Independent auditor's report
on the consolidated financial statements of
public joint-stock Company OR
and its subsidiaries
for 2020

March 2021

Translation of the original Russian version

Independent auditor's report
on the consolidated financial statements of
Public Joint-Stock Company OR
and its subsidiaries

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Independent auditor's report

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To the Shareholders and Board of Directors of
public joint-stock company OR and its subsidiaries

Opinion

We have audited the consolidated financial statements of Public Joint-Stock Company OR and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs).
Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Allowances for expected credit losses on cash loans issued to individuals and for trade receivables from retail customers	
The appropriateness of allowances for expected credit losses on cash loans issued to individuals and for trade receivables from retail customers is a key area of judgment for the Group's management. The identification of impairment requires a professional judgment of management, the use of estimates, assumptions and analysis of various factors, including the counterparty's financial position and expected future cash flows. The use of various assumptions may significantly affect the estimates of allowances for expected credit losses on cash loans and for trade receivables. Due to these factors, as well as the significance of amounts of cash loans and receivables, the assessment of allowances for expected credit losses is a key audit matter. Group management's approach to the creation of an allowance for expected credit losses on cash loans issued to individuals and trade receivables from retail customers and respective amounts are disclosed in Note 18 and 21 to the consolidates financial statements.	Our audit procedures included inter alia, testing of controls over the processes of issuing of loans to individuals and retails sales of goods, as well as an analysis of methods used to make allowances for expected credit losses, testing of selected inputs, and an analysis of assumptions used by the Group to calculate the allowance on a collective basis. In the course of our audit procedures, we analyzed consistency of management's assumptions applied in assessing economic factors and statistical information on losses incurred and amounts recovered, as well as their compliance with the generally accepted practices and our professional judgment. We also reviewed the respective disclosures in the consolidated financial statements.
	Net realizable value of goods and finished products
Goods and finished products are recorded in the consolidated financial statements at the lower of acquisition cost and net realizable value. Making an allowance for potential impairment was one of the most significant audit matters because, the expected period of sale of part of the goods exceeds 12 months, the assessment depends on management's professional judgment with regard to the determination of allowances for goods that can be sold at a price significantly lower than their cost, or never be sold. Information on the inventory impairment allowance is disclosed in Note 17 to the consolidated financial statements.	Our audit procedures in respect of determining the possibility to sell and realizable value of goods included the following: ► Testing of controls over the condition of inventory by attending stock-takings; ► Comparison of realizable value established for inventory sales after the reporting period with the cost of sales of selected inventory items ► Analysis of inventory turnover and identification of non-moving inventories; ► Inquiries of management plans to sell the prior years' collection inventory. ► Calculation and analysis of allowances based on inventory aging.

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Key audit matter	How our audit addressed the key audit matter
	► Retrospective analysis of sales of prior years' collections and analysis of the forecasts of sales of goods.
	Recognition and measurement of wholesale revenue
Recognition and measurement of wholesale revenue was one of the most significant audit matters due to a significant amount of non-monetary transactions in 2020. Assessment of the probability of returns of goods sold, as well as the absence of evidence of the repurchase that is not recognized as revenue, depends, among other things, on professional judgment of the Group's management. Information on wholesale revenue is disclosed in Note 5 to the consolidated financial statements.	Our audit procedures in respect of recognition and measurement of wholesale revenue included the following: ► Testing of key controls over the revenue recognition process; ► Analysis aimed to determine corresponding revenue amounts based on existing contracts and primary documents; ► Analysis of quantifiable movements in goods; ► Analysis of average prices, profitability of goods by month and counterparty; ► Confirmation of balances of accounts receivable from counterparties and prepayments under barter agreements; ► Inquiries of management to understand that there are no plans to repurchase goods; ► Analysis of transactions using automated data processing tools. In addition, we reviewed the respective disclosures in the consolidated financial statements.

Other information included in Group's 2020 Annual Report

Other information consists of the information included in the Group's 2020 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2020 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available to us and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management, the Board of Directors and the Audit Committee for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors and the Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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We communicate with the Board of Directors and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors and the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is M.S. Khachaturian.

M.S. KHACHATURIAN
Partner
Ernst & Young LLC

29 March 2021

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.
Address: Russia 630110, Novosibirsk, Bogdana Khmelnitskogo street, 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-regulatory 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.

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PJSC OR

Consolidated statement of comprehensive income

for the years ended 31 December 2020 and 2019

(in thousands of Russian rubles)

	Notes	2020	2019
Revenue	5	10,771,686	13,702,497
Cost of sales	6	(4,540,347)	(6,140,522)
Gross profit		**6,231,339**	**7,561,975**
Selling and distribution expenses	7	(2,982,263)	(3,288,014)
Administrative expenses	8	(567,386)	(556,640)
Charge of allowance for expected credit losses	9	(776,441)	(496,026)
Other income	10	214,811	201,887
Other expenses	10	(141,006)	(181,439)
Finance income	11	26,231	32,650
Finance expense	11	(1,252,158)	(1,150,628)
Profit before tax		**753,127**	**2,123,765**
Income tax expense		(190,329)	(436,377)
Net profit for the year		**562,798**	**1,687,388**
Other comprehensive income		–	–
Total comprehensive income for the year		**562,798**	**1,687,388**
Weighted average number of ordinary shares (thousand)	13	113,056	113,045
Basic earnings per share, RUB	13	**4.978**	**14.927**

General Director A.M. Titov ____________________

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PJSC OR

Consolidated statement of financial position

as at 31 December 2020 and 2019

(in thousands of Russian rubles)

	Notes	31 December 2020	31 December 2019
Non-current assets			
Property, plant and equipment	14	1,719,229	1,926,756
Right-of-use assets	15	84,489	140,819
Intangible assets	16	26,661	34,957
Other non-current financial assets	21	30,870	47,070
Advances issued for delivery of goods		–	98,667
Advances for construction in progress	20	194,083	57,166
Deferred tax assets	12	308,691	278,925
Total non-current assets		**2,364,023**	**2,584,360**
Current assets			
Inventories	17	18,388,801	14,559,682
Trade and other receivables	18	3,028,124	2,742,266
Advances issued	19	4,382,593	5,259,434
Income tax receivable		84,158	22,310
Other taxes receivable and VAT recoverable		96,697	47,432
Other current financial assets	21	2,383,734	2,078,113
Cash and cash equivalents	22	434,328	707,396
Total current assets		**28,798,435**	**25,416,633**
Total assets		**31,162,458**	**28,000,993**
Equity			
Share capital	23	11,305,600	11,305,600
Additional paid-in capital	23	(5,715,802)	(5,715,802)
Retained earnings		9,439,288	8,876,490
Total equity		**15,029,086**	**14,466,288**
Long-term liabilities			
Interest-bearing loans and borrowings	24	4,536,658	4,355,243
Lease liabilities	15	47,184	69,848
Deferred tax liabilities	12	163,207	55,356
Total long-term liabilities		**4,747,049**	**4,480,447**
Short-term liabilities			
Interest-bearing loans and borrowings	24	8,497,138	8,054,078
Lease liabilities	15	46,877	67,736
Trade and other payables	25	2,633,334	584,219
Contract liabilities		8,759	4,739
Current income tax liabilities		19,538	52,955
Deferred revenue		1,160	1,445
Other taxes payable		176,713	286,715
Provisions		2,804	2,371
Total short-term liabilities		**11,386,323**	**9,054,258**
Total liabilities		**16,133,372**	**13,534,705**
Total equity and liabilities		**31,162,458**	**28,000,993**

General Director A.M. Titov ____________________

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

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PJSC OR

Consolidated statement of changes in equity

for the years ended 31 December 2020 and 2019

(in thousands of Russian rubles)

	Share capital (Note 23)	Treasury shares (Note 23)	Additional paid-in capital (Note 23)	Retained earnings	Total equity
Balance at 1 January 2019	**11,305,600**	**–**	**(5,715,802)**	**7,455,914**	**13,045,712**
Net profit for the year	–	–	–	1,687,388	**1,687,388**
Total comprehensive income for the year	**–**	**–**	**–**	**1,687,388**	**1,687,388**
Acquisition of treasury shares	–	(12,286)	–	–	**(12,286)**
Sale of treasury shares	–	12,286	–	–	**12,286**
Dividends accrued	–	–	–	(266,812)	**(266,812)**
Balance at 31 December 2019	**11,305,600**	**–**	**(5,715,802)**	**8,876,490**	**14,466,288**
Net profit for the year	–	–	–	562,798	**562,798**
Total comprehensive income for the year	**–**	**–**	**–**	**562,798**	**562,798**
Balance at 31 December 2020	**11,305,600**	**–**	**(5,715,802)**	**9,439,288**	**15,029,086**

General Director A.M. Titov ____________________

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PJSC OR

Consolidated statement of cash flows

for the years ended 31 December 2020 and 2019

(in thousands of Russian rubles)

	Notes	2020	2019
Profit before tax for the year		**753,127**	**2,123,765**
Adjustments:			
Depreciation of property, plant and equipment and amortization of intangible assets	14, 16	255,257	271,260
Depreciation of right-of-use assets	15	67,249	69,517
Allowances for expected credit losses	9	776,441	487,952
Reversal of allowances for expected credit losses	10	(3,623)	(10,624)
Write-down of goods for resale	10	30,837	37,805
Foreign exchange differences	10	6,445	19,055
Supplier discounts		115,725	(26,214)
Taxes and other penalties	10	61,982	63,976
Finance income	11	(26,231)	(32,650)
Finance expense	11	1,252,158	1,150,628
Loss on disposal of property, plant and equipment	10	4,409	27,700
Other	10	52,480	42,884
Operating profit before changes in working capital		**3,346,256**	**4,225,054**
Changes in working capital			
Decrease/(increase) in trade and other receivables (except for the use of allowances for expected credit losses)		(424,944)	252,908
(Increase) in inventories		(2,932,852)	(5,267,973)
Decrease/(increase) in advances issued		(145,067)	511,421
Decrease/(increase) in VAT recoverable		(49,265)	72,735
(Increase) in cash loans to individuals (except for the use of allowances for expected credit losses)		(936,798)	(1,041,944)
Increase in trade and other payables		2,060,028	213,682
(Decrease) in other tax liabilities		(171,984)	(172,970)
Increase in payables to employees		355	24,740
(Decrease) in deferred revenue		(285)	(500)
Increase in advances from customers		4,020	1,900
Net cash used in operating activities before income tax and interest paid		**749,464**	**(1,180,947)**
Interest paid		(1,039,204)	(1,228,238)
Income tax paid		(207,509)	(484,655)
Net cash used in operating activities		**(497,249)**	**(2,893,840)**

