

Report on Review of the Interim Financial Information  
***Public Joint-Stock Company OR and its subsidiaries***  
for the six months ended 30 June 2020

*September 2020*

**Translation of the original Russian version**

**Report on Review of Interim Financial Information  
Public Joint-Stock Company OR and its subsidiaries**

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**Translation of the original Russian version**

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## **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 comprehensive income for the six-month period ended 30 June 2020, interim condensed consolidated statement of financial position as at 30 June 2020, and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes (interim financial information). Management of Public Joint-Stock Company OR 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*.

M.S. KHACHATURIAN  
Partner  
Ernst & Young LLC

15 September 2020

### **Details of the entity**

Name: Public Joint-Stock Company OR  
Record made in the State Register of Legal Entities on 12 August 2013, State Registration Number 1135476124101.  
Address: Russia 630110, Novosibirsk, str. Bogdana Khmel'nitskogo, 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 Association "Sodruzhestvo".  
Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

# Translation of the original Russian version

PJSC OR

Interim condensed consolidated statement  
of comprehensive income

for the six months ended 30 June 2020

(in thousands of Russian rubles)

	Note	Six months of 2020 (unaudited)	Six months of 2019 (unaudited)
Revenue	3	3,963,440	5,384,112
Cost of sales	4	(1,685,693)	(2,396,295)
<b>Gross profit</b>		<b>2,277,747</b>	<b>2,987,817</b>
Selling and distribution expenses	5	(1,498,917)	(1,553,261)
Administrative expenses	6	(280,166)	(282,788)
Charge of allowance for expected credit losses	7	(432,061)	(275,285)
Other income	8	215,265	85,111
Other expenses	8	(34,023)	(35,618)
Finance income	9	12,862	19,987
Finance expenses	9	(632,159)	(543,322)
<b>Profit/(loss) before tax</b>		<b>(371,452)</b>	<b>402,641</b>
Income tax benefit/(expense)		65,765	(80,393)
<b>Net profit/(loss) for the period</b>		<b>(305,687)</b>	<b>322,248</b>
Other comprehensive income		–	–
<b>Total comprehensive income/(loss) for the period</b>		<b>(305,687)</b>	<b>322,248</b>
Weighted average number of ordinary shares (thousand)		113,056	113,056
<b>Basic earnings/(loss) per share, RUB</b>		<b>(2.704)</b>	<b>2.850</b>

General Director

A.M. Titov

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15 September 2020

# Translation of the original Russian version

PJSC OR

## Interim condensed consolidated statement of financial position

as at 30 June 2020

(in thousands of Russian rubles)

	Note	30 June 2020 (unaudited)	31 December 2019
<b>Non-current assets</b>			
Property, plant and equipment	10	1,822,288	1,926,756
Right-of-use assets	11	113,771	140,819
Intangible assets		31,562	34,957
Other non-current financial assets	14	38,970	47,070
Advances for sales of goods		–	98,667
Advances for construction in progress		188,787	57,166
Deferred tax assets		410,688	278,925
<b>Total non-current assets</b>		<b>2,606,066</b>	<b>2,584,360</b>
<b>Current assets</b>			
Inventories	12	16,397,269	14,559,682
Trade and other receivables	13	1,708,002	2,742,266
Advances issued		5,477,313	5,259,434
Income tax receivable		90,454	22,310
Other taxes receivable and VAT recoverable		233,304	47,432
Other current financial assets	14	2,016,452	2,078,113
Cash and cash equivalents		775,982	707,396
<b>Total current assets</b>		<b>26,698,776</b>	<b>25,416,633</b>
<b>Total assets</b>		<b>29,304,842</b>	<b>28,000,993</b>
<b>Equity</b>			
Share capital		11,305,600	11,305,600
Additional paid-in capital		(5,715,802)	(5,715,802)
Retained earnings		8,570,803	8,876,490
<b>Total equity</b>		<b>14,160,601</b>	<b>14,466,288</b>
<b>Long-term liabilities</b>			
Interest-bearing loans and borrowings	16	4,847,934	4,355,243
Lease liabilities	11	64,366	69,848
Deferred tax liabilities		61,520	55,356
<b>Total long-term liabilities</b>		<b>4,973,820</b>	<b>4,480,447</b>
<b>Short-term liabilities</b>			
Interest-bearing loans and borrowings	16	8,073,297	8,054,078
Lease liabilities	11	56,616	67,736
Trade and other payables	17	1,789,113	584,219
Contract liabilities		85,435	4,739
Current income tax liabilities		700	52,955
Deferred revenue		1,809	1,445
Other taxes payable		160,296	286,715
Provisions		3,155	2,371
<b>Total short-term liabilities</b>		<b>10,170,421</b>	<b>9,054,258</b>
<b>Total liabilities</b>		<b>15,144,241</b>	<b>13,534,705</b>
<b>Total equity and liabilities</b>		<b>29,304,842</b>	<b>28,000,993</b>

General Director

A.M. Titov

15 September 2020

*The notes are an integral part of these interim condensed 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 2020

(in thousands of Russian rubles)

	Share capital	Additional paid-in capital	Retained earnings	Total equity
<b>Balance at 1 January 2019</b>	<b>11,305,600</b>	<b>(5,715,802)</b>	<b>7,455,914</b>	<b>13,045,712</b>
Net profit for the period (unaudited)	–	–	322,248	<b>322,248</b>
<b>Total comprehensive income for the period (unaudited)</b>	<b>–</b>	<b>–</b>	<b>322,248</b>	<b>322,248</b>
Dividends accrued	–	–	(266,812)	<b>(266,812)</b>
<b>At 30 June 2019 (unaudited)</b>	<b>11,305,600</b>	<b>(5,715,802)</b>	<b>7,511,350</b>	<b>13,101,148</b>
<b>At 31 December 2019</b>	<b>11,305,600</b>	<b>(5,715,802)</b>	<b>8,876,490</b>	<b>14,466,288</b>
Net loss for the period (unaudited)	–	–	(305,687)	<b>(305,687)</b>
<b>Total comprehensive loss for the period (unaudited)</b>	<b>–</b>	<b>–</b>	<b>(305,687)</b>	<b>(305,687)</b>
<b>At 30 June 2020 (unaudited)</b>	<b>11,305,600</b>	<b>(5,715,802)</b>	<b>8,570,803</b>	<b>14,160,601</b>

