

Report on Review of Interim Financial Information
Public Joint-Stock Company OR and its subsidiaries
for the six-month period ended 30 June 2019

August 2019

Translation of the original Russian version

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

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Report on Review of Interim Financial Information

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Public Joint-Stock Company OR and its subsidiaries, which comprise the interim condensed consolidated statement of financial position as at 30 June 2019, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes (interim financial information). Management of Public Joint-Stock Company OR is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

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Conclusion

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

M.S. KHACHATURIAN
Partner
Ernst & Young LLC

16 August 2019

Details of the entity

Name: Public Joint-Stock Company OR
Record made in the State Register of Legal Entities on 12 August 2013, State Registration Number 1135476124101.
Address: Russia 630110, Novosibirsk, str. Bogdana Khmel'nitskogo, building 56.

Details of the auditor

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

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PJSC OR

Interim condensed consolidated statement of comprehensive income

for the six months ended 30 June 2019

(in thousands of Russian rubles)

	Note	Six months of 2019 (unaudited)	Six months of 2018 (unaudited)
Revenue	3	5,384,112	4,492,855
Cost of sales	4	(2,396,295)	(1,854,537)
Gross profit		2,987,817	2,638,318
Selling and distribution expenses	5	(1,553,261)	(1,454,183)
Administrative expenses	6	(282,788)	(284,239)
Charge of allowance for expected credit losses		(275,285)	(170,501)
Other income	7	85,111	80,966
Other expenses	7	(35,618)	(66,077)
Finance income	8	19,987	23,321
Finance expenses	8	(543,322)	(379,706)
Profit before tax		402,641	387,899
Income tax expense		(80,393)	(75,182)
Net profit for the period		322,248	312,717
Other comprehensive income		–	–
Total comprehensive income for the period		322,248	312,717
Weighted average number of ordinary shares (thousand)		113,056	113,056
Basic earnings per share, RUB		2.850	2.766

General Director

A.M. Titov

16 August 2019

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

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Interim condensed consolidated statement of financial position

as at 30 June 2019

(in thousands of Russian rubles)

	Note	30 June 2019 (unaudited)	31 December 2018
Non-current assets			
Property, plant and equipment	9	1,978,340	2,018,551
Right-of-use assets	2.4	128,494	–
Intangible assets	10	38,392	40,872
Other non-current financial assets	13	55,170	63,270
Advances issued for sales of goods		110,084	–
Advances for construction in progress		49,968	48,026
Deferred tax assets		322,307	271,102
Total non-current assets		2,682,755	2,441,821
Current assets			
Inventories	11	12,009,891	10,142,758
Trade and other receivables	12	1,950,170	3,163,452
Advances issued		5,486,316	5,074,509
Income tax receivable		59,081	28,399
Other taxes receivable and VAT recoverable		94,849	120,167
Other current financial assets	13	1,642,174	1,362,848
Cash and cash equivalents		713,227	536,001
Total current assets		21,955,708	20,428,134
Total assets		24,638,463	22,869,955
Equity			
Share capital		11,305,600	11,305,600
Additional paid-in capital		(5,715,802)	(5,715,802)
Retained earnings		7,511,350	7,455,914
Total equity		13,101,148	13,045,712
Long-term liabilities			
Interest-bearing loans and borrowings	15	5,099,096	4,988,457
Lease liabilities	2.4	68,065	–
Deferred tax liabilities		49,284	66,504
Total long-term liabilities		5,216,445	5,054,961
Short-term liabilities			
Interest-bearing loans and borrowings	15	5,151,482	3,939,508
Lease liabilities	2.4	58,179	–
Trade and other payables	16	738,734	336,474
Contract liabilities		71,756	2,839
Current income tax liabilities		1,051	88,351
Deferred revenue		1,752	1,945
Other taxes payable		294,769	395,709
Provisions		3,147	4,456
Total short-term liabilities		6,320,870	4,769,282
Total liabilities		11,537,315	9,824,243
Total equity and liabilities		24,638,463	22,869,955

General Director

A.M. Titov

16 August 2019

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Interim condensed consolidated statement of changes in equity

for the six months ended 30 June 2019

(in thousands of Russian rubles)

	Share capital	Additional paid-in capital	Retained earnings	Total equity
Balance at 1 January 2018	11,305,600	(5,715,802)	6,386,401	11,976,199
Net profit for the period (unaudited)	–	–	312,717	312,717
Total comprehensive income for the period (unaudited)	–	–	312,717	312,717
Dividends accrued	–	–	(262,290)	(262,290)
At 30 June 2018 (unaudited)	11,305,600	(5,715,802)	6,436,828	12,026,626
At 31 December 2018	11,305,600	(5,715,802)	7,455,914	13,045,712
Net profit for the period (unaudited)	–	–	322,248	322,248
Total comprehensive income for the period (unaudited)	–	–	322,248	322,248
Dividends accrued	–	–	(266,812)	(266,812)
At 30 June 2019 (unaudited)	11,305,600	(5,715,802)	7,511,350	13,101,148