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Consolidated statement of cash flows (continued)

	Notes	2020	2019
Investing activities			
Purchase of property, plant and equipment and intangible assets		(33,626)	(206,373)
Advances for construction in progress		(155,105)	–
Proceeds from sale of property, plant and equipment and intangible assets		7,971	2,458
Loans issued		(2,781)	(22,625)
Repayment of loans issued		20,737	34,139
Interest received on loans issued		17,499	10,721
Interest received on deposits		9,054	19,103
Net used in investing activities		**(136,251)**	**(162,577)**
Financing activities			
Acquisition of treasury shares		–	(12,286)
Sale of treasury shares		–	12,286
Proceeds from loans and borrowings		2,045,074	8,080,149
Repayment of loans and borrowings		(1,633,533)	(4,521,183)
Dividends paid		–	(266,812)
Repayment of principal under leases		(51,109)	(64,342)
Net cash from financing activities		**360,432**	**3,227,812**
Net increase/(decrease) in cash and cash equivalents		**(273,068)**	**171,395**
Cash and cash equivalents at the beginning of the year		707,396	536,001
Cash and cash equivalents at the end of the year		**434,328**	**707,396**

General Director A.M. Titov ____________________

29 March 2021

1. General information

1.1. Corporate information

The consolidated financial statements of public joint-stock company OR ("PJSC OR") and its subsidiaries for the year ended 31 December 2020 were authorized for issue by General Director A.M. Titov on 29 March 2021.

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

In 2019, the Group changed its business model, format of its stores and began operating as a marketplace for vendors.

The Group is focused on making its retail network more efficient, expanding its product range without expanding the retail area, and introducing new product categories to offset seasonal fluctuations.

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

The Group's aim is to integrate into a logistic infrastructure of the Russian e-commerce market.

1. General information (continued)

1.1. Corporate information (continued)

The Group's brand portfolio comprises the following:

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

The Group comprises:

Entity	Principal activity	2020	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 renewing the CBR license.*

On 25 December 2020, the CBR revoked the banking license of RNKO Platezhny Standard LLC.

As at 31 December 2020 and 31 December 2019, Anton Mikhailovich Titov was the ultimate controlling party holding 50% of the Company's shares.

1. General information (continued)

1.2. Business environment in the Russian Federation

The Group operates in the Russian Federation that displays certain characteristics of an emerging market.

Russian tax, currency and customs legislation continues to evolve and is subject to varying interpretations and changes, which can occur frequently.

The Group's entities are located in the Russian Federation and therefore impacted by economic and political decisions made by the Russian Government. The Russian economy continues to be negatively impacted by international sanctions imposed against Russia and the worsening epidemiological situation.

According to Rosstat, annual inflation picked up to 4.9% in 2020 (the highest rate since 2016). Higher inflationary expectations of the population are mainly due to exchange rate volatility and rising prices for certain food products, which is driven by a number of supply factors and the situation on the respective global markets. Price expectations of enterprises also remain high and are affected by cost increases due to the temporary interruptions in production and logistic chains and the adoption of measures aimed to protect workers and consumers from the coronavirus infection.

The worsening epidemiological situation in Russia and around the world has a less substantial restraining effect on the economy compared with Q2 2020. This is due to the selective nature of restrictive measures and the ability of citizens and enterprises to adapt to the new environment. The situation on foreign financial and commodity markets has improved amid the expectations of more rapid recovery of the global economy due to recent progress in vaccine development. The mid-term economic growth will be significantly impacted by the COVID-19 pandemic developments in Russia and abroad, the nature of private demand recovery on the back of possible changes in the behavioral patterns of the population and businesses, as well as the expected budget deficit reduction. There is uncertainty regarding long-term structural consequences of the COVID-19 pandemic for the Russian and global economies, in particular a negative effect on the potential of the Russian economy.

These financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The actual impact of the future business environment may differ from management's assessment.

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

2. Basis of preparation and summary of significant accounting policies

2.1. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policies below.

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

2.2. Basis of consolidation

The Group started preparing the consolidated financial statements in 2013. The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries (Note 1) as at 31 December 2020.

Subsidiaries are entities controlled, directly or indirectly, by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss, as well as every component within other comprehensive income, are attributable to owners of the parent company and the Group even if that results in a deficit balance.

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

2.2. Basis of consolidation (continued)

All intra-group assets and liabilities, equity, income, expenses and cash flows resulting from transactions within the Group are eliminated in full on consolidation.

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

If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss;
- Reclassifies the share of the parent company in the components previously recognized in other comprehensive income to profit or loss or retained earnings in accordance with specific IFRS requirements as if the Group disposed respective assets or liabilities.

Business combination and goodwill

Business combination is accounted for using the acquisition method at the acquisition date, which is the date when the Group gains control over an entity.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognized amount of any non-controlling interests in the acquire; plus
- In a business combination achieved in stages, of fair value of previously held equity interest in the acquire; less
- Net amount (usually measured at fair value) of the identifiable assets acquired and the liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

The consideration transferred does not include amounts relating to previous settlements. Such amount are recognized in profit or loss.

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

2.2. Basis of consolidation (continued)

Acquisition-related costs are expensed as incurred and included in administrative expenses.

Any contingent consideration for the acquiree is recognized at fair value at the acquisition date. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity. Otherwise, all subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

Goodwill on an acquisition of a subsidiary is included in intangible assets.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Impairment losses relating to goodwill cannot be reversed. Where the impairment loss recognized in respect of a cash-generating unit exceeds the carrying amount of its goodwill, the exceeding amount is allocated pro rata to all other assets, however, the allocated amount shall not be less than the fair value of these assets.

Goodwill is not amortized. Instead it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.3. Going concern

These 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.

2.4. Functional and presentation currency

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

2.5. Summary of accounting policies

Foreign currency transactions

Transactions in foreign currencies are initially recorded by the group companies in their functional currency at the spot rate effective at the date when the transaction qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at foreign exchange spot rate of functional currency, ruling at the reporting date. Differences arising on settlement or translation of monetary items are taken to profit or loss.

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

2.5. Summary of accounting policies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as of the date when the fair value was determined. The gain or loss arising on restatement of non-monetary items is treated in line with the principles on recognizing of the gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

Financial instruments

Financial assets – initial recognition and measurement

Financial assets of the Group comprise as follows:

- Loans issued (cash loans to individuals, loans to related and non-related parties);
- Receivables (trade receivables from wholesale customers, trade receivables from retail customers, other receivables and receivables from related parties);
- Cash and cash equivalents (cash on hand, cash with banks).

The Group determines the classification of its financial assets at initial recognition.

Financial assets regulated by IFRS 9 are classified as recorded at:

- Amortized cost;
- Fair value through other comprehensive income;
- Fair value through profit or loss.

Classification of financial assets depends on the following:

(a) The Group's business model for managing financial assets; and

(b) Characteristics of financial assets related to contractual cash flows.

Financial assets of the Group are measured at *amortized cost* if both of the following conditions are fulfilled:

(a) The business model is aimed at obtaining contractual cash flows; and

(b) The contractual cash flow represents solely payments of principal and interest on the principal amount outstanding.

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

2.5. Summary of accounting policies (continued)

Financial assets of the Group are measured at *fair value through other comprehensive income* if both of the following conditions are fulfilled:

(a) The aim of the business model is reached both through obtaining contractual cash flows and through sale of financial assets; and

(b) The contractual cash flow represents solely payments of principal and interest on the principal amount outstanding.

In all other cases, the financial assets are measured *at fair value through profit or loss*.

Initial measurement of loans issued

The Group initially recognizes loans at the date when they are issued. At initial recognition, loans issued are recognized at fair value plus any directly attributable transaction costs.

Initial measurement of receivables

The Group initially recognizes receivables on the date that they are originated. At initial recognition, trade receivables are measured at the transaction cost.

Financial assets – derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- The Group has either transferred substantially all the risks and rewards of the asset; or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

2.5. Summary of accounting policies (continued)

Financial assets − impairment

The Group recognizes an allowance for expected credit losses on financial assets measured at:

- Amortized cost;
- Fair value through other comprehensive income.

Credit loss is the present value of the difference between:

(a) Contractual cash flows that are due to the Group under the contract; and

(b) Cash flows the Group expects to obtain.

Measurement of expected credit losses reflects probability-weighted amount determined by estimating a range of possible results considering a time value of money.

The Group uses simplified approach to form an allowance for expected credit losses in the amount equal to life-time expected credit losses in respect of its trade and other receivables, cash and equivalents.

In order to calculate the allowance for expected credit losses on receivables, receivables are classified as follows:

- Receivables from large wholesale customers registered less than one year ago;
- Other receivables.

For receivables from large wholesale customers registered less than one year ago, the calculation of expected credit losses is based on the rating of a customer's financial position.

For other receivables, the Group applies a practical expedient to estimate expected credit losses and calculates expected credit losses using the allowance matrix. The Group uses the historical credit loss experience adjusting it for reasonable and supportable information on current circumstances and forecast economic conditions.

Financial liabilities – initial recognition and measurement

Financial liabilities of the Group comprise:

- Loans and borrowings received (bond loans, bank loans, borrowings from related and non-related parties);
- Payables (trade payables, other payables).