General Director

A.M. Titov

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15 September 2020

# Translation of the original Russian version

## PJSC OR

### Interim condensed consolidated statement of cash flows

for the six months ended 30 June 2020

(in thousands of Russian rubles)

	Six months of 2020 (unaudited)	Six months of 2019 (unaudited)
<b>Profit/(loss) before tax</b>	<b>(371,452)</b>	<b>402,641</b>
<i>Adjustments:</i>		
Depreciation of property, plant and equipment and amortization of intangible assets	141,193	139,717
Depreciation of right-of-use assets	36,949	29,962
Allowances for expected credit losses	432,061	273,375
Reversal of allowances for expected credit losses	(12,959)	(5,239)
Write-down of goods for resale	13,311	8,773
Foreign exchange differences	3,085	6,117
Supplier discounts	154,304	48,674
Taxes and other penalties / (reversal of taxes and other penalties)	(22,913)	–
Finance income	(12,862)	(19,987)
Finance expenses	632,159	543,322
Loss on disposal of property, plant and equipment	2,108	940
Other	72,230	7,671
<b>Operating profit before changes in working capital</b>	<b>1,067,214</b>	<b>1,435,966</b>
<b>Changes in working capital</b>		
Decrease in trade and other receivables (except for the use of allowances for expected credit losses)	949,951	1,101,286
(Increase) in inventories	(2,088,970)	(2,176,362)
(Increase) in advances issued	(106,472)	(286,396)
(Increase)/decrease in VAT recoverable	(185,872)	25,318
Increase in trade and other payables	1,202,378	99,207
(Decrease) in other tax liabilities	(103,506)	(100,940)
Increase in payables to employees	5,017	13,785
Increase/(decrease) in deferred revenue	364	(193)
Increase in advances from customers	80,696	68,917
(Increase) in cash loans to individuals receivable (except for the use of allowances for expected credit losses)	(279,116)	(437,093)
<b>Net cash from / (used in) operating activities before income tax and interest paid</b>	<b>541,684</b>	<b>(256,505)</b>
Interest paid	(517,643)	(535,315)
Income tax paid	(180,233)	(266,800)
<b>Net cash used in operating activities</b>	<b>(156,192)</b>	<b>(1,058,620)</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment and intangible assets	(22,372)	(82,708)
Advances issued for construction in progress	(152,397)	–
Proceeds from sale of property, plant and equipment and intangible assets	7,761	2,458
Loans issued	(300)	–
Repayment of loans issued	9,001	6,764
Interest received on loans issued	7,411	5,779
Interest received on deposits	4,147	12,983
<b>Net cash used in investing activities</b>	<b>(146,749)</b>	<b>(54,724)</b>

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



# Translation of the original Russian version

PJSC OR

## Interim condensed consolidated statement of cash flows (continued)

	Six months of 2020 (unaudited)	Six months of 2019 (unaudited)
<b>Financing activities</b>		
Proceeds from loans and borrowings	1,275,643	3,105,576
Repayment of loans and borrowings	(878,249)	(1,790,970)
Repayment of principal under leases	(25,867)	(24,036)
<b>Net cash from financing activities</b>	<b>371,527</b>	<b>1,290,570</b>
<b>Net decrease in cash and cash equivalents</b>	<b>68,586</b>	<b>177,226</b>
Cash and cash equivalents at the beginning of the year	707,396	536,001
<b>Cash and cash equivalents at the end of the period</b>	<b>775,982</b>	<b>713,227</b>

General Director

A.M. Titov

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15 September 2020



## Translation of the original Russian version

PJSC OR

Notes to the interim condensed consolidated  
financial statements

for the six months ended 30 June 2020

*(in thousands of Russian rubles)*

### 1. Corporate information

The interim condensed consolidated financial statements of Public Joint-Stock Company OR ("PJSC OR") and its subsidiaries for the six months ended 30 June 2020 were authorized for issue by its General Director A.M. Titov on 15 September 2020.

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. 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;
- ▶ Omnichannel sales and e-commerce;
- ▶ Financial services: sale of goods via the Company's stores with payments made by installments; issuance of cash loans;
- ▶ Manufacturing of footwear and accessories;
- ▶ Cash transfers with no bank accounts opened;
- ▶ Distribution of postal orders.

Since 2019, the Group has changed its business model, the format of its stores and started to operate as a marketplace for the vendors.

The Group is focused on making its retail network more efficient, expanding its product range without using additional retail area, and making seasonal fluctuations more smooth as a result of introducing new product categories.

Since 2019, the Group has been distributing postal orders in its retail stores.

The Group is aimed to integrate into the logistic infrastructure of the Russian e-commerce market.

## Translation of the original Russian version

### PJSC OR

#### Notes to the interim condensed consolidated financial statements (continued)

## 1. Corporate information (continued)

### 1.1. Information on the Company

The Group's brand portfolio comprises the following:

- ▶ Westfalika is the main retail chain of the Group that comprises mid-priced segment mono-brand stores selling classic shoes.
- ▶ Rossita is a chain of multi-brand family-centered stores selling footwear of various styles.
- ▶ Lisette is a chain of mono-brand stores selling French design youth footwear of mid-price segment.
- ▶ Emilia Estra is a chain of specialized boutiques selling fashionable footwear for young women and youth accessories.
- ▶ Peshekhod is a chain of multi-brand footwear supermarkets that are used as outlet centers for the retail network of the Group.
- ▶ S-TEP is a casual brand of comfortable sport everyday footwear made of natural leather and fur.
- ▶ All.go is a brand of hiking footwear for different seasons that is manufactured using polymeric materials (EVA).
- ▶ Snow Guard is a brand of comfortable and fashionable outdoor clothes for all seasons.