General Director

A.M. Titov

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Interim condensed consolidated statement of cash flows

for the six months ended 30 June 2019

(in thousands of Russian rubles)

	Six months of 2019 (unaudited)	Six months of 2018 (unaudited)
Profit before tax	402,641	387,899
<i>Adjustments:</i>		
Depreciation of property, plant and equipment and amortization of intangible assets	139,717	133,161
Depreciation of right-of-use assets	29,962	–
Allowances for expected credit losses	273,375	170,501
Reversal of allowances for expected credit losses	(5,239)	–
Write-down of goods for resale	8,773	18,353
Changes in provisions	(1,309)	1,150
Foreign exchange differences	6,117	6,704
Supplier discounts	48,674	(158,779)
Finance income	(19,987)	(23,321)
Finance expenses	543,322	379,706
Loss on disposal of property, plant and equipment	940	11,435
Other	8,098	9,799
Operating profit before changes in working capital	1,435,966	936,608
Changes in working capital		
Decrease in trade and other receivables (except for the use of allowances for expected credit losses)	1,101,286	603,357
(Increase) in inventories	(2,176,362)	(3,446,834)
(Increase)/decrease in advances issued	(286,396)	1,105,810
(Increase)/decrease in VAT recoverable	25,318	(253,514)
Increase/(decrease) in trade and other payables	99,207	(85,982)
(Decrease) in other tax liabilities	(100,940)	(59,244)
Increase in payables to employees	13,785	19,389
Increase/(decrease) in deferred revenue	(193)	17
Increase in advances from customers	68,917	63,985
(Increase) in cash loans to individuals receivable (except for the use of allowances for expected credit losses)	(437,093)	(140,156)
Net cash used in operating activities before income tax and interest paid	(256,505)	(1,256,564)
Interest paid	(535,315)	(363,870)
Income tax paid	(266,800)	(170,856)
Net cash used in operating activities	(1,058,620)	(1,791,290)
Investing activities		
Purchase of property, plant and equipment and intangible assets	(82,708)	(125,126)
Proceeds from sale of property, plant and equipment and intangible assets	2,458	598
Loans issued	–	(246,906)
Repayment of loans issued	6,764	564,398
Interest received on loans issued	5,779	11,984
Interest received on deposits	12,983	14,220
Net cash (used in) / from investing activities	(54,724)	219,168

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

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Interim condensed consolidated statement of cash flows (continued)

	Six months of 2019 (unaudited)	Six months of 2018 (unaudited)
Financing activities		
Proceeds from loans and borrowings	3,105,576	1,516,646
Repayment of loans and borrowings	(1,790,970)	(1,605,070)
Repayment of principal under leases	(24,036)	–
Net cash from / (used in) financing activities	1,290,570	(88,424)
Net decrease in cash and cash equivalents	177,226	(1,660,546)
Cash and cash equivalents at the beginning of the year	536,001	2,168,814
Cash and cash equivalents at the end of the period	713,227	508,268

General Director

A.M. Titov

16 August 2019

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Notes to the interim condensed consolidated financial statements

for the six months ended 30 June 2019

(in thousands of Russian rubles)

1. Corporate information

The interim condensed consolidated financial statements of Public Joint-Stock Company OR (the "PJSC OR") and its subsidiaries for the six months ended 30 June 2019 were authorized for issue by its General Director A.M. Titov on 16 August 2019.

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

The Group is developing several business lines:

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

Retail line is represented by seven brands:

- ▶ Westfalika is the main retail chain of the Group that comprises mono-brand stores of mid-price segment.
- ▶ Peshekhod is a chain of footwear supermarkets (multi-brand stores).
- ▶ Emilia Estra is a trademark for fashionable footwear, bags and accessories and the same-name chain of specialized stores.
- ▶ Rossita is a chain of supermarkets. It comprises family-centered mono-brand stores of European footwear of mid-price segment.
- ▶ Lisette is a chain of mono-brand stores of youth footwear of mid-price segment.
- ▶ S-TEP is a casual brand of comfortable semi-sport everyday footwear made of natural leather and fur using direct moulding technology.
- ▶ All.Go is a trademark for beach, summer, gardening, sport and hiking footwear.
- ▶ Snow Guard is a trademark for outdoor activity clothes.

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Notes to the interim condensed consolidated financial statements (continued)

1. Corporate information (continued)

The Group comprises:

Entity	Principal activity	30 June 2019 (unaudited)	31 December 2018
PJSC OR	Operations management	Parent	Parent
Obuv Rossii LLC	Trade	100%	100%
Peshekhod LLC	Trade	100%	100%
Obuvrus LLC	Trade	100%	100%
OBUV ROSSII LLC	Manufacturing	100%	100%
Design Studia LLC	Trade	100%	100%
NKO Platezhny Standard LLC	Financial transactions	100%	100%
MKK Arifmetika LLC	Financial transactions	100%	100%
EvaLink LLC	Manufacturing	100%	–

As of 30 June 2019, Anton Michailovich Titov was the ultimate controlling party holding 50% of the Company's shares.