The Group determines the classification of its financial liabilities at initial recognition.

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

2.5. Summary of accounting policies (continued)

Financial liabilities within the scope of IFRS 9 are classified as follows:

- Financial liabilities at amortized cost;
- Financial liabilities at fair value through profit or loss;
- Other financial liabilities.

The Group initially recognizes financial liabilities on the date when they are originated.

Financial liabilities at amortized cost are initially recognized at fair value less directly attributable transaction costs.

Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest rate method. Gains and losses related to such financial liabilities are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

The effective interest rate amortization is included in finance costs in the income statement.

A financial liability is derecognized in the consolidated statement of financial position when the obligation under the liability is discharged or canceled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and their net amount is presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction of transaction costs (Level 1 of the hierarchy).

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

2.5. Summary of accounting policies (continued)

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions (Level 2 of the hierarchy);
- Reference to the current fair value of another instrument that is substantially the same (Level 2 of the hierarchy);
- Discounted cash flow analysis or other valuation models (Level 3 of the hierarchy).

For more details on the fair values of financial instruments, please refer to Note 28.

Cash and cash equivalents

Cash and cash equivalents include amounts due from banks, cash in transit and at stores, short-term deposits with an original maturity of three months or less and credit card payments to be received during next 24 hours.

Equity instruments (equity)

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are carried at the amount of proceeds received, less any attributable costs of the issuance.

Equity instruments are classified either as liabilities or equity based on the substance of the contractual arrangements.

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. Gains or losses arising from the acquisition, sale, issue or cancellation of the Group's own equity instruments are not recognized in profit or loss. Any difference between the carrying amount of treasury shares and the consideration received from their subsequent sale is recorded in share premium.

Dividends are recognized as liabilities in the period in which they are declared by the decision of the general meeting of participants and are payable in accordance with the legislation. Dividends are disclosed in the financial statements when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorized for issue.

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

2.5. Summary of accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing part of equipment and borrowing costs for long-term construction projects, if the recognition criteria are met.

Significant restoration or modernization of property, plant and equipment are capitalized and depreciated over the useful life of the respective asset. All other repairs and maintenance are recognized in the consolidated statement of comprehensive income as incurred.

Depreciation is accrued to write off the cost or revaluation of assets using the straight-line method over its estimated useful life as follows:

Buildings	7-46 years
Machinery and equipment, office equipment	2-28 years
Vehicles	3-10 years
Retail space equipment	3-7 years
Other property, plant and equipment	2-26 years

Where an item of property, plant and equipment comprises several components having different useful lives, such components are accounted for as separate items of property, plant and equipment.

Retail equipment is depreciated over the specified estimated useful life except as where in-store equipment is planned to be totally upgraded before the end of its useful life. In such circumstances, residual value of retail equipment is depreciated over its remaining useful life which is equal to the period to complete the upgrade.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

A previously recognized item of property, plant and equipment or any significant component thereof is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognized net in the consolidated statement of comprehensive income.

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

2.5. Summary of accounting policies (continued)

Intangible assets

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. Expected useful lives of intangible assets are adopted as follows:

Trademarks	50 years
Exclusive right for software and developments	15 years

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Leases

Right-of-use assets

The Group recognizes right-of-use assets at the commencement of the lease (i.e. the date at which the underlying asset becomes available for use). Right-of-use assets are measured at cost less accumulated depreciation and accumulated impairment losses adjusted for remeasurement of lease liabilities. The cost of the right-of-use asset comprises the amount of recognized lease liabilities, incurred initial direct costs and lease payments made at or prior to the commencement of the lease less incentive lease payments received. If the Group is not reasonably certain that it will obtain the ownership right to the leased asset at the end of the lease term, the recognized right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's estimated useful life or the lease term. Right-of-use assets are tested for impairment.

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

2.5. Summary of accounting policies (continued)

Lease liabilities

At the commencement of the lease, the Group recognizes lease liabilities measured at present value of lease payments to be made during the lease term. Lease payments comprise fixed payments (including substantively fixed payments) less any incentive lease payments to be received, variable lease payments that depend on an index or rate, and amounts that are expected to be paid under residual value guarantees. Lease payments also include the call option exercise price if the Group is reasonably certain that it will exercise this option, and fines for lease termination if it is probable that the Group may exercise its early termination option during the lease term. Variable lease payments that do not depend on an index or rate are recognized as expenses in the period in which the event or circumstance leading to such payments occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement of the lease, the amount of lease liabilities increases to record the accrual of interest and decreases to record the lease payments made. In addition, the Group remeasures the carrying amount of a lease liability in case of modification, change of the lease term, change in substantively fixed lease payments or change in the valuation of an option to purchase an underlying asset.

Short-term leases and leases of low-value assets

The Group applies a recognition exemption to short-term leases (i.e. leases which have the contractual lease term of 12 months or less at the date of lease commencement and do not contain a call option). The Group also applies a recognition exemption to leases of low-value assets (i.e. assets with the value of less than 300). Lease payments under short-term leases and leases of low value assets are recognized as lease expenses on a straight-line basis over the term of the lease.

Inventories

Inventories are carried at the lower of acquisition cost and net realizable value.

Supplier rebates which are not reimbursement of direct, incidental or identified costs to promote the goods, are eliminated from the cost of inventories.

The Group allocates part of its transportation costs incurred during the reporting period to non-realized inventories as at the end of the reporting period.

Transportation to the central distribution warehouse of the Group and to retail outlets is expensed to cost of sales. Other costs related to warehousing and storage are expensed as incurred and recognized in selling and distribution expenses and administrative expenses.

Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

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

2.5. Summary of accounting policies (continued)

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, deferred tax assets, non-current assets classified as held for sale and tax prepayments are tested for impairment at each of the reporting dates. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into a smaller group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss for the period. Impairment losses recognized in respect of cash-generating units (group of units) are allocated to the non-current assets of such unit (group of units) in proportion to the balance value of assets of such unit (group of units).

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, less accumulated depreciation or amortization, if no impairment loss had been recognized.

Employee benefits

Salaries paid to employees are recognized as expenses for the reporting period.

The Group makes contributions to the state pension and insurance funds. The Group does not have any employer-sponsored benefit plans.

Provisions

Provisions are recognized when the Group has a present obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the obligation amount can be made.

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

2.5. Summary of accounting policies (continued)

The amount recognized as a provision represents the best estimate of costs to settle the obligation at the reporting date, given the risks and uncertainties related to the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

The Group's provisions represent warranties. The Group accrues the respective provision for warranties. Such expenses are recognized at the date of selling the respective goods in the amount of expenses assessed by management to cover respective obligations.

Recognition of revenues from sale of goods

The Group accounts for the contract with the customer when all of the following criteria are met:

- The parties to the contract have approved the contract and are committed to perform their respective obligations;
- The Group can identify each party's right regarding the goods or services to be transferred;
- The Group can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance (i.e. risks, timing or the amount of the Group's future cash flows are expected to change as a result of the contract); and
- It is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of the amount of consideration is probable, the Group considers only the customer's ability and intention to pay that amount of consideration when it is due. If the consideration is variable, the amount of consideration to which the Group will be entitled may be less than the price stated in the contract because the Group may offer the customer a price concession.

Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to the customer, excluding amounts collected on behalf of third parties. The consideration in a contract may include fixed amounts, variable amounts, or both.

The Group acts as a principal under contracts providing for non-monetary compensation as it maintains control over the goods or services before they are delivered to the customer. The Group recognized revenue in gross amount of consideration it expects to receive in exchange for goods or services, when discharging the contractual obligations (or as soon as it discharges the contractual obligations).

Where the contract contains variable consideration, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring promised goods or services to the customer. Variable consideration can arise as a result of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items.

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

2.5. Summary of accounting policies (continued)

Revenues from intra-group sales of goods are eliminated for the purposes of the consolidated financial statements.

The Group recognizes retail revenue upon transfer to buyers.

Revenue from sale of gift certificates is recognized by the Group at the moment of exchanging the gift certificate to the goods. The amounts received by the Group from sale of gift certificates are recognized as deferred revenue.

The Group has also applied a practical expedient and does not recognize time component of installments as interest income due to a short installment period.

Finance income and expense

Finance income comprises interest income on funds invested and loans calculated based on the effective interest rate and gain on disposal of financial instruments.

Finance expense comprises interest expense on loans calculated based on the effective interest rate, interest expense on leases calculated under IFRS 16 *Leases*, recognized loss from impairment of financial assets and loss from disposal of financial instruments.

Income tax

Income tax expense comprises current and deferred taxes.

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

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

2.5. Summary of accounting policies (continued)

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred tax is recognized using the liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

Deferred tax liabilities are not recognized in respect of the following:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- Taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reviewed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

2.5. Summary of accounting policies (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

In accordance with the tax legislation of the Russian Federation, tax losses and current tax assets of a group entity may not be set off against taxable profits and current tax liabilities of other group entities. In addition, the tax base is determined separately for each of the Group's main activities and, therefore, tax losses and taxable profits related to different activities cannot be offset.

Value added tax and other taxes

Value added tax (VAT) on the goods sold is payable to the state budget. VAT paid on purchase of goods and services is generally recoverable against VAT related to sales revenue upon receipt of the VAT invoice.

VAT related to sales and purchases which have not been settled at the reporting date is recognized in the consolidated statement of financial position on a gross basis and disclosed separately as assets and liabilities. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debt, including VAT.

Other taxes payable include tax liabilities except for income tax and VAT accrued in accordance with adopted or substantially adopted laws and repaid by the end of the reporting period.

New retail stores pre-opening costs

New retail stores pre-opening costs which do not qualify for capitalization under IAS 16 *Property, Plant and Equipment* are expensed when incurred. Pre-opening costs comprise utilities payments and other operating expenses.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

3. Significant accounting judgments, estimates and assumptions (continued)

3.1. Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Operating cycle in the segment *Retail and wholesale trade of footwear, accessories and related goods* (sale of goods) comprises 36 months and is defined as a period from the purchase of goods to their sale to the end consumer; operating cycle of the segment *Issuance of cash loans* comprises no more than 12 months.