The Group comprises:

Entity	Principal activity	30 June 2020 (unaudited)	31 December 2019
PJSC OR	Operations management	Parent	Parent
Obuv Rossii LLC	Trade	100%	100%
OBUV ROSSII LLC	Manufacturing	100%	100%
Design Studia LLC	Trade	100%	100%
RNKO Platezhny Standard LLC*	Financial transactions	100%	100%
MKK Arifmetika LLC	Financial transactions	100%	100%
EvaLink LLC	Manufacturing	100%	100%

\* On 3 March 2020, NKO Platezhny Standard LLC was renamed RNKO Platezhny Standard LLC due to obtaining of a new CBR license.

As at 30 June 2020, Anton Michailovich Titov was the ultimate controlling party holding 50% of the Company's shares.

### Seasonality

The Company's activities are seasonal in nature. The sales peaks fall at months before the beginning of each season. The highest sales peaks fall at the beginning of the autumn-winter period. Therefore, the revenue for H2 is significantly higher than that for H1. The revenue for H1 2020 was significantly affected by store operation restrictions due to the COVID-19 pandemic.

## Translation of the original Russian version

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### Notes to the interim condensed consolidated financial statements (continued)

## **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 2020 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 2019.

Due to the spread of the coronavirus infection, the Group adjusted its forecast estimates relating to leases and expected credit losses on financial assets.

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 2019. 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 2019.

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.

## Translation of the original Russian version

### PJSC OR

#### Notes to the interim condensed consolidated financial statements (continued)

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

### 2.4. New standards, interpretations and amendments to existing standards and interpretations applied by the Group for the first time

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

In 2020, the Group applied the below amendments and interpretations for the first time, but they did not have any significant effect on its interim condensed consolidated financial statements.

#### *Amendments to IFRS 3: Definition of a Business*

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

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

The amendments to IFRS 7, IFRS 9 and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Group as it does not have any hedging relationships that could be affected by the interest rate benchmark reform.

#### *Amendments to IAS 1 and IAS 8: Definition of Material*

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

The amendments clarify that materiality will depend on the nature or magnitude of information (either individually or in combination with other information) in the context of the financial statements as a whole.

A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of the Group and are not expected to have any impact in the future.

## Translation of the original Russian version

### PJSC OR

#### Notes to the interim condensed consolidated financial statements (continued)

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

### 2.4. New standards, interpretations and amendments to existing standards and interpretations applied by the Group for the first time (continued)

#### *Conceptual Framework for Financial Reporting issued on 29 March 2018*

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

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

The revision of this document had no effect on the consolidated financial statements of the Group.

#### *Amendments to IFRS 16 COVID-19-Related Rent Concessions*

The amendments simplify the requirements to lessees with regard to accounting for COVID-19-related rent concessions. Lessees may exercise a right to use a practical expedient and not to assess whether COVID-19-related rent concessions are a lease modification, and not to apply requirements of IFRS 16 to accounting for rent contracts.

A practical expedient is applicable only to rent concessions directly resulting from the COVID-19 pandemic outbreak, and only if all of the following criteria are met:

- ▶ A change in lease payments results in substantially the same or less consideration;
- ▶ Any decrease in lease payments is effective only to payments initially due not later than 30 June 2021;
- ▶ There are no significant changes in other lease terms.

The Group applied the amendments to IFRS 16 when accounting for rent concessions resulting from the COVID-19 pandemic. The Group applied a practical expedient and recognized all rent concessions that meet the qualifying criteria as other income. In H1 2020, the concession amounted to RUB 8,078 thousand (H1 2019: nil).

## 3. Revenue

	Six months of 2020 (unaudited)	Six months of 2019 (unaudited)
Revenue from retail	1,903,303	2,704,333
Revenue from wholesale	735,260	1,760,046
Gains on issuance of cash loans	1,324,877	919,733
<b>Total</b>	<b>3,963,440</b>	<b>5,384,112</b>

In H1 2020, the Group sold goods, which should be paid for in a non-cash form in the amount of RUB 692,150 thousand, net of VAT (six months of 2019: RUB 941,499 thousand, net of VAT).

## Translation of the original Russian version

### PJSC OR

#### Notes to the interim condensed consolidated financial statements (continued)

#### 4. Cost

	Six months of 2020 (unaudited)	Six months of 2019 (unaudited)
Cost of sales	1,627,747	2,238,744
Depreciation of property, plant and equipment and amortization of intangible assets	23,566	24,414
Material costs	14,537	78,946
Payroll and social charges	4,965	9,602
Depreciation of right-of-use assets	267	267
Other	14,611	44,322
<b>Total</b>	<b>1,685,693</b>	<b>2,396,295</b>

#### 5. Selling and distribution expenses

	Six months of 2020 (unaudited)	Six months of 2019 (unaudited)
Payroll and social charges	543,315	467,124
Leases	540,609	679,580
Bank fees, cash collection in stores	106,621	91,311
Depreciation of property, plant and equipment and amortization of intangible assets	95,281	89,680
Advertising and marketing expenses	41,108	56,421
Material costs	39,472	47,386
Depreciation of right-of-use assets	36,665	29,679
Warehouse expenses	29,828	20,978
Agency fee on sales of goods	10,746	24,861
Information technologies (investments in projects)	1,913	1,333
Property insurance	1,472	1,399
Other	51,887	43,509
<b>Total</b>	<b>1,498,917</b>	<b>1,553,261</b>

