Report on Review of Interim Financial Information
OJSC OR and its subsidiaries
for the six-month period ended 30 June 2017

August 2017

Translation of the original Russian version

Translation of the original Russian version

Contents

Page

Совершенствуя бизнес, улучшаем мир

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Report on Review of Interim Financial Information

Translation of the original Russian version

To the shareholders of OJSC OR

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of OJSC OR and its subsidiaries, which comprise the interim condensed consolidated statement of financial position as at 30 June 2017, the 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 OJSC 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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Translation of the original Russian version

Conclusion

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

A.A. SHLENKIN
Partner
Ernst & Young LLC

18 August 2017

Details of the entity

Name: OJSC OR
Record made in the State Register of Legal Entities on 12 August 2012, State Registration Number 1027739707203.
Address: Russia 630110, Novosibirsk, str. Bogdana Khmelnitskogo, building 56.

Details of the auditor

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

Translation of the original Russian version

OR OJSC

Interim condensed consolidated statement of comprehensive income

for the six months ended 30 June 2017

(in thousands of Russian rubles)

	Note	6 months ended 30 June 2017 (unaudited)	6 months ended 30 June 2016 (unaudited) Restated*
Revenue	5	4,140,913	4,075,433
Cost of sales	6	(1,661,959)	(1,553,945)
Gross profit		**2,478,954**	**2,521,488**
Selling and distribution expenses	7	(1,146,016)	(1,092,904)
Administrative expenses	8	(514,250)	(717,665)
Other income		167,626	66,439
Other expenses		(64,364)	(62,854)
Finance income	9	8,981	13,984
Finance expense	9	(529,213)	(475,095)
Profit before tax		**401,718**	**253,393**
Income tax expense		(54,010)	(2,468)
Net profit for the period		**347,708**	**250,925**
Other comprehensive income		–	–
Total comprehensive income for the reporting period		**347,708**	**250,925**
Weighted average number of ordinary shares (thousand)		70,660	70,660
Basic earnings per share, RUB		**4,921**	**3,551**

* *Certain amounts shown in this column do not correspond to the interim condensed consolidated financial statements for the 6 months ended 30 June 2016 and reflect adjustments made, refer to Note 4.*

General Director A.M. Titov ____________________

18 August 2017

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

Translation of the original Russian version

OR OJSC

Interim condensed consolidated statement of financial position

as at 30 June 2017

(in thousands of Russian rubles)

	Note	30 June 2017 (unaudited)	31 December 2016
Non-current assets			
Property, plant and equipment	10	1,795,762	1,909,543
Goodwill and intangible assets	11	38,599	34,373
Other non-current financial assets	14	84,417	–
Advances for construction in progress		176,407	175,390
Deferred tax assets		89,143	72,414
Total non-current assets		**2,184,328**	**2,191,720**
Current assets			
Inventories	12	6,023,293	6,035,754
Trade and other receivables	13	1,891,421	2,380,485
Advances issued		2,124,338	1,586,281
Income tax receivable		45,984	10,536
Other taxes receivable and VAT recoverable		158,442	57,038
Other current financial assets	14	1,538,802	1,262,354
Cash and cash equivalents		289,571	352,190
Total current assets		**12,071,851**	**11,684,638**
Total assets		**14,256,179**	**13,876,358**
Equity			
Share capital	15	7,066,000	7,066,000
Additional paid-in capital	15	(6,904,204)	(6,904,204)
Retained earnings		5,461,833	5,121,596
Total equity		**5,623,629**	**5,283,392**
Long-term liabilities			
Interest-bearing loans and borrowings	16	4,230,329	3,236,200
Deferred tax liabilities		6,752	33,605
Total long-term liabilities		**4,237,081**	**3,269,805**
Short-term liabilities			
Interest-bearing loans and borrowings	16	3,515,927	4,104,509
Trade and other payables	17	485,602	954,779
Advances received		83,689	6,408
Current income tax liabilities		16,376	35,192
Deferred revenue		1,845	2,021
Other taxes payable		289,699	217,728
Provisions		2,331	2,524
Total short-term liabilities		**4,395,469**	**5,323,161**
Total liabilities		**8,632,550**	**8,592,966**
Total equity and liabilities		**14,256,179**	**13,876,358**