Determination of the lease term under leases with an option to extend or an option to terminate the lease – the Group as a lessee

The Group determines the lease term as the non-cancellable period of a lease together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option, or periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

The Group has an option to extend certain leases of assets for the period of 2-4 years. The Group applies judgment to determine whether it is reasonably certain to exercise the extension option. In doing so, the Group considers all relevant factors resulting in an economic incentive to exercise the extension option. After the commencement date, the Group reassesses the lease term provided that there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the extension option (e.g. a change in business strategy).

3.2. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Useful lives of property, plant and equipment

Property, plant and equipment is depreciated over expected useful lives as disclosed in Note 2 above. Useful lives are reviewed at the end of the year and adjusted where necessary.

3. Significant accounting judgments, estimates and assumptions (continued)

3.2. Estimates and assumptions (continued)

Net realizable value of inventories

The Group's inventories mainly comprise goods of the current and prior years' collections. Allowance for impairment of inventories is created when the carrying amount of inventories exceeds their net realizable value at the reporting date. At each reporting date, the calculation of net realizable value is assessed as the estimated selling price in the ordinary course of business less estimated costs of completion and selling costs. This assessment takes into account, among other things, the expected period of storage of specific inventories prior to their sale, the expected selling prices and the corresponding storage and selling costs. The Group expects to sell the entire stock of inventories at a profit during the operating cycle comprising 36 months. Volume, terms and selling prices are sensitive to changes in circumstances and projected economic environment. Changes in assumptions about these factors can significantly affect the carrying amount of inventories recognized in the financial statements. Actual accounting estimates may differ significantly from the current assumptions, which may result in the recognition of additional impairment in the future.

Management analyzes inventory balances to identify options to sell inventories at or above their carrying amount plus storage costs (if incurred) and selling costs. Such analysis includes identification of slow-selling inventories. The identification process implies analyzing historical data and current operational plans with regard to the respective inventories, as well as industry trends and consumer preferences.

If the carrying amount of inventories exceeds its net realizable value, management writes such inventories to their net realizable value.

In case actual results differ from management estimates concerning sales of inventories at carrying amount or below, management will have to adjust the carrying amount of inventories.

Tax legislation

The existing Russian tax, currency and customs legislation allows for various interpretations and is subject to frequent changes. Tax authorities are able to claim for such transaction or accounting method for which it had no claims before. As at 31 December 2020, management believes that its interpretation of the relevant legislation is appropriate, and that the Group's tax position will be sustained.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

3. Significant accounting judgments, estimates and assumptions (continued)

3.2. Estimates and assumptions (continued)

Recognition of financial instruments under transactions with related parties at fair value

In the course of its business, the Group has transactions with related parties, including provision of loans on terms which may differ from market terms. In accordance with IFRS 9, financial instruments are initially recognized at fair value. Where no active market exists, professional judgments are used to determine whether transactions were made at market rates. Judgments are based on prices in comparable unrelated party transactions and analysis of effective interest rate.

4. New standards, interpretations and amendments to existing standards and interpretations

The Group applied for the first time certain standards and amendments that are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Amendments to IFRS 3 – Definition of a Business

The amendments to IFRS 3 clarify 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 the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no effect on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 – Definition of Material

The amendments suggest a new definition which states that, “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”.

4. New standards, interpretations and amendments to existing standards and interpretations (continued)

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

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of its provisions prevail over any provision or requirement of a standard. The Conceptual Framework is aimed at assisting the IASB to develop standards, helping preparers of financial reports develop accounting policies when a transaction or an event are not covered by the standards, as well as assisting all parties to understand and interpret the standards. This document will affect the entities that develop their accounting policies based on the provisions of the Conceptual Framework.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important provisions. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 – COVID-19 Related Rent Concessions

On 28 May 2020, the IASB issued amendments to IFRS 16 *Leases – COVID-19 Related Rent Concessions*. The amendments exempt lessees from the requirement in IFRS 16 to account for rent concessions as lease modifications if such rent concessions occur as a direct consequence of the COVID-19 pandemic. As a practical expedient, the lessee may elect not to assess whether a rent concession granted by the lessor in relation to the COVID-19 pandemic is a lease modification. A lessee choosing this option is required to account for any change in rent payments arising from COVID-19 related rent concessions on the same basis as it would have been accounted for under IFRS 16, had it not been a lease modification.

The amendments are effective for annual periods beginning on or after 1 June 2020. Early application is permitted.

The Group applied amendments to IFRS 16 when accounting for COVID-19 related rent concessions. The Group applied the practical expedient and recognized all rent concessions that meet the qualifying criteria as other income. In 2020, the concession amounted to 10,784 (2019: nil).

Standards issued but not yet effective

New standards, amendments and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, amendments and interpretations (if relevant) when they become effective.

4. New standards, interpretations and amendments to existing standards and interpretations (continued)

Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new financial reporting standard for insurance contracts covering recognition and measurement, presentation and disclosures. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of IFRS 17 is the general model supplemented by:

- Certain modifications related to insurance contracts with direct participation features (variable compensation method);
- A simplified approach (based on premium distribution) related mainly to short-term contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments may have on the current classification of liabilities and whether existing loan agreements may require renegotiation.

4. New standards, interpretations and amendments to existing standards and interpretations (continued)

Standards issued but not yet effective (continued)

Amendments to IFRS 3 – Reference to the Conceptual Framework

In May 2020, the IASB issued amendments to IFRS 3 *Business Combinations – Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statement*s issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018, without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 *Levies*, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the *Framework for the Preparation and Presentation of Financial Statements*.

The amendments are effective for annual periods beginning on or after 1 January 2022 and apply prospectively.

Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use

In May 2020, the IASB issued *Property, Plant and Equipment – Proceeds before Intended Use*, which prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Amendments to IAS 37 – Onerous Contracts – Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

4. New standards, interpretations and amendments to existing standards and interpretations (continued)

Standards issued but not yet effective (continued)

The amendments are effective for annual periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022. Early application is permitted.

Amendment to IFRS 9 Financial Instruments – fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022. Early application is permitted. The Group will apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

Amendment to IAS 41 Agriculture – taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IAS 41 *Agriculture*. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Early application is permitted. This standard is not applicable to the Group.

5. Revenue

	2020	2019
Revenue from retail	4,527,166	6,871,571
Revenue from wholesale	3,548,938	4,702,964
Gains on issuance of cash loans	2,695,582	2,127,962
Total	**10,771,686**	**13,702,497**

In 2020, the Group sold goods, further payment for which should be made in a non-cash form, in the amount of 1,944,565 net of VAT (2019: 3,390,627 net of VAT). In 2020 and 2019, the Group did not enter into barter transactions.

6. Cost of sales

	2020	2019
Cost of sales	4,266,707	5,756,319
Transportation expenses	129,164	125,786
Material costs	77,282	176,246
Depreciation of property, plant and equipment and amortization of intangible assets	45,226	48,495
Payroll and social charges	15,328	22,968
Depreciation of right-of-use assets	381	533
Other	6,259	10,175
	4,540,347	**6,140,522**

7. Selling and distribution expenses

	2020	2019
Leases	1,113,606	1,408,599
Payroll and social charges	1,012,436	994,096
Bank fees, cash collection in stores	209,833	220,628
Depreciation of property, plant and equipment and amortization of intangible assets	165,748	172,831
Material costs	135,047	103,951
Advertising and marketing expenses	78,539	114,702
Depreciation of right-of-use assets	66,835	68,951
Warehouse expenses	64,708	47,030
Agency fee on sales of goods	24,349	52,891
Information technologies	4,620	3,035
Property insurance	3,015	2,987
Other	103,527	98,313
Total	**2,982,263**	**3,288,014**

8. Administrative expenses

	2020	2019
Payroll and social charges	226,337	202,677
Communication, post	112,382	106,891
Leases	73,669	47,328
Depreciation of property, plant and equipment and amortization of intangible assets	44,283	49,934
Information, advisory, audit and legal services	20,518	27,094
Fee and commission expense	19,939	17,276
Material costs	17,923	15,065
Remuneration to the members of the Board of Directors	16,359	27,963
Taxes other than income tax	15,854	15,899
Travel expenses	12,431	36,495
Depreciation of right-of-use assets	33	33
Other	7,658	9,985
Total	**567,386**	**556,640**

9. Charge of allowance for expected credit losses

	2020	2019
Allowance for expected credit losses on cash loans (Note 21)	631,077	329,260
Allowance for expected credit losses on receivables from retail customers (Note 18)	138,330	158,692
Allowance for impairment of advances issued (Note 19)	–	8,074
Allowance for expected credit losses on receivables from wholesale and other customers (Note 18)	7,034	–
Total	**776,441**	**496,026**

10. Other income and expenses

Other income	**2020**	**2019**
Penalties received	157,490	147,915
Write-off of accounts payable	16,943	–
COVID-19 related rent concessions	10,784	–
Lease of premises and motor vehicles	4,111	3,958
Reversal of allowance for expected credit losses	3,645	12,680
Agency fee	–	24,896
Other	21,838	12,438
Other income	**214,811**	**201,887**

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

10. Other income and expenses (continued)

Other expenses	**2020**	**2019**
Taxes and other penalties	61,982	63,976
Write-down of goods for resale	30,837	37,805
Loss on disposal of property, plant and equipment	2,754	27,700
Foreign exchange difference	6,445	19,055
Write-down of receivables and advances issued	–	11,348
Other expenses	38,988	21,555
Other expenses	**141,006**	**181,439**

11. Finance income and expenses

	2020	**2019**
Finance income		
Interest receivable on loans	26,231	32,650
Total	**26,231**	**32,650**
Finance expense		
Interest on loans	821,422	860,498
Interest on bonds	418,245	276,310
Interest expense on leases (Note 15)	12,491	13,820
Total	**1,252,158**	**1,150,628**

12. Income tax

	2020	**2019**
Current income tax	(112,244)	(455,348)
Deferred income tax	(78,085)	18,971
Total	**(190,329)**	**(436,377)**

The taxation charge for the year is different from the amount that would have been received when applying the statutory income tax rate to the net profit before income tax. Reconciliation between the theoretical income tax calculated at the statutory rate of 20% applicable for 2020 and 2019, and the actual income tax expense recorded by the Group in the consolidated statement of comprehensive income is provided below:

	2020	**2019**
Profit before tax	**753,127**	**2,123,765**
Theoretical tax at the rate of 20%	**(150,625)**	**(424,753)**
Effect from a change in unrecognized deferred tax assets	–	–
Effect from non-deductible expenses	(39,704)	(11,624)
Total	**(190,329)**	**(436,377)**

Differences between the value of assets and liabilities recorded in the consolidated financial statements and their value for tax purposes give rise to certain temporary differences. Tax effect of changes in these temporary differences is recorded at the rate of 20%.