#### 6. Administrative expenses

	Six months of 2020 (unaudited)	Six months of 2019 (unaudited)
Payroll and social charges	113,053	103,747
Communication, post	53,220	46,016
Leases	34,359	21,765
Depreciation of property, plant and equipment and amortization of intangible assets	22,346	25,623
Information, advisory, audit and legal services	11,839	18,657
Fee and commission expenses	10,842	11,543
Material costs	8,876	6,455
Remuneration to the members of the Board of Directors	8,717	19,385
Taxes other than income tax	7,478	7,811
Travel expenses	6,464	16,980
Depreciation of right-of-use assets	17	16
Other	2,955	4,790
<b>Total</b>	<b>280,166</b>	<b>282,788</b>

# Translation of the original Russian version

## PJSC OR

### Notes to the interim condensed consolidated financial statements (continued)

#### 7. Charge of allowance for expected credit losses

	Six months of 2020 (unaudited)	Six months of 2019 (unaudited)
Allowance for expected credit losses on cash loans (Note 14)	342,395	160,248
Allowance for expected credit losses on receivables from retail customers (Note 13)	89,610	111,852
Allowance for impairment of advances issued (Note 18)	–	1,910
Allowance for expected credit losses on receivables from wholesale and other customers (Note 13)	56	1,275
<b>Total</b>	<b>432,061</b>	<b>275,285</b>

#### 8. Other income and expenses

	Six months of 2020 (unaudited)	Six months of 2019 (unaudited)
<b>Other income</b>		
Penalties received	87,606	63,485
Agency fee	35,288	6,052
Income from transfer of a right of claim	24,210	–
Reversal of taxes and other penalties	22,913	–
Reversal of allowances for expected credit losses	12,979	7,315
Write-off of payables	10,161	–
COVID-19-related rent concessions	8,078	–
Lease of premises and motor vehicles	1,885	1,955
Other	12,145	6,304
<b>Other income</b>	<b>215,265</b>	<b>85,111</b>

Penalties received comprise penalties paid by individuals for overdue payments under installment agreements and cash loans issued.

	Six months of 2020 (unaudited)	Six months of 2019 (unaudited)
<b>Other expenses</b>		
Write-down of goods for resale	13,311	8,773
Foreign exchange difference	3,085	6,117
Loss on disposal of property, plant and equipment	2,108	940
Write-down of receivables and advances issued	–	6,560
Taxes and other penalties	–	563
Other expenses	15,519	12,665
<b>Other expenses</b>	<b>34,023</b>	<b>35,618</b>



# Translation of the original Russian version

## PJSC OR

### Notes to the interim condensed consolidated financial statements (continued)

#### 9. Finance income and expenses

	Six months of 2020 (unaudited)	Six months of 2019 (unaudited)
<b>Finance income</b>		
Interest receivable on loans	12,862	19,987
<b>Total</b>	<b>12,862</b>	<b>19,987</b>
<b>Finance expenses</b>		
Interest on loans	438,151	367,154
Interest on bonds	187,119	170,190
Interest expense on leases (Note 11)	6,889	5,978
<b>Total</b>	<b>632,159</b>	<b>543,322</b>

#### 10. Property, plant and equipment

	Land	Buildings	Machinery and equipment, office equipment	Vehicles	Retail space equipment	Other property, plant and equipment	Construction in progress	Total
<b>Carrying amount at 1 January 2020</b>	<b>29,061</b>	<b>578,741</b>	<b>367,973</b>	<b>5,021</b>	<b>493,764</b>	<b>20,167</b>	<b>432,029</b>	<b>1,926,756</b>
<b>Cost</b>								
<b>Balance at 1 January 2020</b>	<b>29,061</b>	<b>734,802</b>	<b>568,718</b>	<b>21,611</b>	<b>958,320</b>	<b>68,393</b>	<b>432,029</b>	<b>2,812,934</b>
Additions	—	—	—	—	—	—	43,351	43,351
Commissioning	—	—	1,624	—	35,031	4,910	(41,565)	—
Disposals	(9,318)	—	(125)	—	(1,419)	(49)	(160)	(11,071)
<b>Balance at 30 June 2020 (unaudited)</b>	<b>19,743</b>	<b>734,802</b>	<b>570,217</b>	<b>21,611</b>	<b>991,932</b>	<b>73,254</b>	<b>433,655</b>	<b>2,845,214</b>
<b>Accumulated depreciation</b>								
<b>Balance at 1 January 2020</b>	<b>—</b>	<b>(156,061)</b>	<b>(200,745)</b>	<b>(16,590)</b>	<b>(464,556)</b>	<b>(48,226)</b>	<b>—</b>	<b>(886,178)</b>
Depreciation charge	—	(14,360)	(27,002)	(705)	(89,514)	(6,369)	—	(137,950)
Depreciation disposal	—	—	94	—	1,059	49	—	1,202
<b>Balance at 30 June 2020 (unaudited)</b>	<b>—</b>	<b>(170,421)</b>	<b>(227,653)</b>	<b>(17,295)</b>	<b>(553,011)</b>	<b>(54,546)</b>	<b>—</b>	<b>(1,022,926)</b>
<b>Carrying amount at 30 June 2020 (unaudited)</b>	<b>19,743</b>	<b>564,381</b>	<b>342,564</b>	<b>4,316</b>	<b>438,921</b>	<b>18,708</b>	<b>433,655</b>	<b>1,822,288</b>

## Translation of the original Russian version

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#### Notes to the interim condensed consolidated financial statements (continued)