Seasonality

The Company's activities are seasonal in nature. The sales peaks fall at months before beginning of each season. The highest sales peaks fall at the beginning of autumn-winter period. Therefore, the revenue for H2 is significantly higher than that for H1.

2. Basis of preparation and summary of significant accounting policies

2.1. Basis of preparation

These interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with IAS (34) *Interim Financial Reporting*. These interim condensed consolidated financial statements rely on accounting policies and calculation methods that were adopted in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2018. The Group's management believes that explanations of events and transactions disclosed in the notes to the interim condensed consolidated financial statements are sufficient to provide an understanding of significant changes in financial position and performance of the Group since the end of 2018.

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Notes to the interim condensed consolidated financial statements (continued)

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

2.1. Basis of preparation (continued)

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

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

2.2. Going concern

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

2.3. Functional and presentation currency

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as at 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group is a first-time adopter of IFRS 16 *Leases*. As required by IAS 34, the effect of the new standard on the interim condensed consolidated financial statements is disclosed below.

In 2019, the Group also applied certain other amendments and interpretations for the first time, but they did not have any effect on its interim condensed consolidated financial statements.

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

IFRS 16 Leases

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for the majority of leases under a single balance sheet model.

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Notes to the interim condensed consolidated financial statements (continued)

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

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

The Group applied IFRS 16 for the first time using the modified retrospective approach on 1 January 2019. Comparative information for the year ended 31 December 2018 and for the six months ended 30 June 2018 was not restated.

When adopting the new standard, the Group decided to use a practical expedient allowing to apply a recognition exemption for leases, which have the lease term of 12 months or less at the date of lease commencement and do not contain a call option (short-term lease), as well as for leases in which the underlying asset is of low value (leases of "low-value" assets).

The effect of the adoption of IFRS 16 as at 1 January 2019 (increase/(decrease)) is presented below.

Assets	
Right-of-use assets	115,755
Advances issued	(7,320)
Total assets	108,435
Liabilities	
Lease liabilities	108,435
Total liabilities	108,435

(a) Nature of effect of applying IFRS 16 for the first time

The Group's leases mainly comprise real estate leases (stores, warehouses, office premises). Prior to adopting IFRS 16, the Group classified each lease, in which it acted as a lessee at the commencement of the lease, as an operating lease.

Lease payments were recognized as lease expenses in the statement of profit or loss on a straight-line basis over the lease term, and the value of the leased property was not capitalized. All advance lease payments and accrued lease payments were recognized in advance payments and trade and other payables, respectively.

As a result of adoption IFRS 16, the Group used a unified approach to recognize and measure all leases, except for short-term leases and leases of low-value assets. The Group applied special transition requirements and practical expedients set forth by the standard.

The Group recognized right-of-use assets and lease liabilities in relation to leases previously classified as operating leases, except for short-term leases and leases of low-value assets.

Right-of-use assets were recognized in the amount equal to the amount of lease liabilities, as adjusted for previously made or accrued lease payments relating to respective leases, which were recognized earlier. Lease liabilities were recognized at the present value of the remaining lease payments, discounted using the rate of attracting additional borrowings at the date of initial application.

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Notes to the interim condensed consolidated financial statements (continued)

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

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

The Group also applied available practical expedients, as a result of which it:

- ▶ Used a single discount rate for leases with reasonably similar characteristics.
- ▶ Performed an analysis of onerous leases immediately before the date of initial application as an alternative to impairment testing.
- ▶ Applied a recognition exemption to short-term leases with the lease term expiring within 12 months from the date of initial application.
- ▶ Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- ▶ Retroactively used judgments when determining the lease term, if the lease contained an extension or termination option.

Given the above, as at 1 January 2019:

- ▶ The Group recognized right-of-use assets and lease liabilities in the amount of RUB 115,755 thousand and RUB 108,435 thousand, respectively.
- ▶ The Group derecognized advance payments of RUB 7,320 thousand under leases within the scope of IFRS 16.

Reconciliation between operating lease liabilities disclosed in accordance with IAS 17 as at 31 December 2018 and discounted using an weighted average borrowing rate and lease liabilities recognized in accordance with IFRS 16 as at 1 January 2019 is as follows:

Future minimum lease payments under operating leases as at 31 December 2018	8,705
Weighted average borrowing rate used by the Group as a lessee	11.06%
Discounted future minimum lease payments under operating leases as at 31 December 2018	8,407
Effect of estimating lease terms	100,028
Lease liabilities as at 1 January 2019	108,435

The difference between the present value of operating lease liabilities as at 31 December 2018 and the value of lease liabilities under IFRS 16, recorded on 1 January 2019, is explained by the fact that in accordance with the requirements of the previously applied IAS 17 the value of operating lease liabilities included only future payments for the period during which leases could not be terminated. The new standard requires that in determining lease liabilities the Group should record future payments considering an extension option.