* *Certain amounts shown in this column do not correspond to the consolidated financial statements for the year ended 30 June 2016 and reflect adjustments made, refer to Note 4.*

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

Translation of the original Russian version

OR OJSC

Interim condensed consolidated statement of changes in equity

for the six months ended 30 June 2016

(in thousands of Russian rubles)

	Share capital	Additional paid-in capital	Retained earnings Restated*	Total equity
At 31 December 2015 (restated)	**7,066,000**	**(6,937,047)**	**3,938,928**	**4,067,885**
Net profit for the period (unaudited, restated*)	–	–	250,925	**250,925**
Total comprehensive income for the period (unaudited)	**–**	**–**	**250,925**	**250,925**
Contributions from controlling party	–	32,839	–	**32,839**
At 30 June 2016 (unaudited, restated*)	**7,066,000**	**(6,904,204)**	**4,189,853**	**4,351,649**
At 31 December 2016	**7,066,000**	**(6,904,204)**	**5,121,596**	**5,283,392**
Net profit for the period (unaudited)	–	–	347,708	**347,708**
Total comprehensive income for the period (unaudited)	**–**	**–**	**347,708**	**347,708**
Dividends	–	–	(7,471)	**(7,471)**
At 30 June 2017 (unaudited)	**7,066,000**	**(6,904,204)**	**5,461,833**	**5,623,629**

* *Certain amounts shown in these lines and columns do not correspond to the interim condensed consolidated financial statements for the 6 months ended 30 June 2016 and consolidated financial statements for the year ended 31 December 2015 and reflect adjustments made, refer to Note 4.*

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

Translation of the original Russian version

OR OJSC

Interim condensed consolidated statement of cash flows

for the six months ended 30 June 2017

(in thousands of Russian rubles)

	For the 6 months 2017 (unaudited)	For the 6 months 2016 (unaudited) Restated*
Profit before tax	**401,718**	**253,393**
Adjustments		
Depreciation of property, plant and equipment and amortization of intangible assets	129,876	101,820
Changes in the provision for impairment of receivables and other financial assets	309,456	549,465
Finance income	(8,981)	(13,984)
Finance expense	529,213	475,095
Loss on disposal of property, plant and equipment	4,354	198
Operating profit before changes in working capital	**1,365,636**	**1,365,987**
Changes in working capital		
Decrease in trade and other receivables	319,335	418,583
(Increase)/decrease in inventories	12,461	(1,285,691)
Increase in advances issued	(538,057)	(736,365)
Increase in VAT recoverable	(101,404)	(186,224)
Increase/(decrease) in trade and other payables	(465,611)	658,317
Increase in other tax liabilities	71,971	115,583
Increase/(decrease) in payables to employees	(3,759)	4,024
Decrease in deferred revenue	(176)	(77)
Increase in advances from customers	77,281	88,410
Increase in loans to individuals receivable	(251,056)	(370,068)
Net cash from operating activities before income tax and interest paid	**486,621**	**72,479**
Interest paid	(502,678)	(481,331)
Income tax paid	(151,856)	(104,621)
Net cash used in operating activities	**(167,913)**	**(513,473)**
Investing activities		
Purchase of property, plant and equipment and intangible assets	(29,811)	(321,658)
Proceeds from sale of property, plant and equipment and intangible assets	4,119	3,740
Loans issued	(868,356)	(126,792)
Repayment of loans issued	621,322	181,808
Interest received on loans issued	3,322	–
Interest received on deposits placed	3,157	7,301
Net cash used in investing activities	**(266,247)**	**(255,601)**
Financing activities		
Proceeds from loans and borrowings	4,492,577	3,252,852
Repayment of loans and borrowings	(4,113,565)	(2,653,535)
Cash receipt from controlling party	–	32,839
Dividends paid	(7,471)	–
Net cash from financing activities	**371,541**	**632,156**
Net decrease in cash and cash equivalents	**(62,619)**	**(136,918)**
Cash and cash equivalents at the beginning of the period	352,190	287,151
Cash and cash equivalents at the end of the period	**289,571**	**150,233**

* *Certain amounts shown in this column do not correspond to the interim condensed consolidated financial statements for the 6 months ended 30 June 2016 and reflect adjustments made, refer to Note 4.*