#### 10. Property, plant and equipment (continued)

	Land	Buildings	Machinery and equipment, office equipment	Vehicles	Retail space equipment	Other property, plant and equipment	Construction in progress	Total
<b>Carrying amount at 1 January 2019</b>	<b>39,743</b>	<b>607,462</b>	<b>427,401</b>	<b>7,999</b>	<b>534,624</b>	<b>23,882</b>	<b>377,440</b>	<b>2,018,551</b>
<b>Cost</b>								
<b>Balance at 1 January 2019</b>	<b>39,743</b>	<b>734,802</b>	<b>567,490</b>	<b>25,619</b>	<b>996,590</b>	<b>58,963</b>	<b>377,440</b>	<b>2,800,647</b>
Additions	–	–	–	–	–	–	99,716	99,716
Commissioning	–	–	241	–	95,728	4,060	(100,029)	–
Disposals	–	–	(46)	(4,008)	(2,364)	(374)	–	(6,792)
<b>Balance at 30 June 2019 (unaudited)</b>	<b>39,743</b>	<b>734,802</b>	<b>567,685</b>	<b>21,611</b>	<b>1,089,954</b>	<b>62,649</b>	<b>377,127</b>	<b>2,893,571</b>
<b>Accumulated depreciation</b>								
<b>Balance at 1 January 2019</b>	<b>–</b>	<b>(127,340)</b>	<b>(140,089)</b>	<b>(17,620)</b>	<b>(461,966)</b>	<b>(35,081)</b>	<b>–</b>	<b>(782,096)</b>
Depreciation charge	–	(14,360)	(31,405)	(900)	(84,497)	(5,367)	–	(136,529)
Depreciation disposal	–	–	46	2,635	630	83	–	3,394
<b>Balance at 30 June 2019 (unaudited)</b>	<b>–</b>	<b>(141,700)</b>	<b>(171,448)</b>	<b>(15,885)</b>	<b>(545,833)</b>	<b>(40,365)</b>	<b>–</b>	<b>(915,231)</b>
<b>Carrying amount at 30 June 2019 (unaudited)</b>	<b>39,743</b>	<b>593,102</b>	<b>396,237</b>	<b>5,726</b>	<b>544,121</b>	<b>22,284</b>	<b>377,127</b>	<b>1,978,340</b>

#### 11. Leases

The carrying amounts of right-of-use assets held by the Group and respective movements during the period are as follows:

	Lease of stores	Lease of other facilities	Total
<b>Carrying amount at 1 January 2020</b>	<b>135,734</b>	<b>5,085</b>	<b>140,819</b>
<b>Cost</b>			
<b>Balance at 1 January 2020</b>	<b>201,299</b>	<b>7,989</b>	<b>209,288</b>
Additions	7,080	3,408	10,488
Remeasurement	34,842	2,346	37,188
Disposals	(25,960)	(4,030)	(29,990)
<b>Balance at 30 June 2020 (unaudited)</b>	<b>217,261</b>	<b>9,713</b>	<b>226,974</b>
<b>Accumulated depreciation</b>			
<b>Balance at 1 January 2020</b>	<b>(65,565)</b>	<b>(2,904)</b>	<b>(68,469)</b>
Depreciation charge	(34,448)	(2,501)	(36,949)
Remeasurement	(30,539)	(68)	(30,607)
Depreciation disposal	19,892	2,930	22,822
<b>Balance at 30 June 2020 (unaudited)</b>	<b>(110,660)</b>	<b>(2,543)</b>	<b>(113,203)</b>
<b>Carrying amount at 30 June 2020 (unaudited)</b>	<b>106,601</b>	<b>7,170</b>	<b>113,771</b>

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### Notes to the interim condensed consolidated financial statements (continued)

#### 11. Leases (continued)

	Lease of stores	Lease of other facilities	Total
<b>Carrying amount at 1 January 2019</b>	<b>114,856</b>	<b>899</b>	<b>115,755</b>
<b>Cost</b>			
<b>Balance at 1 January 2019</b>	<b>114,856</b>	<b>899</b>	<b>115,755</b>
Additions	45,216	3,890	49,106
Remeasurement	(3,728)	—	(3,728)
Disposals	(3,095)	—	(3,095)
<b>Balance at 30 June 2019 (unaudited)</b>	<b>153,249</b>	<b>4,789</b>	<b>158,038</b>
<b>Accumulated depreciation</b>			
<b>Balance at 1 January 2019</b>	<b>—</b>	<b>—</b>	<b>—</b>
Depreciation charge	(29,041)	(921)	(29,962)
Remeasurement	62	—	62
Depreciation disposal	356	—	356
<b>Balance at 30 June 2019 (unaudited)</b>	<b>(28,623)</b>	<b>(921)</b>	<b>(29,544)</b>
<b>Carrying amount at 30 June 2019 (unaudited)</b>	<b>124,626</b>	<b>3,868</b>	<b>128,494</b>

The carrying amounts of lease liabilities held by the Group and respective movements during the period are as follows:

	Lease liabilities
<b>Carrying amount at 1 January 2020</b>	<b>137,584</b>
New leases	10,238
Remeasurement/modification	6,581
Lease payments for the period	(32,756)
Interest expense on leases	6,889
Disposal of leases	(7,554)
<b>Carrying amount at 30 June 2020 (unaudited)</b>	<b>120,982</b>
	Lease liabilities
<b>Carrying amount at 1 January 2019</b>	<b>108,435</b>
New leases	48,272
Remeasurement/modification	(3,666)
Lease payments for the period	(30,014)
Interest expense on leases	5,978
Disposal of leases	(2,761)
<b>Carrying amount at 30 June 2019 (unaudited)</b>	<b>126,244</b>

## Translation of the original Russian version

### PJSC OR

#### Notes to the interim condensed consolidated financial statements (continued)

#### 12. Inventories

	30 June 2020 (unaudited)	31 December 2019
Finished goods and goods for resale	16,167,538	14,379,641
Raw materials and supplies	206,191	161,434
Work in progress	23,540	18,607
<b>Total</b>	<b>16,397,269</b>	<b>14,559,682</b>

The provision for the write-down of finished goods and goods for resale to net realizable value amounted to RUB 138,109 thousand (31 December 2019: RUB 56,116 thousand), expenses for charging the provision amounted to RUB 81,993 thousand (30 June 2019: RUB 532 thousand).