The tax effect of the major temporary differences that give rise to deferred tax assets and liabilities as at 31 December 2020, 2019 and 2018 is as follows:

	31 December 2018	As stated in profit or loss	31 December 2019	As stated in profit or loss	31 December 2020
Deferred tax asset					
Leases	–	719	719	1,347	2,066
Receivables	29,037	5,532	34,569	(54,774)	89,343
Inventories	122,348	(8,898)	113,450	(15,862)	97,588
Provisions	4,669	3,544	8,213	624	8,837
Trade and other payables	527	8	535	236	771
Tax losses	102,975	3,586	106,561	9,717	116,278
Other assets	540	(540)	–	–	–
Netting	11,006	–	14,878	–	(6,192)
Total deferred tax asset	**271,102**	**3,951**	**278,925**	**(50,836)**	**308,691**
Deferred tax liability					
Property, plant and equipment	(16,281)	11,921	(4,360)	46	(4,314)
Intangible assets	(3,162)	68	(3,094)	68	(3,026)
Financial assets	(36,055)	3,031	(33,024)	(129,035)	(162,059)
Netting	(11,006)	–	(14,878)	–	6,192
Total deferred tax liability	**(66,504)**	**15,020**	**(55,356)**	**(128,921)**	**(163,207)**
Total net deferred tax asset	**204,598**	**18,971**	**223,569**	**(78,085)**	**145,484**

As at 31 December 2020 and 2019, the Group did not recognize a deferred tax liability in respect of investments in subsidiaries, as the following conditions were met:

a) The Group's parent controls reversals of the temporary differences arising on investments in subsidiaries;

b) The temporary differences are unlikely to reverse in the foreseeable future.

The aggregate temporary differences associated with investments in subsidiaries for which a deferred tax liability was not recognized amounted to 9,606,843 (2019: 8,858,029).

13. Earnings per share

For the years ended 31 December 2020 and 2019, earnings per one share were based on annual net profit and average weighted number of outstanding ordinary shares during the year.

Earnings per share for the years ended 31 December 2020 and 2019 were calculated as follows:

	2020	2019
Profit for the year attributable to ordinary shareholders	562,798	1,687,388
Weighted average number of ordinary shares, thousand	113,056	113,045
Basic and diluted earnings per share, RUB	**4.978**	**14.927**

The Group has no potential dilutive equity instruments.

14. Property, plant and equipment

As at 31 December 2020 and 2019, property, plant and equipment comprised the following:

	Land	Buildings	Machinery and equipment, office equipment	Vehicles	Retail space equipment	Other property, plant and equipment	Construction in progress	Total
Carrying amount at 1 January 2020	**29,061**	**578,741**	**367,973**	**5,021**	**493,764**	**20,167**	**432,029**	**1,926,756**
Cost								
Balance at the beginning of the year	**29,061**	**734,802**	**568,718**	**21,611**	**958,320**	**68,393**	**432,029**	**2,812,934**
Additions	–	–	–	–	–	–	52,093	**52,093**
Commissioning	–	–	2,206	–	40,452	7,819	(50,477)	**–**
Disposals	(9,318)	–	(173)	(799)	(10,713)	(255)	(160)	**(21,418)**
Balance at the end of the year	**19,743**	**734,802**	**570,751**	**20,812**	**988,059**	**75,957**	**433,485**	**2,843,609**
Accumulated depreciation								
Balance at the beginning of the year	**–**	**(156,061)**	**(200,745)**	**(16,590)**	**(464,556)**	**(48,226)**	**–**	**(886,178)**
Depreciation charge	–	(28,721)	(51,968)	(1,410)	(154,002)	(12,794)	–	**(248,895)**
Depreciation disposal	–	–	143	799	9,526	225	–	**10,693**
Balance at the end of the year	**–**	**(184,782)**	**(252,570)**	**(17,201)**	**(609,032)**	**(60,795)**	**–**	**(1,124,380)**
Carrying amount at 31 December 2020	**19,743**	**550,020**	**318,181**	**3,611**	**379,027**	**15,162**	**433,485**	**1,719,229**

	Land	Buildings	Machinery and equipment, office equipment	Vehicles	Retail space equipment	Other property, plant and equipment	Construction in progress	Total
Carrying amount at 1 January 2019	**39,743**	**607,462**	**427,401**	**7,999**	**534,624**	**23,882**	**377,440**	**2,018,551**
Cost								
Balance at the beginning of the year	**39,743**	**734,802**	**567,490**	**25,619**	**996,590**	**58,963**	**377,440**	**2,800,647**
Additions	–	–	–	–	–	–	202,961	**202,961**
Commissioning	–	–	1,274	–	121,520	9,857	(132,651)	**–**
Disposals	(10,682)	–	(46)	(4,008)	(159,790)	(427)	(15,721)	**(190,674)**
Balance at the end of the year	**29,061**	**734,802**	**568,718**	**21,611**	**958,320**	**68,393**	**432,029**	**2,812,934**
Accumulated depreciation								
Balance at the beginning of the year	**–**	**(127,340)**	**(140,089)**	**(17,620)**	**(461,966)**	**(35,081)**	**–**	**(782,096)**
Depreciation charge	–	(28,721)	(60,702)	(1,605)	(160,295)	(13,275)	–	**(264,598)**
Depreciation disposal	–	–	46	2,635	157,705	130	–	**160,516**
Balance at the end of the year	**–**	**(156,061)**	**(200,745)**	**(16,590)**	**(464,556)**	**(48,226)**	**–**	**(886,178)**
Carrying amount at 31 December 2019	**29,061**	**578,741**	**367,973**	**5,021**	**493,764**	**20,167**	**432,029**	**1,926,756**

14. Property, plant and equipment (continued)

Depreciation of property, plant and equipment is included in cost of goods sold, selling and distribution expenses and administrative expenses in the amount of 45,019, 165,400 and 38,173, respectively (2019: 48,288, 172,483 and 43,524). In 2020, capitalized depreciation amounted to 303 (2019: 303).

In 2020, fully depreciated property, plant and equipment that were still in use amounted to 244,331 (2019: 135,016).

15. 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
Carrying amount at 1 January 2020	**135,734**	**5,085**	**140,819**
Cost			
Balance at the beginning of the year	**201,299**	**7,989**	**209,288**
Additions	8,656	5,255	**13,911**
Remeasurement	32,739	2,242	**34,981**
Disposals	(90,533)	(6,024)	**(96,557)**
Balance at the end of the year	**152,161**	**9,462**	**161,623**
Accumulated depreciation			
Balance at the beginning of the year	**(65,565)**	**(2,904)**	**(68,469)**
Depreciation charge	(62,741)	(4,508)	**(67,249)**
Remeasurement	(30,675)	(62)	**(30,737)**
Depreciation disposal	84,396	4,925	**89,321**
Balance at the end of the year	**(74,585)**	**(2,549)**	**(77,134)**
Carrying amount at 31 December 2020	**77,576**	**6,913**	**84,489**

15. Leases (continued)

	Lease of stores	Lease of other facilities	Total
Carrying amount at 1 January 2019	**114,856**	**899**	**115,755**
Cost			
Balance at the beginning of the year	**114,856**	**899**	**115,755**
Additions	93,701	7,115	**100,816**
Remeasurement	(4,163)	351	**(3,812)**
Disposals	(3,095)	(376)	**(3,471)**
Balance at the end of the year	**201,299**	**7,989**	**209,288**
Accumulated depreciation			
Balance at the beginning of the year	**–**	**–**	**–**
Depreciation charge	(66,564)	(2,953)	**(69,517)**
Remeasurement	642	(162)	**480**
Depreciation disposal	357	211	**568**
Balance at the end of the year	**(65,565)**	**(2,904)**	**(68,469)**
Carrying amount at 31 December 2019	**135,734**	**5,085**	**140,819**

For the year ended 31 December 2020, depreciation charge for right-of-use assets was included in cost of goods sold and selling and distribution expenses and administrative expenses in the amount of 381, 66,835 and 33, respectively (2019: 533, 68,951 and 33).