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

1. Corporate information

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

The Group is developing several business lines:

- Retail trade of footwear, accessories and related goods;
- Wholesale and franchising;
- Footwear production;
- 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 Obuv Rossii; mono-brand shops of the mid-price segment;
- Peshekhod is a chain of footwear supermarkets and multibrand stores;
- Emilia Estra is a trademark for fashionable footwear, bags and accessories and the same-name chain of specialized stores;
- Rossita is a main retail chain of supermarkets; mono-brand shops of mid-price family footwear of European brands;
- Lisette is a chain of mono-brand stores of youth footwear of mid-price segment;
- All.Go is a trademark for beach, summer, gardening, sport and hiking footwear;
- Snow Guard is a trademark for outdoor activity clothes.

1. Corporate information (continued)

The Group comprises:

Entity	Principal activity	30 June 2017 (unaudited)	31 December 2016
OR OJSC	Operations management	Parent	Parent
Obuv Rossii LLC*	Trade	100%	100%
Westfalika M LLC*	Trade, manufacturing	100%	100%
Peshekhod LLC	Trade	100%	100%
Obuvrus LLC	Trade	100%	100%
MFO LLC*	Trade	100%	100%
Obuv Rossii LLC	Manufacturing	100%	100%
R&D Center Modified Polymers LLC	Research and development in natural sciences and engineering	100%	100%
Integra LLC***	Trade, financing transactions	0%	0%
MiraStil LLC***	Trade, financing transactions	0%	0%
ModernShoes LLC***	Trade	0%	0%
Trading House Rossita LLC***	Trade	0%	0%
StilMarket LLC***	Trade, financing transactions	0%	0%
Dion LLC***	Trade, financing transactions	0%	0%
Design Studio LLC**	Trade	0%	0%
Payment Standard NCO LLC	Finance	100%	100%
Arifmetika MKK LLC***	Finance	100%	100%

* *Obuv Rossii MFO LLC, Westfalika M MFO LLC, Peshekhod MFO LLC, Obuvrus MFO LLC, MFO LLC, Integra MFO LLC, MiraStil MFO LLC, ModernShoes MFO LLC, Trading House Rossita MFO LLC, StilMarket MFO LLC, Dion MFO LLC were renamed to Obuv Rossii MFO LLC, Westfalika M LLC, Peshekhod LLC, Obuvrus LLC, MFO LLC, Integra LLC, MiraStil LLC, ModernShoes LLC, Trading House Rossita LLC, StilMarket LLC, Dion LLC, respectively, as they ceased to be microfinance organizations.*

** *The company is under control of the parent based on an option.*

*** *In June 2016, the subsidiary Arifmetika MKK LLC*** was established.*

A.M. Titov acquired Rossita Group under the sale and purchase agreement for equity interest in the following limited liability companies: Integra LLC, MiraStil LLC, ModernShoes LLC, Trade House Rossita LLC, StilMarket LLC, Dion LLC, and Design Studia LLC. The Group acquired Rossita Group to extend the range of products in the ‘retail trade of footwear, accessories and related goods’ sector.

A.M. Titov and the Group entered into a significant option agreement for the acquisition of a 100% interest in Rossita Group by the Group that includes the provision to transfer profit, which has been distributed to the owner from the acquisition date, to the Group. Based on this option and other facts and circumstances, Rossita Group is under control of the Group starting from July 2014.

The Group exercised the option under the agreement in July 2017.

As at 30 June 2017, Anton Michailovich Titov is the ultimate controlling party holding 71.38% of the Company’s shares (31 December 2016: 96.4%).

Seasonality

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

2. Basis of preparation and summary of significant accounting policies

2.1 Basis of preparation

These interim condensed consolidated financial statements for the 6 months ended 30 June 2017 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 2016.

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 2016. 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 2016.

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, the treatment of revenue from retail services, and conclusions with regard to the control over entities in which the Group has no interest (Note 1). The most significant estimates relate to the useful life of property, plant and equipment, impairment of financial assets, net realizable value of inventories, deferred taxes, and fair value of financial instruments at initial recognition. Actual results could differ from those estimates.

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

2.2 Going concern

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

2.3 Functional and presentation currency

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

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

2.4 Summary of significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these amendments apply for the first time in 2017, they do not have a material impact on the interim condensed consolidated financial statements of the Group. The nature and impact of each new standard (amendment) are described below.