#### 13. Trade and other receivables

	30 June 2020 (unaudited)	31 December 2019
Trade receivables from wholesale customers	126,917	220,949
Allowance for expected credit losses related to wholesale customers	(192)	(114)
<b>Carrying amount</b>	<b>126,725</b>	<b>220,835</b>
Other receivables	497,960	345,802
Allowance for expected credit losses on other receivables	(35,154)	(36,007)
<b>Carrying amount</b>	<b>462,806</b>	<b>309,795</b>
Trade receivables from retail customers	2,194,622	3,200,757
<i>Neither past due nor impaired</i>	668,392	1,844,030
<i>1 to 90 days overdue</i>	114,008	78,233
<i>91 to 540 days overdue</i>	283,799	216,975
<i>More than 540 days overdue</i>	1,128,423	1,061,519
Allowance for expected credit losses related to retail customers	(1,085,452)	(995,996)
<b>Carrying amount</b>	<b>1,109,170</b>	<b>2,204,761</b>
Receivables from related parties (Note 18)	9,301	6,897
Allowance for expected credit losses on receivables from related parties (Note 18)	—	(22)
<b>Carrying amount</b>	<b>9,301</b>	<b>6,875</b>
<b>Total</b>	<b>1,708,002</b>	<b>2,742,266</b>

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 three 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.

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#### Notes to the interim condensed consolidated financial statements (continued)

#### 14. Other financial assets

	30 June 2020 (unaudited)	31 December 2019
Long-term loans issued to third parties	43,300	52,300
Allowance for expected credit losses on other financial assets	(4,330)	(5,230)
<b>Total other non-current financial assets</b>	<b>38,970</b>	<b>47,070</b>
Loans issued to third parties	19,694	18,390
Allowance for expected credit losses on other financial assets	(1,970)	(1,985)
<b>Carrying amount</b>	<b>17,724</b>	<b>16,405</b>
Cash loans issued to individuals	2,529,071	2,502,268
<i>Neither past due nor impaired</i>	994,474	1,336,600
<i>1 to 90 days overdue</i>	282,649	128,262
<i>91 to 540 days overdue</i>	478,004	320,814
<i>More than 540 days overdue</i>	773,944	716,592
Allowance for expected credit losses on cash loans	(1,045,667)	(852,239)
<b>Carrying amount</b>	<b>1,483,404</b>	<b>1,650,029</b>
Interest on cash loans receivable	1,612,123	1,364,973
<i>Neither past due nor impaired</i>	88,089	102,559
<i>1 to 90 days overdue</i>	119,222	47,919
<i>91 to 540 days overdue</i>	441,651	298,287
<i>More than 540 days overdue</i>	963,161	916,208
Allowance for expected credit losses on cash loans	(1,097,098)	(953,294)
<b>Carrying amount</b>	<b>515,025</b>	<b>411,679</b>
Loans issued to related parties	299	—
<b>Carrying amount</b>	<b>299</b>	<b>—</b>
<b>Total other current financial assets</b>	<b>2,016,452</b>	<b>2,078,113</b>

For the six months of 2020 and for the six months of 2019, no loans to third parties were issued. Loans previously issued to third parties are secured by property collateral.

Cash loans issued to individuals comprise RUB-denominated unsecured amounts of less than RUB 70 thousand with no collateral and with maturities ranging from 1 to 12 months. Interest rates on such cash loans range from 21.9% to 365% p.a. and mainly depend on the amount of the cash loan (2019: from 25.55% to 766.5%) and its maturity.

#### 15. Equity

##### Dividends

In June 2020, the annual general shareholders' meeting decided not to pay dividends for 2019 (2019: RUB 266,812 thousand).

## Translation of the original Russian version

### PJSC OR

#### Notes to the interim condensed consolidated financial statements (continued)

#### 16. Interest-bearing loans and borrowings

	30 June 2020 (unaudited)	31 December 2019
<b>Long-term loans and borrowings</b>		
Bank loans	2,437,500	2,490,962
Bonded loans	2,410,434	1,864,281
<b>Total</b>	<b>4,847,934</b>	<b>4,355,243</b>
	30 June 2020 (unaudited)	31 December 2019
<b>Short-term loans and borrowings</b>		
Bank loans	7,257,171	7,239,902
Bonded loans	813,563	812,421
Loans from organizations	2,563	1,755
<b>Total</b>	<b>8,073,297</b>	<b>8,054,078</b>

Bank loans are denominated in Russian rubles and bear interest rates ranging from 2% to 10.7% p.a. (2019: from 7.3% to 10.7% p.a.). Long-term bank loans mature in 2021-2023.

A bonded loan issued in 2017 (stock exchange bonds with identification number 4B02-07-16005-R dated 21 March 2016) is represented by 500 bonds with a nominal value of RUB 2 million each and matures on 20 January 2022. The coupon is paid on a quarterly basis during the entire maturity term. As at 30 June 2020, the coupon rate was 10% p.a. (2019: 13.8%). The effective rate was 10% p.a.

A bonded loan issued in 2019 (stock exchange bonds with identification number 4B02-01-00412-R-001P dated 12 August 2019) is represented by 1,500,000 bonds with the nominal value of RUB 1,000 thousand each and matures on 22 September 2022.

As at 30 June 2020, the Group purchased bonds in the amount of RUB 45,072 thousand (31 December 2019: RUB 342,793 thousand).

The coupon is paid on a quarterly basis during the entire maturity term.

As at 30 June 2020, the coupon rate was 12% p.a. The effective rate was 12.1% p.a.

A bonded loan issued in 2019 (stock exchange bonds with identification number 4B02-02-00412-R-001P dated 9 December 2019) is represented by 1,000,000 bonds with the nominal value of RUB 1,000 thousand each and matures on 14 November 2024.

As at 30 June 2020, the Group purchased bonds in the amount of RUB 5,353 thousand (31 December 2019: RUB 149,500 thousand).

The coupon is paid on a monthly basis during the entire maturity term.