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

	2020	2019
Lease liabilities		
Carrying amount at 1 January	**137,584**	**108,435**
New leases	13,308	99,726
Remeasurement	4,244	(3,332)
Lease payments for the period	(63,600)	(78,162)
Interest expense on leases	12,491	13,820
Disposal of leases	(9,966)	(2,903)
Carrying amount at 31 December	**94,061**	**137,584**
including long-term lease liabilities	47 184	69 848
including short-term lease liabilities	46 877	67 736

16. Intangible assets

	Trademarks	Software	Other	Total
Carrying amount at 1 January 2020	**16,866**	**15,675**	**2,416**	**34,957**
Cost				
Balance at the beginning of the year	**19,181**	**32,112**	**2,709**	**54,002**
Additions	24	–	–	**24**
Disposals	–	–	(1,655)	**(1,655)**
Balance at the end of the year	**19,205**	**32,112**	**1,054**	**52,371**
Accumulated amortization				
Balance at the beginning of the year	**(2,315)**	**(16,437)**	**(293)**	**(19,045)**
Amortization charge	(510)	(5,948)	(207)	**(6,665)**
Balance at the end of the year	**(2,825)**	**(22,385)**	**(500)**	**(25,710)**
Carrying amount at 31 December 2020	**16,380**	**9,727**	**554**	**26,661**

	Trademarks	Software	Other	Total
Carrying amount at 1 January 2019	**17,188**	**21,061**	**2,623**	**40,872**
Cost				
Balance at the beginning of the year	**18,992**	**31,251**	**2,709**	**52,952**
Additions	189	861	–	**1,050**
Balance at the end of the year	**19,181**	**32,112**	**2,709**	**54,002**
Accumulated amortization				
Balance at the beginning of the year	**(1,804)**	**(10,190)**	**(86)**	**(12,080)**
Amortization charge	(511)	(6,247)	(207)	**(6,965)**
Balance at the end of the year	**(2,315)**	**(16,437)**	**(293)**	**(19,045)**
Carrying amount at 31 December 2019	**16,866**	**15,675**	**2,416**	**34,957**

Amortization of intangible assets is included in cost of goods sold, selling and distribution expenses and administrative expenses in the amount of 207, 348 and 6,110, respectively (2019: 207, 348 and 6,410).

17. Inventories

	2020	2019
Raw materials and supplies	166,181	161,434
Work in progress	29,513	18,607
Finished goods and goods for resale	18,193,107	14,379,641
Total	**18,388,801**	**14,559,682**

The allowance for impairment of finished goods and goods for resale to net realizable value amounted to 127,836 (2019: 56,116), while expenses for charging the allowance amounted to 71,720 (2019: 25,547).

Finished goods and goods for resale amounted to 18,193,107, of which 3,480,860 is expected to be sold within 12 months after the end of the reporting period.

18. Trade and other receivables

	2020	2019
Trade receivables from wholesale customers	1,188,330	220,949
Allowance for expected credit losses from wholesale customers	(5,988)	(114)
Carrying amount	**1,182,342**	**220,835**
Other receivables	428,168	345,802
Allowance for expected credit losses on other receivables	(37,189)	(36,007)
Carrying amount	**390,979**	**309,795**
Trade receivables from retail customers	2,562,198	3,200,757
Neither past due nor impaired	*1,021,155*	*1,844,030*
Past due 1 to 90 days	*56,449*	*78,233*
Past due 91 to 540 days	*287,811*	*216,975*
Past due over 540 days	*1,196,783*	*1,061,519*
Allowance for expected credit losses from retail customers	(1,116,679)	(995,996)
Carrying amount	**1,445,519**	**2,204,761**
Receivables from related parties (Note 26)	9,284	6,897
Allowance for expected credit losses on receivables from related parties (Note 26)	–	(22)
Carrying amount	**9,284**	**6,875**
Total	**3,028,124**	**2,742,266**

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

Movements in allowance for expected credit losses are as follows:

	2020		2019	
	Receivables from retail customers	**Receivables from wholesale customers and other receivables**	**Receivables from retail customers**	**Receivables from wholesale customers and other receivables**
At 1 January	**995,996**	**36,143**	**919,673**	**44,160**
Charge (Note 9)	138,330	7,034	158,692	–
Reversal	–	–	–	(8,017)
Write-off	(17,647)	–	(82,369)	–
At 31 December	**1,116,679**	**43,177**	**995,996**	**36,143**

19. Advances issued

	2020	2019
Advances issued for delivery of goods	4,328,467	5,164,798
Allowance for impairment of advances issued	(22,931)	(24,576)
Other advances issued	77,057	119,212
Total	**4,382,593**	**5,259,434**

Advances comprise prepayments for the delivery of goods from producers to be offset against future deliveries in 2021. The average repayment term is 6-12 months.

As at 31 December 2020, non-cash settlement advances amounted to 1,231,467 (2019: 2,237,316).

Movements in allowance for impairment are as follows:

	2020	2019
At 1 January	**24,576**	**16,502**
Charge (Note 9)	–	8,074
Reversal	(1,645)	–
At 31 December	**22,931**	**24,576**

20. Advances for construction in progress

Advances for construction in progress comprise prepayments for construction work and supply of production and trading equipment. As at 31 December 2020, advances amounted to 194,083 (2019: 57,166).

21. Other financial assets

	2020	2019
Long-term loans to third parties (neither past due nor impaired)	34,300	52,300
Allowance for expected credit losses on other financial assets	(3,430)	(5,230)
Total other non-current financial assets	**30,870**	**47,070**
Loans to third parties (neither past due nor impaired)	18,068	18,390
Allowance for expected credit losses on other financial assets	(1,807)	(1,985)
Carrying amount	**16,261**	**16,405**
Cash loans to individuals	2,934,328	2,502,268
Neither past due nor impaired	*1,279,319*	*1,336,600*
Past due 1 to 90 days	*171,757*	*128,262*
Past due 91 to 540 days	*613,025*	*320,814*
Past due over 540 days	*870,227*	*716,592*
Allowance for expected credit losses on cash loans	(1,160,247)	(852,239)
Carrying amount	**1,774,081**	**1,650,029**
Interest on cash loans receivable	1,831,410	1,364,973
Neither past due nor impaired	*94,901*	*102,559*
Past due 1 to 90 days	*70,246*	*47,919*
Past due 91 to 540 days	*618,804*	*298,287*
Past due over 540 days	*1,047,459*	*916,208*
Allowance for expected credit losses on cash loans	(1,238,062)	(953,294)
Carrying amount	**593,348**	**411,679**
Loans to related parties (neither past due nor impaired)	44	–
Carrying amount	**44**	**–**
Total other current financial assets	**2,383,734**	**2,078,113**

In 2020 and 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 up to 102 with maturities ranging from 1 to 12 months (2019: up to 100 with maturities ranging from 1 to 12 months). Interest rates on such cash loans range from 18.25% to 365% p.a. and mainly depend on the amount and maturity of the cash loan (2019: from 25.55% to 766.5%).

The Group does not assign credit ratings to its borrowers when issuing loans to third parties and related parties, as well as cash loans to individuals. To analyze the creditworthiness of the borrowers and classify them into the respective stages, management monitors past due periods for the following loans:

- Stage 1 – loans issued not past due.
- Stage 2 – past due 1 to 90 days.
- Stage 3 – past due over 91 days.

21. Other financial assets (continued)

Movements in allowance for expected credit losses on cash loans issued to individuals and interest on cash loans receivable are as follow:

	Stage 1	Stage 2	Stage 3	Total
At 1 January 2020	**23,770**	**60,362**	**1,721,401**	**1,805,533**
Transfers between stages	(5,608)	(71,851)	77,459	**–**
Net revaluation of allowance	13,098	98,485	519,494	**631,077**
Write-off	–	–	(38,301)	**(38,301)**
At 31 December 2020	**31,260**	**86,996**	**2,280,053**	**2,398,309**
At 1 January 2019	**14,870**	**29,295**	**1,531,000**	**1,575,165**
Transfers between stages	(2,883)	(27,230)	30,113	**–**
Net revaluation of allowance	11,783	58,297	259,180	**329,260**
Write-off	–	–	(98,892)	**(98,892)**
At 31 December 2019	**23,770**	**60,362**	**1,721,401**	**1,805,533**

Movements in allowance for expected credit losses on other financial assets are as follows:

	Stage 1	Stage 2	Stage 3	Total
At 1 January 2020	**7,215**	**–**	**–**	**7,215**
Transfers between stages	–	–	–	**–**
Net revaluation of allowance	(1,978)	–	–	**(1,978)**
Write-off	–	–	–	**–**
At 31 December 2020	**5,237**	**–**	**–**	**5,237**
At 1 January 2019	**9,822**	**–**	**–**	**9,822**
Transfers between stages	–	–	–	**–**
Net revaluation of allowance	(2,607)	–	–	**(2,607)**
Write-off	–	–	–	**–**
At 31 December 2019	**7,215**	**–**	**–**	**7,215**

Movements in allowance for expected credit losses on cash loans issued to individuals and interest on cash loans receivable are mainly due to the issue of new cash loans.

Movements in allowance for expected credit losses on other financial assets are mainly due to the repayment of previously issued loans to third parties.

22. Cash and cash equivalents

	2020	2019
Cash on hand	104,490	206,990
Cash at bank accounts	329,848	383,456
Cash deposits with banks	–	117,000
Allowance for expected credit losses on cash	(10)	(50)
Total	**434,328**	**707,396**

Cash at bank accounts comprises cash at current accounts, cash in transit, cash at correspondent bank accounts, as well as cash at accounts with the Bank of Russia. As at 31 December 2020, cash of 239,547 was blocked by the Bank of Russia due to the revocation of a license from RNKO Platezhny Standard LLC, a subsidiary.

No interest is accrued on cash at current accounts.

In 2020, cash deposits were placed for the period of up to one month with the interest rates ranging from 3% to 4.95% p.a. (2019: for the period of up to one month with the interest rates ranging from 3.75% to 6.15% p.a.).

Movements in allowance for expected credit losses are as follows:

	2020	2019
At 1 January	**50**	**2,106**
Reversal	(40)	(2,056)
At 31 December	**10**	**50**

23. Equity

Share capital

As at 31 December 2020 and 2019, share capital of PJSC OR comprises 113,056,000 shares with the nominal value of RUB 100 each.

Additional paid-in capital

Additional paid-in capital is the difference at the date of payment between the nominal value of the share capital and the current value of the share capitals of the companies contributed as a payment for the share capital of 6,904,204, and the difference between cash received and the nominal value of shares in the amount of 1,695,840 net of transaction costs to issue the share capital in the amount of 507,438 recorded as share premium in the amount of 1,188,402.