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Notes to the interim condensed consolidated financial statements (continued)

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

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

(b) Summary of new accounting policies

Summary of new accounting policies applied by the Group as a result of adopting IFRS 16, that were used from the date of initial application, is as follows:

► 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.

► 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.

To calculate the present value of lease payments, the Group uses the rate of attracting additional borrowings at the commencement of the lease if the interest rate implicit in the lease cannot be easily determined. 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 RUB 300 thousand). 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.

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Notes to the interim condensed consolidated financial statements (continued)

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

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

- Significant judgments when determining the lease term for leases with an extension option

The Group determines the lease term as the period not subject to early termination together with periods that provide for a lease extension option if it is reasonably certain that it will be exercised, or periods that provide for a lease termination option if it is reasonably certain that it will be exercised.

The Group has an option to extend certain leases of assets for the period of 2-5 years. The Group uses judgment to determine whether it is reasonably certain that it will exercise this extension option. In doing so, the Group considers all relevant factors resulting in an economic incentive to exercise the extension option. After the commencement of the lease, the Group remeasures the lease term in case of a significant event or change in circumstances that is controlled by the Group and affects its ability to exercise (or not to exercise) the lease extension option (e.g. a change in the business strategy).

(c) Amounts recognized in the statement of financial position and statement of profit or loss

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 2019	114,856	899	115,755
Cost			
Balance at the beginning of the year	114,856	899	115,755
Additions	45,216	3,890	49,106
Remeasurement	(3,728)	–	(3,728)
Disposals	(3,095)	–	(3,095)
Balance at the end of the year	153,249	4,789	158,038
Accumulated depreciation			
Balance at the beginning of the year	–	–	–
Depreciation charge	(29,041)	(921)	(29,962)
Remeasurement	62	–	62
Depreciation disposal	356	–	356
Balance at the end of the year	(28,623)	(921)	(29,544)
Carrying amount at 30 June 2019	124,626	3,868	128,494

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Notes to the interim condensed consolidated financial statements (continued)

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

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

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

	<u>Lease liabilities</u>
Carrying amount at 1 January 2019	108,435
New leases	48,272
Remeasurement/modification	(3,666)
Lease payments for the period	(30,014)
Interest expense on leases	5,978
Disposal of leases	(2,761)
Carrying amount at 30 June 2019	126,244

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The interpretation addresses the accounting for income taxes when taxes treatment involve uncertainty that affects the application of IAS 12 *Income Taxes*. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. In particular, the interpretation addresses the following issues:

- ▶ Whether the entity considers uncertain tax interpretations separately.
- ▶ The assumptions that the entity makes with regard to review of tax interpretations by tax authorities.
- ▶ How the entity determines taxable profit (tax loss), tax base, unused tax losses, unused tax benefits and tax rates.
- ▶ How the entity considers changes in facts and circumstances.

The entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

This interpretation does not have a significant effect on the Group's consolidated financial statements, as the Group operates in one tax jurisdiction.

Amendment to IFRS 9 – Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are “solely payments of principal and interest on the principal amount outstanding” (the “cash flow” criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the cash flow criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments did not have any impact on the Group's consolidated financial statements.

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Notes to the interim condensed consolidated financial statements (continued)

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

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

Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement

Amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during the reporting period. These amendments clarify that if a plan amendment, curtailment or settlement occurs during the annual reporting period, the entity is required to determine current service cost applicable to the remaining part of the period after the plan amendment, curtailment or settlement, based on the actuarial assumptions used for the revaluation of a net liability (asset) under the defined benefit plan, reflecting the consideration under the plan and assets of the plan after this event. The entity is also required to determine the net interest applicable to the remaining part of the period after the plan amendment, curtailment or settlement with the use of a net liability (asset) under the defined benefit plan, reflecting the consideration under the plan and assets of the plan after this event; and the discount rate used to remeasure this net liability (asset) under the defined benefit plan.

These amendments had no impact on the consolidated financial statements of the Group, as it does not have post-employment benefits.

Amendments to IAS 28 – Long-term Investments in Associates and Joint Ventures

The amendments clarify that an entity should apply IFRS 9 to long-term investments in an associate or a joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term investments). This clarification is important as it implies that the expected credit losses model is applied to such long-term investments in IFRS 9.

The amendments also clarify that, in applying IFRS 9, an entity does not take into account any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures*.

These amendments had no impact on the consolidated financial statements of the Group, as it does not have long-term investments in any associates or joint ventures.