As at 30 June 2020, the coupon rate was 12% p.a. The effective rate was 12.29% p.a.

As at 30 June 2020, the Group has undrawn credit lines of RUB 2,875,132 thousand (31 December 2019: RUB 3,441,935 thousand).

## Translation of the original Russian version

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#### Notes to the interim condensed consolidated financial statements (continued)

#### 16. Interest-bearing loans and borrowings (continued)

##### Pledges

As at 30 June 2020, agreed cost of property, plant and equipment pledged as collateral for the loans received amounted to RUB 930,829 thousand (2019: RUB 930,829 thousand). As at 30 June 2020, carrying amount of these property, plant and equipment amounted to RUB 830,810 thousand (2019: RUB 857,598 thousand)

#### 17. Trade and other payables

	30 June 2020 (unaudited)	31 December 2019
Trade payables	1,469,425	305,909
Payables to employees	84,940	79,923
Other payables	232,403	196,298
Payables to related parties	2,345	2,089
<b>Total</b>	<b>1,789,113</b>	<b>584,219</b>

#### 18. 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 and respective balances:

Six months of 2020 (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 key management personnel	2,503	1,927	9,301	187,319	2,345
Other related parties	–	1,950	–	–	–
<b>Total</b>	<b>2,503</b>	<b>3,877</b>	<b>9,301</b>	<b>187,319</b>	<b>2,345</b>

Six months of 2019 (unaudited)	Sales to related parties	Purchases from related parties	Receivables from related parties	Allowance for expected credit losses on receivables from related parties	Advances issued to related parties	Payables to related parties	Lease liabilities of related parties
Entities controlled by key management personnel	3,570	2,588	6,897	(22)	34,922	1,975	1,316
Other related parties	–	3,199	–	–	–	114	–
<b>Total</b>	<b>3,570</b>	<b>5,787</b>	<b>6,897</b>	<b>(22)</b>	<b>34,922</b>	<b>2,089</b>	<b>1,316</b>

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#### Notes to the interim condensed consolidated financial statements (continued)

#### 18. Related party transactions (continued)

##### 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 of 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. For the six months ended 30 June 2020, the Group did not make any allowance for expected credit losses on receivables from related parties (2019: RUB 22 thousand). 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.

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

	Loans receivable from related parties	Interest income	Interest expense
<b>Six months of 2020 (unaudited)</b>			
Entities controlled by key management personnel	–	4,407	–
Key management personnel	299	–	–
<b>Total</b>	<b>299</b>	<b>4,407</b>	<b>–</b>

  

	Interest income	Interest expense
<b>Six months of 2019 (unaudited)</b>		
Entities controlled by key management personnel	1,729	80
<b>Total</b>	<b>1,729</b>	<b>80</b>

For the six months of 2020 and 2019, interest rates on loans issued to related parties ranged from 0% to 14%.

##### Compensation to key management personnel of the Group

As at 30 June 2020, key management personnel comprised the Group's top-managers and the members of the Board of Directors, totaling 11 persons (31 December 2019: 12). For the six months of 2020, compensation paid to key management personnel amounted to RUB 24,709 thousand (six months of 2019: RUB 36,869 thousand). The amount of compensation included payroll, bonuses, paid vacations, payments for serving on the management bodies and other short-term payments.



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### PJSC OR

#### Notes to the interim condensed consolidated financial statements (continued)

#### 19. Operating segments

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

- ▶ Retail trade of footwear, accessories and related goods (sale of goods);
- ▶ Issuance of cash loans.

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;
- ▶ Charge of allowance for expected credit losses;
- ▶ 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.

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#### Notes to the interim condensed consolidated financial statements (continued)

#### 19. Operating segments (continued)

Analysis of financial information on reporting segments analyzed by management for the six months' periods ended 30 June 2020 and 2019 is presented in the table below.

Revenue and EBITDA of reporting segments for the six months ended 30 June 2020 comprise the following:

<b>Six months of 2020 (unaudited)</b>	<b>Sale of goods</b>	<b>Issuance of cash loans</b>
<b>Revenue</b>		
Revenue from external customers	2,638,563	1,324,877
Cost, selling and administrative expenses	(2,585,942)	(442,889)
Charge of allowance for expected credit losses	(89,666)	(342,395)
Other operating income (direct)	121,977	—
Other operating expenses (direct)	(25,104)	—
<b>Segment EBITDA</b>	<b>59,828</b>	<b>539,593</b>

Reconciliation of EBITDA of reporting segments and net profit for the six months ended 30 June 2020 is presented in the table below:

<b>Total segment EBITDA</b>	<b>599,421</b>
<i>Unallocated items by segment:</i>	
Depreciation of property, plant and equipment and amortization of intangible assets	(141,193)
Depreciation of right-of-use assets	(36,949)
Administrative (corporate) expenses	(257,803)
Other (corporate) operating income	93,288
Other (corporate) operating expenses	(8,919)
Finance income	12,862
Finance expenses	(632,159)
Income tax benefit	65,765
<b>Net loss</b>	<b>(305,687)</b>

Revenue and EBITDA of reporting segments for the six months ended 30 June 2019 comprise the following:

<b>Six months of 2019 (unaudited)</b>	<b>Sale of goods</b>	<b>Issuance of cash loans</b>
<b>Revenue</b>		
Revenue from external customers	4,464,379	919,733
Cost, selling and administrative expenses	(3,568,908)	(236,875)
Charge of allowance for expected credit losses	(115,037)	(160,248)
Other operating income (direct)	63,485	—
Other operating expenses (direct)	(21,450)	—
<b>Segment EBITDA</b>	<b>822,469</b>	<b>522,610</b>

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#### Notes to the interim condensed consolidated financial statements (continued)

#### 19. Operating segments (continued)

Reconciliation of EBITDA of reporting segments and net profit for the six months ended 30 June 2019 is presented in the table below:

<b>Total segment EBITDA</b>	<b>1,345,079</b>
<i>Unallocated items by segments:</i>	
Depreciation of property, plant and equipment and amortization of intangible assets	(139,717)
Depreciation of right-of-use assets	(29,695)
Administrative (corporate) expenses	(257,149)
Other (corporate) operating income	21,626
Other (corporate) operating expenses	(14,168)
Finance income	19,987
Finance expenses	(543,322)
Income tax expense	(80,393)
<b>Net profit</b>	<b>322,248</b>

#### 20. Commitments and contingences

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.