Dividends

In 2020, the Group neither declared nor paid any dividends for 2019 (2019: 266,812).

24. Interest-bearing loans and borrowings

Long-term loans and borrowings	2020	2019
Bank loans	4,052,433	2,490,962
Bonded loans	484,225	1,864,281
Total	**4,536,658**	**4,355,243**

Short-term loans and borrowings	2020	2019
Bank loans	5,199,239	7,239,902
Bonded loans	3,295,484	812,421
Loans from organizations	2,415	1,755
Total	**8,497,138**	**8,054,078**

Bank loans are denominated in Russian rubles and bear interest rates ranging from 6.05% to 9.95% p.a. (2019: from 7.3% to 10.7% p.a.). Long-term bank loans mature in 2022-2023.

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 the nominal value of 2,000 each and matures on 20 January 2022. On 25 October 2018, 100 bonds were purchased by the Group and recorded on a treasury account. Coupon is paid quarterly during the entire maturity term.
As at 31 December 2020, the coupon rate was 10% p.a. (2019: 13.8% p.a.). The effective rate was 10% p.a.

A bonded loan (stock-exchange bonds with identification number 4B02-07-16005-R dated 21 March 2016) provides for an offer dated 28 January 2021 allowing the bondholders to demand early redemption of the bonds in the amount of 800,000.

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 each and matures on 22 September 2022. Coupon is paid quarterly during the entire maturity term.

As at 31 December 2020, the coupon rate was 12% p.a. The effective rate was 10.13% 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 each and matures on 14 November 2024. Coupon is paid monthly during the entire maturity term.

As at 31 December 2020, the coupon rate was 12% p.a. The effective rate was 10.38% p.a.

A bonded loan issued in 2020 (stock exchange bonds with identification number 4B02-03-00412-R-001P dated 12 August 2020) is represented by 500,000 bonds with the nominal value of RUB 1,000 each and matures on 28 July 2024. Coupon is paid monthly during the entire maturity term.

24. Interest-bearing loans and borrowings (continued)

As at 31 December 2020, the coupon rate was 11.5% p.a. The effective rate was 10.63% p.a.

Loan agreements contain a number of financial and non-financial covenants. Where certain covenants specified in the loan agreements are breached, the creditors are entitled to demand an early repayment of outstanding loans/borrowings and related interest and/or request the repayment of all such amounts by guarantors, and/or foreclose on the pledged property.

As at 31 December 2020, the Group breached a covenant specified in the resolutions to issue bonds with identification numbers 4B02-01-00412-R-001P dated 12 August 2019 and 4B02-02-00412-R-001P dated 9 December 2019, for which reason the owners of stock-exchange bonds are entitled to demand their early redemption. Bonded loans receivable are classified in short-term liabilities as the Group does not have an unconditional right to defer the settlement of its liabilities for more than 12 months after the reporting date.

As at 31 December 2020, the Group has undrawn loan facilities of 1,962,749 (31 December 2019: 3,310,786).

For more details on maturity profile of loans and borrowings, refer to Note 28.

Pledges

As at 31 December 2020, the contract value of property, plant and equipment pledged as collateral under loans received was 930,829 (2019: 930,829). As at 31 December 2020, the carrying amount of such property, plant and equipment was 805,037 (2019: 857,598).

25. Trade and other payables

	2020	**2019**
Trade payables	2,415,245	305,909
Payables to employees	80,278	79,923
Other payables	137,243	196,298
Payables to related parties	568	2,089
Total	**2,633,334**	**584,219**

26. 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.

26. Related party transactions (continued)

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

2020	Sales to related parties	Purchases from related parties	Receivables from related parties	Advances issued to related parties	Payables to related parties
Entities where key management participates	8,007	3,502	9,274	190,027	568
Other related parties	–	1,980	10	–	–
Total	**8,007**	**5,482**	**9,284**	**190,027**	**568**

2019	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 where key management participates	7,668	17,584	6,897	(22)	34,922	1,975	1,316
Other related parties	–	5,933	–	–	–	114	–
Total	**7,668**	**23,517**	**6,897**	**(22)**	**34,922**	**2,089**	**1,316**

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

Terms and conditions of related party transactions

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 31 December 2020, allowance for expected credit losses on receivables from related parties amounted to nil (2019: 22). 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:

2020	Loans receivable from related parties	Interest income
Entities where key management participates	–	9,145
Key management personnel	44	–
Total	**44**	**9,145**

26. Related party transactions (continued)

Terms and conditions of related party transactions (continued)

2019	Interest income	Interest expense
Entities where key management participates	3,220	157
Total	**3,220**	**157**

Interest rates on loans issued to related parties in 2020 and 2019 ranged from 0% to 14%.

Compensation to key management personnel of the Group

As at 31 December 2020, key management personnel comprised eleven top managers and members of the Board of Directors (31 December 2019: twelve). In 2020, compensation paid to key management personnel amounted to 43,833 (2019: 61,408). The amount of compensation included payroll, bonuses, paid vacations, payments for serving on the management bodies and other short-term payments.

27. Commitments and contingencies

Litigations

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 31 December 2020, the Group's management is unaware of any significant ligations, suits or claims against the Group, that could result in potential losses.

In the Russian Federation, tax returns remain open for review and tax audits during a three-year period. Even if the tax authorities have already carried out an on-site tax audit or audited any tax return for the current year, a recurrent tax audit is possible during the above 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.

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.

27. Commitments and contingencies (continued)

Litigations (continued)

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.

The Group also identified possible contingent liabilities for the three-year period ended 31 December 2020. According to management, possible risks under these tax issues, if they arise, will not exceed 249,714 (31 December 2019: 386,853).

Management continues to track 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 these consolidated financial statements, there is still high uncertainty regarding the further development of the COVID-19 pandemic. The Group's advantages include a stable financial position, low debt burden and a significant liquidity cushion.

As at 31 December 2020, the Group's liquidity cushion was 6,105,535, 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 1,962,749. In addition, in 2021 the Group plans to repay bank loans and redeem bonds in the amount of 2,623,459 and 675,000, respectively.

Management analyzed impairment indicators of the Group's assets. Amid the spread of the COVID-19 infection, higher volatility accompanied by the suspension of the stores' operations and a decrease in sales volumes became a basis for impairment testing of certain cash generating units.

Based on the results of impairment testing, the assets' value in use exceeded their carrying amount, whereby 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 its goods, the supply chain, available bank financing and a potential effect on its cash flows and liquidity status, including compliance with debt covenants. The Group takes a number of comprehensive measures to increase stockturn.

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

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

27. Commitments and contingencies (continued)

Evaluation of the effect of COVID-19 on the Group (continued)

In 2020, the Group entered into additional loan agreements with PJSC VTB Bank, PJSC Promsvyazbank, PJSC Sberbank, PJSC Sviaz-Bank and PJSC Rosbank to reschedule a part of principal and interest debt for a period of up to 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 be able to enjoy certain discounts or a rent-free period. The weighted average rent discount will be 18% through the end of the year.

28. Financial risk management objectives and policies

Financial function of the Group analyzes risks related to financing of the Group's operations. The purposes of addressing financial risks comprise mitigation of liquidity gaps, lower weighted average cost of financing of operations and improvement of financial flows within the Group.

The Group is exposed to market risk, foreign currency risk, credit risk and liquidity risk.

The management of the Group reviews and agrees policies for managing each of these risks, which are summarized below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are also subject to four types of risk: interest rate risk, foreign currency risk, commodity price risk, and other price risks, such as equity risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt liabilities with floating interest rates.

The Group's loan portfolio mainly includes loans with fixed interest rates. In case of loans with floating interest rates, the Group partially uses interest rate swaps, in which it agrees to pay or receive, at specified intervals, the difference between fixed and floating rate amounts calculated by reference to an agreed-upon notional principal amount.

When the interest rates change the Group generally applies various instruments in order to minimize the adverse effect on the Group's financial performance. Those instruments include refinancing, renewal of existing positions and alternative financing. The Group has sufficient open undrawn credit facilities with fixed interest rates.

28. Financial risk management objectives and policies (continued)

Market risk (continued)

The effect of loans with floating interest rates (2019: the key rate of the CBR) on the Group's profit before tax (with all other variables held constant) is presented below:

	Increase/ (decrease) in basis points	Effect on profit before tax
2020		
RUB	6.25	(2,148)
RUB	(6.25)	2,148

	Increase/ (decrease) in basis points	Effect on profit before tax
2019		
RUB	25	(13,656)
RUB	(25)	8,656

Four bonded loans totaling 3,779,709 (31 December 2019: 2,676,702) represent a significant share of the Company's loan portfolio. The interest rate on exchange-traded bonds of BO-07 issue is fixed until the end of the sixteenth coupon period (21 January 2021); the interest rate on exchange-traded bonds BO-001R-01 and BO 001R 02 is fixed for the whole period (22 September 2022 and 14 November 2024, respectively). Therefore, interest rates on bonded loans cannot be increased unilaterally prior to the dates specified above.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

As at 31 December 2020 and 2019, the Group did not have any material financial assets and liabilities denominated in foreign currencies.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk arising from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, and other financial instruments.

Credit risks related to trade and other receivables are continuously monitored. Where necessary, allowances for expected credit losses are charged.

The present value of trade and other receivables, net of allowance for expected credit losses, represents the maximum amount exposed to credit risk with respect to a certain asset.

28. Financial risk management objectives and policies (continued)

Credit risk (continued)

As at each reporting date, the Group uses the loss allowance matrix to analyze whether it is necessary to recognize impairment and to estimate the expected credit losses. Allowance rates depend on the number of days the payment is overdue and type of receivables with similar loss-origination characteristics (trade accounts receivable from wholesale customers, receivables from related parties, other receivables).

Settlements reflect probability-weighted results, temporary value of money and reasonable and supportable information on past events, current circumstances, forecast economic conditions existing as at the reporting date.

Credit risk is managed at the Group level. Each new wholesale customer is approved by the Group's management.