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

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognized Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

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

Annual improvements 2014-2016 cycle

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the Scope of Disclosure Requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

These amendments do not have any impact on the Group, as no interest in a joint venture has been acquired during the period.

4. Restatement of data for the previous periods

On 29 September 2016, management of the Group authorized and issued condensed consolidated financial statements for the six-month ended 30 June 2016. With the newly identified facts, management of the Group restated the comparison data as at 30 June 2016 for the six-month period then ended.

Completion of valuation of acquired business

In 2016, the Group completed measurement of the fair value of identifiable assets and liabilities of Mastershoes LLC acquired in October 2015. In accordance with IFRS 3 *Business Combinations*, management of the Group recognized the restatement retrospectively.

New adopted standard

In 2016, the Group early adopted IFRS 15 *Revenue from Contracts with Customers* and restated its comparative date accordingly. However, the Group has not adopted this standard in the preparation of the interim condensed consolidated financial statements as at 30 June 2016 and for the six-month period then ended. When preparing the interim condensed consolidated financial statements as at 30 June 2017 and for the six-month period then ended the comparative data were adjusted retrospectively.

Other restatements

1) In 2016, management of the Group recalculated fair value of trademarks identified upon completion of valuation of acquired net assets of Rossita Group that was disclosed in the consolidated financial statements of the Group for the year ended 31 December 2014. Therefore, management of the Group decided to recognize this restatement retrospectively.

2) Management of the Group made some other restatements in the consolidated financial statements for the year ended 31 December 2016 and for the 6 months ended 30 June 2016 to present the comparative data correctly.

4. Restatement of data for the previous periods (continued)

Other restatements (continued)

3) As at 30 June 2016, cumulative effect of the above-mentioned restatements on the deferred tax asset and deferred tax liability amounted to RUB 68,763 and RUB 165,275, respectively. In addition, income tax expense for the 6 months ended 30 June 2016 increased by RUB 166.

4) As at 30 June 2016, cumulative effect of the above-mentioned restatements on retained earnings amounted to RUB 494,089.

Overall restatements of comparative data as at 30 June 2016 and for the 6 months ended 30 June 2016, considering correction of errors and adoption of the new standard, was as follows:

Effect on the consolidated statement of financial position

Line	Before restatement for the 6 months of 2016	Other adjustments	Commentary reference	Effect of application of new standard	Effect of completion of acquired business valuation	After restatement for the 6 months of 2016
Property, plant and equipment	1,761,394	–		–	110,327	1,871,721
Goodwill and intangible assets	627,351	(595,704)	[1]	–	–	31,647
Deferred tax assets	164,932	(68,763)	[3]	–	–	96,169
Inventories	6,442,497	–		–	(42,283)	6,400,214
Trade and other receivables	1,610,780	–		1,420	–	1,612,200
Other current financial assets	1,052,186	(13,267)	[2]	–	–	1,038,919
Total assets	**13,789,844**	**(677,734)**		**1,420**	**68,044**	**13,181,574**
Deferred tax liabilities	193,685	(187,931)	[3]	591	22,065	28,410
Deferred revenue	3,207	–		(1,532)	–	1,675
Trade and other payables	370,463	52,626	[2]	–	–	423,089
Total liabilities	**8,944,106**	**(135,305)**		**(941)**	**22,065**	**8,829,925**
Net effect on equity	**4,845,738**	**(542,429)**		**2,361**	**45,979**	**4,351,649**

Effect on the consolidated statement of comprehensive income

Line	Before restatement for the 6 months of 2016	Other adjustments	Commentary reference	Effect of application of new standard	Effect of completion of acquired business valuation	After restatement for the 6 months of 2016
Revenue	3,965,508	–		109,925	–	4,075,433
Cost of sales	(1,597,669)	–		–	43,724	(1,553,945)
Selling and distribution expenses	(1,099,111)	6,207	[1]	–	–	(1,092,904)
Administrative expenses	(725,854)	–		8,188	1	(717,665)
Other income	61,269	5,170	[2]	–	–	66,439
Other expenses	(68,883)	6,029	[2]	–	–	(62,854)
Finance income	140,154	(1)	[2]	(126,169)	–	13,984
Finance expense	(448,591)	(26,504)	[2]	–	–	(475,095)
Profit before tax	**226,823**	**9,099**		**(8,056)**	**43,725**	**253,393**
Income tax expense	(2,302)	(3,481)	[3]	1,612	1,703	(2,468)
Net effect on profit	**224,521**	**(12,580)**		**(6,444)**	**45,428**	**250,925**