As at 30 June 2020, the Group's management is unaware of any significant litigations, suits or claims against the Group, that could result in potential losses.

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 applicable taxes. 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.

Russian legislation governing business operations is constantly changing. Management's interpretation of legislation as applied to the Group's activities may be challenged by the relevant regional or federal authorities. Recently, the tax authorities have been taking a more assertive position in their interpretation of legislation. As a result, the approaches to calculation of taxes that have not been challenged by tax authorities in the past may be challenged during future tax audits. As a rule, tax audits by the tax authorities may cover three years preceding the reporting year. Under certain circumstances, reviews may cover longer periods. Based on its interpretation of the tax legislation, management of the Group believes that all applicable taxes had been accrued. Nevertheless, tax authorities may apply a different interpretation of applicable tax legislation, which may have a significant effect on the consolidated financial statements of the Group.

## **Translation of the original Russian version**

PJSC OR

### **Notes to the interim condensed consolidated financial statements (continued)**

#### **20. Commitments and contingences (continued)**

The Group also identified potential contingent liabilities for the three-year period ended 30 June 2020. Management assessed that possible tax risks, if they realize, will not exceed RUB 270,458 thousand (31 December 2019: RUB 386,853 thousand).

Management continues to monitor changes related to these risks and regularly reassesses risks and respective liabilities, provisions and disclosures.

#### **Evaluation of the effect of COVID-19 on the Group**

As at the date of issue of these interim condensed consolidated financial statements, there is still high uncertainty in respect of the further development of the COVID-19 pandemic. The Group's advantages include a stable financial position, a low debt burden and significant liquidity cushion.

As at 30 June 2020, the Group's liquidity cushion amounted to RUB 6,714,634 thousand, including assets with instant liquidity, such as cash and cash equivalents, and highly liquid receivables from individuals related to installments and cash loans issued to individuals, as well as available and undrawn loan facilities in the amount of RUB 2,875,132 thousand. In addition, in 2020 the Group plans to repay bank loans and redeem bonds in the amount of RUB 655,283 thousand and RUB 0, respectively.

The Group's management analyzed indicators of impairment of the Group's assets. Due to the spread of the coronavirus infection, an increased volatility accompanied by the shutdown of the stores and a decrease in sales volumes have become a basis for testing of certain cash generating units for impairment.

Based on the result of asset impairment testing, the value in use of assets exceeds their carrying amount, therefore the Group's management concluded that impairment of assets is not required.

The Group developed and implemented plans to mitigate the impact of negative factors on its business, and analyzed the economic situation, demand for the Group's goods, its supply chain, available bank financing and potential effect on its cash flows and liquidity status, as well as compliance with debt covenants. The Group takes a number of comprehensive measures to increase the turnover of the stores.

Management considered events and conditions, which may cause significant uncertainty with respect to the Group's ability to continue as a going concern and concluded that the range of possible event scenarios cast no significant doubts on the Group's ability to continue its operations in the foreseeable future.

Management closely monitors the situation with coronavirus and takes all necessary measures to mitigate negative consequences.

In April and May 2020, the Group entered into additional loan agreements with VTB Bank, Promsvyazbank, Sviaz-Bank and Rosbank in order to defer the principal and interest repayment for at least one year.

The Group reduced its rental expenses to mitigate the consequences of the COVID-19 pandemic. The Group entered into additional agreements with the lessors to receive discounts or enjoy a rent-free period. The weighted average discount related to rental expenses will be 30% till the year end.

## Translation of the original Russian version

### PJSC OR

#### Notes to the interim condensed consolidated financial statements (continued)

#### 21. Subsequent events

In July 2020, the Group entered into an additional agreement to the loan agreement with VUZ-Bank OJSC to defer the repayment of outstanding principal of RUB 355,310 thousand until the end of the current year.

On 10 August, the Board of Directors of PJSC OR decided to increase the Company's share capital through additional placement of shares for RUB 2.8 billion ("Additional issue"). Funds from the additional issue will be used to implement the corporate strategy on business digital transformation and financial service development.

The Additional issue will be placed by open subscription with the pre-emption right to purchase shares by the Company's shareholders. The number and category of the shares placed is 28,264,000 ordinary shares, that is 25% of the previously placed ordinary shares. The nominal value of one share is RUB 100. The value, maturity and other parameters of placement will be determined by the Board of Directors of PJSC OR later.

The objectives of the Additional issue are to finance the further development of the Company and implement an updated business model – a unique retail format that includes a retail network, a marketplace and an online platform; as well as further develop the financial services line, including cash loans. Taking into account the existing situation and previous share quotes, PJSC OR will place the Additional issue only when the price of shares will be significantly higher than the current one, but not less than RUB 100 per share.

On 18 August 2020, the Group completed placement of its stock-exchange bonds (identification number 4B02-03-00412-R-001P dated 12 August 2020). Parameters of the issue are as follows:

- ▶ 500,000 stock-exchange non-documentary interest-bearing non-convertible bonds with centralized recognition of rights (series 001P-03) with the nominal value of RUB 1,000 (one thousand) each, with the total nominal value of RUB 500 million, maturing on the 1,440th (one thousand four hundred fortieth) day from the date of first placement of the stock-exchange bonds by open subscription under the Program to issue exchange-traded bonds of series 001P with identification number 4-00412-R-001P-02E dated 24 December 2018.

General Director

A.M. Titov

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15 September 2020