Annual improvements 2015-2017 cycle

IFRS 3 Business Combinations

The amendments clarify that if the entity obtains control over the business that is a joint operation, it must apply requirements towards business combinations achieved in stages, including the revaluation of previously existing interests in assets and liabilities of a joint operation at fair value. In doing so, the acquirer must remeasure all the previously existing interest in joint operations.

These amendments had no impact on the consolidated financial statements of the Group, as it was not involved in any such operations in the periods under review.

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Notes to the interim condensed consolidated financial statements (continued)

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

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

IFRS 11 Joint Arrangements

A party that participates in (but does not have joint control over) a joint operation may obtain joint control over joint operations that comprise the activities defined as a business in IFRS 3. The amendments clarify that in such cases the previously held interests in this joint operation are not remeasured.

These amendments had no impact on the consolidated financial statements of the Group, as it was not involved in any operations in which it obtained joint control.

IAS 12 Income Taxes

Amendments clarify that income tax consequences of dividends are to a greater extent related to past operations or events that generated the distributable profits than to distributions among owners. Therefore, an entity must recognize income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognized the originating past operations or events.

On initial application of these amendments, an entity must apply them to income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

Since the Group's current policy is in line with the amendments, their application had no impact on the Group's consolidated financial statements.

IAS 23 Borrowing Costs

Amendments clarify that an entity must record specific borrowings related to the purchase of a qualifying asset, received as part of general borrowings, when almost all works required to prepare this asset for its intended use or sale are completed.

An entity must apply these amendments to borrowing costs incurred on or after the beginning of the annual period in which an entity first applies these amendments.

Since the Group's current policy is in line with the amendments, their application had no impact on the Group's consolidated financial statements.

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Notes to the interim condensed consolidated financial statements (continued)

3. Revenue

	Six months of 2019 (unaudited)	Six months of 2018 (unaudited)
Revenue from retail	2,704,333	2,464,076
Revenue from wholesale	1,760,046	1,310,196
Gains on issuance of cash loans	919,733	718,583
Total	5,384,112	4,492,855

In the reporting period, the Group did not sale goods, contractual payment for which provided for fulfillment of the counterparties' liabilities in non-cash form. During the six months of 2019, goods were not sold under barter transactions (six months of 2018: RUB 350,002 thousand (net of VAT)).

4. Cost

	Six months of 2019 (unaudited)	Six months of 2018 (unaudited)
Cost of sales	2,238,744	1,661,197
Material costs	78,946	127,017
Payroll and social charges	9,602	21,406
Depreciation of property, plant and equipment and amortization of intangible assets	24,414	23,070
Other	44,589	21,847
	2,396,295	1,854,537

5. Selling and distribution expenses

	Six months of 2019 (unaudited)	Six months of 2018 (unaudited)
Leases	679,580	632,679
Payroll and social charges	467,124	426,392
Bank fees, cash collection in stores	91,311	82,755
Depreciation of property, plant and equipment and amortization of intangible assets	89,680	89,087
Advertising and marketing expenses	56,421	102,658
Material costs	47,386	46,373
Depreciation of right-of-use assets (Note 2.4)	29,679	–
Agency fee on sales of goods	24,861	–
Warehouse expenses	20,978	24,127
Property insurance	1,399	1,766
Other	44,842	48,346
Total	1,553,261	1,454,183

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Notes to the interim condensed consolidated financial statements (continued)

6. Administrative expenses

	Six months of 2019 (unaudited)	Six months of 2018 (unaudited)
Payroll and social charges	103,747	108,202
Communication, post	46,016	47,097
Depreciation of property, plant and equipment and amortization of intangible assets	25,623	21,004
Leases	21,765	19,971
Remuneration to the members of the Board of Directors	19,385	20,957
Information, advisory, audit and legal services	18,657	13,549
Travel expenses	16,980	15,286
Fee and commission expense	11,543	9,107
Taxes other than income tax	7,811	11,229
Material costs	6,455	10,310
Other	4,806	7,527
Total	282,788	284,239

7. Other income and expenses

	Six months of 2019 (unaudited)	Six months of 2018 (unaudited)
Other income		
Penalties received	63,485	66,888
Agency fee	6,052	–
Other	15,574	14,078
Other income	85,111	80,966

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

	Six months of 2019 (unaudited)	Six months of 2018 (unaudited)
Other expenses		
Agency fee	–	786
Write-down of goods for resale	8,773	18,353
Foreign exchange difference	6,117	6,704
Write-down of receivables and advances issued	6,560	8,884
Loss on disposal of property, plant and equipment	940	10,427
Expenses related to leased out items	–	1,554
Taxes and other penalties	563	881
Other expenses	12,665	18,488
Other expenses	35,618	66,077

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Notes to the interim condensed consolidated financial statements (continued)

8. Finance income and expenses

	Six months of 2019 (unaudited)	Six months of 2018 (unaudited)
Finance income		
Interest receivable on loans	19,987	23,321
Total	19,987	23,321
Finance expenses		
Interest on loans	367,154	155,507
Interest on bonds	170,190	224,199
Interest expense on leases (Note 2.4)	5,978	–
Total	543,322	379,706

