans.

18. Operating segments (continued)

Management of the Group evaluates performance of its operating segments on the basis of consolidated data prepared in accordance with the International Financial Reporting Standards. The segment performance indicator communicated to management of the Group is EBITDA of the segments, which represents operating earnings before interest, taxes, depreciation and amortization, and group-wide income and expenses.

EBITDA of the reporting segments includes items of income and expenses, which are directly attributable to the segment on a reasonable basis:

- Revenue;
- Cost of sales;
- Selling and distribution expenses;
- Administrative expenses allocated to segments:
- Loss allowance for expected credit losses for other financial assets;
- Loss allowance for expected credit losses for doubtful receivables;
- Other income/expenses allocated to segments:
- Income/expenses from transfer of right to claim on installments receivable and from cash loans to individuals;
- Foreign exchange differences;
- Write-down of accounts receivable/payable and advances issued;
- Penalties received;
- Write-off of goods for resale.

The following expenses are not allocated to segments:

- Other administrative (corporate) expenses, other (corporate) operating income and expenses;
- Depreciation of property, plant and equipment and amortization of intangible assets;
- Finance income and expenses;
- Income tax expense.

Assets are not allocated to operating segments and are not subject to analysis by an operating decision-maker.

Analysis of financial information on reporting segments performed by management for the six months' periods ended 30 June 2018 and 2017 is presented in the table below.

18. Operating segments (continued)

Revenue and EBITDA of reporting segments for the six months ended 30 June 2018 comprise the following:

Six months of 2018 (unaudited)	Sales of goods	Issuance of cash loans
Revenue		
Revenue from external customers	3,774,272	718,583
Cost, selling and administrative expenses	(3,048,240)	(318,824)
Other operating income (direct)	66,888	–
Other operating expenses (direct)	(33,941)	–
Segment EBITDA	**758,979**	**399,759**

Reconciliation of EBITDA of reporting segments and net profit for the six months ended 30 June 2018 is presented in the table below:

Total EBITDA of segments	**1,158,738**
Unallocated items by segment:	
Depreciation of property, plant and equipment and amortization of intangible assets	(133,161)
Administrative (corporate) expenses	(263,235
Other (corporate) operating income	14,078
Other (corporate) operating expenses	(32,136)
Finance income	23,321
Finance expenses	(379,706)
Income tax expense	(75,182)
Net profit	**312,717**

Revenue and EBITDA of reporting segments for the six months ended 30 June 2017 comprise the following:

Six months of 2017 (unaudited)	Sales of goods	Issuance of cash loans
Revenue		
Revenue from external customers	3,412,411	728,502
Cost, selling and administrative expenses	(2,690,988)	(320,495)
Other operating income (direct)	60,586	–
Other operating expenses (direct)	(38,003)	–
Segment EBITDA	**744,006**	**408,007**

18. Operating segments (continued)

Reconciliation of EBITDA of reporting segments and net profit for the six months ended 30 June 2017 is presented in the table below:

Total EBITDA of segments	**1,152,013**
Unallocated items by segment:	
Depreciation of property, plant and equipment and amortization of intangible assets	(129,876)
Administrative (corporate) expenses	(180,866)
Other (corporate) operating income	107,040
Other (corporate) operating expenses	(26,361)
Finance income	8,981
Finance expenses	(529,213)
Income tax expense	(54,010)
Net profit	**347,708**

19. Commitments and contingencies

In the course of its business activity, the Group is exposed to various legal actions and complaints. While there are inherent uncertainties and the outcome of those litigations cannot be reliably predicted, the Group's management believes that these issues will not significantly affect the Group's financial position or annual performance.

In the Russian Federation tax returns remain open and subject to inspection for a period of up to three years. The fact that a year has been reviewed does not close that year, or any tax return applicable to that year, from further review during the three-year period. Management believes that the Group has paid or accrued all taxes that are applicable. For taxes where uncertainty exists, the Group has accrued tax liabilities based on management's best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities.

The government of the Russian Federation continues to reform the business infrastructure in its transition to a market economy. Therefore, requirements by laws and regulations regulating activities of business companies are rapidly changing. These changes are not always clearly written and subject to varying interpretations; also, authorities are often arbitrary in its enforcement.

There are common instances when tax audits and investigations are conducted by authorities that have the power to assess fines and penalties. The Group believes that it has accrued all taxes that are applicable in accordance with its interpretation of tax laws, however the facts described above could lead to additional tax risk.

The Group's management estimates the maximum exposure to risks assessed as possible (5% to 50% probability) as RUB 92,320 (31 December 2017: RUB 92,320). The Group continues to track changes related to these risks and regularly reassesses risks and respective liabilities, provisions and disclosures.

20. Subsequent events

In 2018, PJSC OR has carried out the consolidation process to strengthen its financial position and obtain more solid status on the market where it operates. Reorganization during the consolidation of Obuv Rossii Group mainly includes merger of subsidiaries of PJSC OR and Obuv Rossii LLC, which will comprise several stages and will result in the number of legal entities of PJSC OR being decreased to seven.

On 2 July 2018, OBUV ROSSII Limited Liability Company was reorganized through merger with Research and Development Center Modified Polymers Limited Liability Company.

In accordance with legislative requirements, OBUV ROSSII LLC will be a legal successor of all entities, which merged with OBUV ROSSII LLC, in terms of all rights and liabilities.

On 19 July 2018, Obuv Rossii LLC was reorganized through merger with six companies: Integra LLC, MiraStil LLC, ModernShoes LLC, Trade House Rossita LLC, StilMarket LLC and Dion LLC. In accordance with legislative requirements, Obuv Rossii LLC will be a legal successor of all entities, which merged with Obuv Rossii LLC, in terms of all rights and liabilities.

On 3 July 2018, the Group entered into a credit facility agreement with UBRD PJSC with a debt limit of RUB 1,000 million. The purpose of the loan is to finance working capital. The loan matures within three years (before 3 July 2020). Interest rate is 9.6% p.a.

On 20 July 2018, the Group entered into a credit facility agreement with VTB Bank (PJSC) with a debt limit of RUB 2,500 million. The purpose of the loan is to finance current operations and operations stipulated in the borrower’s charter carried out in course of its normal activities. The loan matures within five years (before 19 July 2023). Interest rate is the key rate of the Bank of Russia increased by 2.31% p.a.

General Director A.M. Titov ____________________

20 August 2018