Credit quality of large wholesale customers is determined by their credit ratings, which are based on analysis of the following characteristics of a counterparty:

1) Financial position;
2) Creditworthiness;
3) Probability of bankruptcy;
4) Information from public sources.

Based on the previous experience with such customers and taking into consideration the history of payments during the recent credit crisis, the Group's management determines the risk that such customers will not meet their obligations as remote.

While settlement of receivables depends on economic factors, the Group management believes that the credit risk exposure related to trade and other receivables does not exceed the amount of allowance recorded in the statement of financial position (Note 18).

Credit risk related to retail installment sales is managed by assessing the retail customers' solvency, including their financial position, the history of relations and other factors. Overdue amounts are recovered according to the approved regulation on overdue amounts which provides for engaging the Financial Safety Department and going to court.

Risk exposure under the cash loans program is managed by assessing the credit worthiness of individual borrowers, including reviewing their financial position, the history of relations with the Group and personal details, as well as taking other measures.

Cash and short-term deposits are placed with credit and financial institutions which are considered to have minimal risk of default at the time of placing a deposit or opening an account.

Other financial assets include loans issued to third and related parties. The Group management believes that the credit risk does not exceed the allowance recorded in the financial statement of financial position (Note 21).

28. Financial risk management objectives and policies (continued)

Credit risk (continued)

The Group neither holds nor issues financial instruments for hedging or resale purposes. Major part of borrowings issued is secured by pledge of property and warranties. Receivables are unsecured. The maximum credit risk exposure is treated as equal to the present value of each financial asset in the statement of financial position as at 31 December as detailed below:

	2020	**2019**
Cash and cash equivalents	434,328	707,396
Short-term trade and other receivables	3,028,124	2,742,266
Other current financial assets	2,383,734	2,078,113
Other non-current financial assets	30,870	47,070
Total	**5,877,056**	**5,574,845**

Fair value measurements of financial assets are classified at Level 3 of the hierarchy. During the years ended 31 December 2020 and 2019, there were no transfers between levels of the fair value hierarchy.

Liquidity risk

Liquidity risk is the risk that the Group will not have enough assets available for timely settlement of financial liabilities when they fall due.

Liquidity risk is the risk that the Group will not be able to meet its financial liabilities as they fall due.

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, finance leases and hire purchase contracts.

The Group monitors its risk of a shortage of funds using a liquidity planning tool.

In order to provide continuous daily control over liquidity the Group established separate operating units within its finance function.

The Budgeting and Financial Analysis Department develops and regularly updates long-term, mid-term and short-term plans of cash flows from operating and financing activities, taking into account the planned retail chain development, increase in the number of stores and seasonal nature of sales. By doing so, the Group is able to accurately determine its liquidity needs in the forecast period. During low liquidity season the Group plans to attract borrowings in order to fulfill its obligations. Due to seasonal nature of sales, the Group attracts borrowings during the low season and settles liabilities during the high season when sufficient revenue proceeds are available.

28. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The Group established the Corporate Finance Department responsible for arranging bank credit facilities and Capital Markets Department responsible for attracting funds using the open financial market instruments. The Corporate Finance Department manages the liquidity risk by providing sufficient open and undrawn credit facilities in several banks and by using short-term bank deposits to accumulate funds for settling major non-current liabilities (bank loans, bonds).

All of the Group's financial liabilities represent non-derivative financial instruments.

The Group assessed the concentration of its debt refinancing risk and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

Contractual non-discounted payments under the Group's financial liabilities broken down by maturities of these liabilities are summarized in the table below:

At 31 December 2020	Carrying amount	Contractual payments	Less than 1 year	2 years	3 years and more
Bank loans (Note 24)	9,251,672	9,997,065*	5,675,467	2,649,844	1,671,754
Bonded loan (Note 24)	3,779,709	4,374,871	3,744,921	56,700	573,250
Lease liabilities (Note 15)	94,061	102,587	46,446	33,712	22,429
Trade payables (Note 25)	2,415,245	2,415,245	2,415,245	–	–
Payables to employees (Note 25)	80,278	80,278	80,278	–	–
Other payables (Note 25)	137,243	137,243	137,243	–	–
Payables to related parties (Note 26)	568	568	568	–	–
Total	**15,758,776**	**17,107,857**	**12,100,168**	**2,740,256**	**2,267,433**

* *Including repayment of revolving credit line tranches.*

At 31 December 2019	Carrying amount	Contractual payments	Less than 1 year	2 years	3 years and more
Bank loans (Note 24)	9,730,864	10,813,390	7,888,422	1,055,580	1,869,388
Bonded loan (Note 24)	2,676,702	3,395,777	1,053,802	522,895	1,819,080
Lease liabilities (Note 15)	137,584	168,137	77,128	40,894	50,115
Trade payables (Note 25)	305,909	305,909	305,909	–	–
Payables to employees (Note 25)	79,923	79,923	79,923	–	–
Other payables (Note 25)	196,298	196,298	196,298	–	–
Payables to related parties (Note 26)	2,089	2,089	2,089	–	–
Total	**13,129,369**	**14,961,523**	**9,603,571**	**1,619,369**	**3,738,583**

Fair value measurements of loans and borrowings are classified at Level 2 of the hierarchy; remaining financial liabilities are classified at Level 3. During the years ended 31 December 2020 and 2019, there were no transfers between levels of the fair value hierarchy.

28. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Management believes that the carrying amounts of financial assets and financial liabilities recorded in the Group's consolidated statement of financial position as at 31 December 2020 and 2019 approximate their fair values.

Capital management

The primary objective of the Group's capital management is to ensure that the Group has adequate funds to support the Group operations, to maximize shareholders' value and to ensure sustainable solvency.

The Group's equity comprises its charter/share capital, retained earnings and additional paid-in capital, which also includes share premium. In order to maintain or adjust its capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue new shares.

Loans and borrowings include short-term and long-term loans, bonds and payables to suppliers.

In the course of equity management, the Group mainly focuses on its gearing ratio. An acceptable level of the gearing ratio is at least 1:2.

29. Operating segments

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

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

2) 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.

29. Operating segments (continued)

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;
- 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:

- Administrative (corporate) expenses, other (corporate) income and expenses;
- Depreciation of property, plant and equipment and right-of-use assets, amortization of intangible assets;
- Finance income and expense;
- Income tax expense.

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

Financial information on reporting segments analyzed by management for the years ended 31 December 2020 and 2019 is presented in the tables below.

Revenue and EBITDA of reporting segments for the year ended 31 December 2020 are as follows:

2020	**Sales of goods**	**Issuance of cash loans**
Revenue		
Revenue from external customers	8,076,104	2,695,582
Cost and selling and distribution expenses	(6,597,604)	(665,058)
Charge of allowance for expected credit losses	(145,364)	(631,077)
Other income (direct)	174,433	–
Other expenses (direct)	(57,096)	–
Segment EBITDA	**1,468,715**	**1,399,447**

29. Operating segments (continued)

Reconciliation of EBITDA of reporting segments and net profit for the year ended 31 December 2020 is presented in the table below:

Total segment EBITDA	**2,868,162**
Unallocated items by segment:	
Depreciation of property, plant and equipment and amortization of intangible assets	(255,257)
Depreciation of right-of-use assets	(67,249)
Administrative (corporate) expenses	(523,070)
Other (corporate) income	40,378
Other (corporate) expenses	(83,910)
Finance income	26,231
Finance expense	(1,252,158)
Income tax expense	(190,329)
Net profit	**562,798**

2019	**Sales of goods**	**Issuance of cash loans**
Revenue		
Revenue from external customers	11,574,535	2,127,962
Cost and selling and distribution expenses	(8,680,635)	(457,091)
Charge of allowance for expected credit losses	(166,766)	(329,260)
Other income (direct)	147,915	–
Other expenses (direct)	(68,208)	–
Segment EBITDA	**2,806,841**	**1,341,611**

Reconciliation of EBITDA of reporting segments and net profit for the year ended 31 December 2019 is presented in the table below:

Total segment EBITDA	**4,148,452**
Unallocated items by segment:	
Depreciation of property, plant and equipment and amortization of intangible assets	(271,260)
Depreciation of right-of-use assets	(69,517)
Administrative (corporate) expenses	(506,673)
Other (corporate) income	53,972
Other (corporate) expenses	(113,231)
Finance income	32,650
Finance expense	(1,150,628)
Income tax expense	(436,377)
Net profit	**1,687,388**

30. Subsequent events

On 28 January 2021, the Group completed the placement of one million and five hundred thousand (1,500,000) stock-exchange bonds (identification number 4B02-04-00412-R-001P dated 14 January 2021) under a Series 001P stock-exchange bond program of LLC Obuv Rossii (identification number 4-00412-R-001P-02E dated 24 December 2018). The bonds have the nominal value of RUB 1,000 each and mature on the 1,440th day from the date of placement.

30. Subsequent events (continued)

On 28 January 2021, the bondholders did not demand redemption of bonds under the respective offer for a bonded loan (stock-exchange bonds with identification number 4B02-07-16005-R dated 21 March 2016), therefore the amount of redemption under the offer was nil.

On 29 January 2021, the Group signed a restructuring addendum to revolving credit agreement No. ZSB/RK/047/19 dated 31 October 2019 with Rosbank PJSC to delay repayment of principal debt in the amount of 200,000 until 30 June 2021

The first stage of rebranding was completed on 2 March 2021. The Group renamed LLC Obuv Rossii. The new name LLC OR was entered into the Uniform State Register of Legal Entities. The next stage is to rename PJSC OR, the parent issuing shares. The ticker used for trading at the Moscow Exchange will also be updated shortly.

On 15 March 2021, the Group entered into a loan agreement with VTB Bank PJSC with a debt limit of RUB 4,500 million. The purpose of the loan is to refinance existing debt and finance current operations. The loan agreement is effective until 14 March 2026.

General Director A.M. Titov ____________________

29 March 2021