9. Property, plant and equipment

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

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Notes to the interim condensed consolidated financial statements (continued)

9. Property, plant and equipment (continued)

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

10. Intangible assets

	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	–	860	–	860
Disposals	–	–	–	–
Balance at 30 June 2019 (unaudited)	18,992	32,111	2,709	53,812
Accumulated amortization				
Balance at the beginning of the year	(1,804)	(10,190)	(86)	(12,080)
Amortization charge	(256)	(2,981)	(103)	(3,340)
Amortization disposal	–	–	–	–
Balance at 30 June 2019 (unaudited)	(2,060)	(13,171)	(189)	(15,420)
Carrying amount at 30 June 2019 (unaudited)	16,932	18,940	2,520	38,392

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Notes to the interim condensed consolidated financial statements (continued)

10. Intangible assets (continued)

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

11. Inventories

	30 June 2019 (unaudited)	31 December 2018
Raw materials and supplies	156,399	143,005
Work in progress	12,522	10,751
Finished goods and goods for resale	11,840,970	9,989,002
Total	12,009,891	10,142,758

Provision for the write-down of finished goods and goods for resale to net realizable value amounted to RUB 31,101 thousand (30 June 2018: RUB 21,296 thousand).

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Notes to the interim condensed consolidated financial statements (continued)

12. Trade and other receivables

	30 June 2019 (unaudited)	31 December 2018
Trade receivables from wholesale customers	320,308	769,860
Allowance for expected credit losses related to wholesale customers	(298)	(4,700)
Carrying amount	320,010	765,160
Other receivables	255,663	438,804
Allowance for expected credit losses on other receivables	(40,660)	(39,385)
Carrying amount	215,003	399,419
Trade receivables from retail customers	2,361,593	2,915,691
<i>Neither past due nor impaired</i>	<i>1,093,566</i>	<i>1,670,744</i>
<i>1 to 90 days overdue</i>	<i>76,310</i>	<i>53,932</i>
<i>91 to 540 days overdue</i>	<i>218,650</i>	<i>269,239</i>
<i>More than 540 days overdue</i>	<i>973,067</i>	<i>921,776</i>
Allowance for expected credit losses related to retail customers	(954,634)	(919,673)
Carrying amount	1,406,959	1,996,018
Receivables from related parties (Note 17)	9,155	2,930
Allowance for expected credit losses on receivables from related parties (Note 17)	(957)	(75)
Carrying amount	8,198	2,855
Total	1,950,170	3,163,452

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. 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.

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Notes to the interim condensed consolidated financial statements (continued)

13. Other financial assets

	30 June 2019 (unaudited)	2018
Long-term loans issued to third parties	61,300	70,300
Allowance for expected credit losses on other financial assets	(6,130)	(7,030)
Total other non-current financial assets	55,170	63,270
Loans issued to third parties	18,278	16,545
Allowance for expected credit losses on other financial assets	(1,973)	(2,792)
Carrying amount	16,305	13,753
Cash loans issued to individuals	2,052,849	1,750,963
<i>Neither past due nor impaired</i>	<i>1,038,954</i>	<i>841,083</i>
<i>1 to 90 days overdue</i>	<i>113,212</i>	<i>64,557</i>
<i>91 to 540 days overdue</i>	<i>238,020</i>	<i>221,158</i>
<i>More than 540 days overdue</i>	<i>662,663</i>	<i>624,165</i>
Allowance for expected credit losses on cash loans	(760,700)	(696,808)
Carrying amount	1,292,149	1,054,155
Interest on cash loans receivable	1,229,381	1,173,226
<i>Neither past due nor impaired</i>	<i>82,224</i>	<i>60,377</i>
<i>1 to 90 days overdue</i>	<i>41,792</i>	<i>25,585</i>
<i>91 to 540 days overdue</i>	<i>222,588</i>	<i>206,071</i>
<i>More than 540 days overdue</i>	<i>882,777</i>	<i>881,193</i>
Allowance for expected credit losses on interest on cash loans	(895,661)	(878,357)
Carrying amount	333,720	294,869
Loans issued to related parties	–	71
Carrying amount	–	71
Total other current financial assets	1,642,174	1,362,848

For the six months of 2019, no loans to third parties were issued (2018: loans bearing interest rates ranging from 9.1% to 14%). Loans previously issued to third parties are secured by property collateral.

Cash loans issued to individuals comprise RUB-denominated unsecured amounts of less than RUB 100 thousand with no collateral and with maturities ranging from 1 to 12 months. Interest rates on such cash loans range from 25.55% to 766.5% p.a. and mainly depends on the amount of the cash loan (2018: from 25.55% to 766.5%) and its maturity.

14. Equity

Dividends

In the first half of 2019, the Group declared dividends based on results of 2018 in the amount of RUB 266,812 thousand (2018: RUB 262,290 thousand). As at 30 June 2019, dividends payable amounted to RUB 266,812 thousand.

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Notes to the interim condensed consolidated financial statements (continued)

15. Interest-bearing loans and borrowings

	30 June 2019 (unaudited)	31 December 2018
Long-term loans and borrowings		
Bank loans	5,099,096	4,388,694
Bonded loans	–	599,763
Total	5,099,096	4,988,457
	30 June 2019 (unaudited)	31 December 2018
Short-term loans and borrowings		
Bank loans	3,168,205	1,546,727
Bonded loans	1,981,899	2,391,622
Loans from organizations	1,378	1,159
Total	5,151,482	3,939,508

Bank loans are denominated in Russian rubles and bear interest rates ranging from 9.68% to 10.7% p.a. (2018: from 9.68% to 10.56% p.a.). Long-term bank loans mature in 2020-2023.

A bonded loan issued in 2016 (stock exchange bonds with identification number 4B02-06-16005-R dated 21 March 2016) is represented by 500 bonds with a nominal value of RUB 2 million each and matures on 22 March 2021. Coupon is paid on a quarterly basis during the entire maturity term. As at 1 April 2019, the coupon rate was 13.8% p.a. (2018: 13.8%). The effective rate was 14.52% p.a. The issuer purchased bonds in the amount of RUB 1 billion on 1 April 2019. The bonded loan was early repaid in full on 30 May 2019.

A bonded loan issued in 2017 (stock exchange bonds with identification number 4B02-07-16005-R dated 21 March 2016) is represented by 500 bonds with a nominal value of RUB 2 million each and matures on 20 January 2022. Coupon is paid on a quarterly basis during the entire maturity term. As at 30 June 2019, the coupon rate was 13.8% p.a. (2018: 13.8%). The effective rate was 14.35% p.a. The bonded loan (stock exchange bonds with identification number 4B02-07-16005-R dated 21 March 2016) provides for an offer dated 24 October 2019 allowing the bondholders to demand early redemption of the bonds in the amount of RUB 200 million and an offer dated 23 January 2020 allowing the bondholders to demand early redemption of the bonds in the amount of the issue outstanding.

A bonded loan issued in 2017 (stock exchange bonds with identification number 4B02-01-16005-R dated 20 May 2013) is represented by 1,500,000 bonds with the nominal value of RUB 1,000 each and matures on 15 July 2020. Coupon is paid semi-annually during the entire maturity term. As at 30 June 2019, the Group purchased bonds in the amount of RUB 400 million (31 December 2018: RUB 400 million). The coupon rate was 15% p.a. The effective rate was 11.25% p.a.

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Notes to the interim condensed consolidated financial statements (continued)

15. Interest-bearing loans and borrowings (continued)

On 29 April 2019, as part of the public offer under the bonded loan, the Group purchased 6,765 bonds at 100% (one hundred percent) of the nominal value of bonds (RUB 1,000), including accumulated coupon income. The bonded loan was early repaid in full on 17 July 2019.

As at 30 June 2019, the Group has undrawn credit lines of RUB 3,441,935 thousand (31 December 2018: RUB 1,317,887 thousand).

Pledges

As at 30 June 2019, property, plant and equipment, as well as goods for resale pledged as collateral for the loans received amounted to RUB 930,829 thousand and nil, respectively (2018: RUB 930,829 thousand and nil, respectively).

16. Trade and other payables

	30 June 2019 (unaudited)	31 December 2018
Trade payables	254,850	92,757
Payables to employees	68,968	55,183
Other payables	146,201	185,046
Dividends accrued payable	266,812	–
Payables to related parties	1,903	3,488
Total	738,734	336,474

17. Related party transactions

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

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

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Notes to the interim condensed consolidated financial statements (continued)

17. Related party transactions (continued)

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

Six months of 2019 (unaudited)	Sales to related parties	Purchases from related parties	Receiva- bles from related parties	Allowance for expec- ted credit losses on receiva- bles from related parties	Advances issued to related parties	Payables to related parties	Dividends accrued payable	Lease liabilities to related parties
Entities controlled by key management personnel	3,570	2,588	3,809	(735)	41,639	1,857	–	1,600
Key management personnel	–	–	5,346	(222)	–	–	139,450	–
Other related parties	–	3,199	–	–	–	46	–	–
Total	3,570	5,787	9,155	(957)	41,639	1,903	139,450	1,600

Six months of 2018 (unaudited)	Sales to related parties	Purchases from related parties	Receivables from related parties	Allowance for expected credit losses on receivables from related parties	Advances issued to related parties	Payables to related parties
Entities controlled by key management personnel	4,460	2,633	2,930	(75)	39,889	3,124
Other related parties	–	8,317	–	–	214	364
Total	4,460	10,950	2,930	(75)	40,103	3,488

Terms and conditions of related party transactions

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

Related parties may enter into transactions, which unrelated parties might not, and the terms, conditions and amounts of those may differ from the terms, conditions and amounts of transactions between unrelated parties. Balances with related parties outstanding as at the end of the year were unsecured; respective settlements were made in cash. No guarantees were provided or received for any related party receivables or payables. For the six months ended 30 June 2019, the Group made an allowance for expected credit losses on receivables from related parties of RUB 957 thousand (2018: RUB 75 thousand). The Group assesses whether there are any indicators of impairment in each financial year by analyzing the financial position of the respective related party and conditions existing on the market where such related party operates.

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Notes to the interim condensed consolidated financial statements (continued)

17. Related party transactions (continued)

Terms and conditions of related party transactions (continued)

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

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

Six months of 2018 (unaudited)	Loans receivable from related parties	Interest income	Interest expense
Entities controlled by key management personnel	–	1,737	–
Key management personnel	71	–	80
Other related parties	–	–	36
Total	71	1,737	116

As at 30 June 2019, no loans were issued to related parties. For the six months of 2018, interest rates on loans issued to related parties ranged from 0% to 14%.

Compensation to key management personnel of the Group

As at 30 June 2019, key management personnel comprised the Group's top-managers and the members of the Board of Directors, totaling 12 persons (31 December 2018: 10). For the six months of 2019, compensation paid to key management personnel amounted to RUB 36,869 thousand (six months of 2018: RUB 32,585 thousand). The amount of compensation included payroll, bonuses, paid vacations, payments for serving on the management bodies and other short-term payments.

18. Operating segments

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

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

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

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Notes to the interim condensed consolidated financial statements (continued)

18. 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.
- ▶ Administrative expenses allocated to segments;
- ▶ Charge of allowance for expected credit losses;
- ▶ Other income/expenses allocated to segments:
 - ▶ Income/expenses from transfer of right to claim on installments receivable and from cash loans to individuals.
 - ▶ Foreign exchange differences.
 - ▶ Write-down of accounts receivable/payable and advances issued.
 - ▶ Penalties received.
 - ▶ Write-off of goods for resale.

The following expenses are not allocated to segments:

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

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

Analysis of financial information on reporting segments performed by management for the six months' periods ended 30 June 2019 and 2018 is presented in the table below.

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

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

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Notes to the interim condensed consolidated financial statements (continued)

18. Operating segments (continued)

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

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

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

Six months of 2018 (unaudited)	Sales of goods	Issuance of cash loans
Revenue		
Revenue from external customers	3,774,272	718,583
Cost, selling and administrative expenses	(2,982,372)	(214,191)
Charge of allowance for expected credit losses	(65,868)	(104,633)
Other operating income (direct)	66,888	-
Other operating expenses (direct)	(33,941)	-
Segment EBITDA	758,979	399,759

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

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

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Notes to the interim condensed consolidated financial statements (continued)

19. Commitments and contingencies

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

As at 30 June 2019, the Group's management is unaware of any significant litigations, suits or claims against the Group, which could result in potential losses.

In the Russian Federation tax returns remain open and subject to inspection for a period of up to three years. The fact that a year has been reviewed does not close that year, or any tax return applicable to that year, from further review during the three-year period.

Management believes that the Group has paid or accrued all applicable taxes. For taxes where uncertainty exists, the Group has accrued tax liabilities based on management's best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities.

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

The Group also identified potential contingent liabilities for the three-year period ended 30 June 2019. Management assessed that possible tax risks, if they realize, will not exceed RUB 517,008 thousand (31 December 2018: RUB 394,422 thousand).

The Group continues to track changes related to these risks and regularly reassesses risks and respective liabilities, provisions and disclosures.

20. Subsequent events

Series BO-01 bonds (identification number 4B02-01-16005-R dated 20 May 2013) were early redeemed on 17 July 2019. The issue was repaid in full.

On 30 July 2019, declared dividends for 2018 in the amount of RUB 257,809 thousand were paid.

On 7 August 2019, the Group entered into a credit facility agreement with PJSC ACB Absolut Bank for RUB 1,000 million in order to finance its working capital and support day-to-day operations. The credit facility matures on 20 October 2022.



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Notes to the interim condensed consolidated financial statements (continued)

20. Subsequent events (continued)

On 12 August 2019, Moscow Exchange PJSC included the issue of 1,500,00 stock exchange bonds of Obuv Rossii LLC (identification number 4B02-01-00412-R-001P dated 12 August 2019) with a nominal value of RUB 1,000 (one thousand Russian rubles) each, maturing on the 1,092nd day from the date of the initial placement through public offering, which is underwritten as part of the Program to issue stock exchange bonds (identification number 4-00412-R-001P-02E dated 24 December 2018), in the "Third level" section of the List of Securities Admitted to Trading at Moscow Exchange PJSC.

General Director

A.M. Titov

16 August 2019