4. Restatement of data for the previous periods (continued)

Other restatements (continued)

Effect on basic earnings per share

	Before restatement for the 6 months of 2016	Other adjustments	Effect of application of new standard	After restatement for the 6 months of 2016
Basic earnings per share, RUB	3.177	0.465	(0.091)	3.551

Effect on the consolidated statement of cash flows

	Before restatement for the 6 months of 2016	Effect of application of new standard, acquired business valuation and other adjustments	After restatement for the 6 months of 2016
Operating activity			
Profit before tax for the year	226,823	26,570	253,393
Depreciation of property, plant and equipment and amortization of intangible assets	100,577	1,243	101,820
Changes in the provision for impairment of receivables and other financial assets	557,653	(8,188)	549,465
Finance income	(140,154)	126,170	(13,984)
Finance expense	448,591	26,504	475,095
Operating profit before changes in working capital	**1,193,688**	**172,299**	**1,365,987**
Decrease in trade and other receivables	536,133	(117,550)	418,583
Increase in inventories	(1,286,154)	462	(1,285,692)
Increase in advances issued	(793,303)	56,938	(736,365)
Increase in VAT recoverable	(181,717)	(4,506)	(186,223)
Decrease in trade and other payables	657,181	1,136	658,317
Increase in deferred revenue	(1,171)	1,094	(77)
Net cash from / (used in) operating activities before income tax and interest paid	**(37,394)**	**109,873**	**72,479**
Interest paid	(454,827)	(26,504)	(481,331)
Net cash from / (used in) operating activities	**(596,842)**	**83,369**	**(513,473)**
Investing activities			
Purchase of property, plant and equipment and intangible assets	(185,450)	(136,208)	(321,658)
Loans issued	(152,835)	26,043	(126,792)
Repayment of loans issued	156,493	25,315	181,808
Interest received on loans issued	31,650	(31,650)	–
Net cash flows used in investing activities	**(139,101)**	**116,500**	**(255,601)**
Financing activities			
Proceeds from loans and borrowings	3,252,560	292	3,252,852
Cash receipt from controlling party	–	32,839	32,839
Net cash from / (used in) financing activities	**599,025**	**33,131**	**632,156**
Net decrease in cash and cash equivalents	**(136,918)**	**–**	**(136,918)**

5. Revenue

	6 months of 2017 (unaudited)	6 months of 2016 (unaudited) Restated
Revenue from retail sale	2,742,648	3,048,982
Revenue from wholesale	669,763	285,349
Income from cash loans	728,502	741,102
Total	**4,140,913**	**4,075,433**

6. Cost of sales

	6 months of 2017 (unaudited)	6 months of 2016 (unaudited) Restated
Cost of goods sold	1,519,107	1,449,884
Material costs	86,997	56,696
Payroll and social charges	17,731	11,740
Depreciation of property, plant and equipment and amortization of intangible assets	16,264	11,156
Other	21,860	24,469
Total	**1,661,959**	**1,553,945**

7. Selling and distribution expenses

	6 months of 2017 (unaudited)	6 months of 2016 (unaudited) Restated
Leases	525,870	547,030
Payroll and social charges	311,920	294,863
Advertising and marketing	93,722	74,424
Depreciation of property, plant and equipment and amortization of intangible assets	89,684	71,097
Bank fees, cash collection in stores	49,360	40,913
Material costs	26,840	21,416
Warehouse expenses	25,266	24,672
Insurance	2,301	1,550
Information technologies	412	4,756
Other	20,641	12,183
Total	**1,146,016**	**1,092,904**

8. Administrative expenses

	6 months of 2017 (unaudited)	6 months of 2016 (unaudited) Restated
Provision for other financial assets (Note 14)	139,507	353,506
Provision for doubtful receivables (Note 13)	169,949	195,959
Payroll and social charges	75,927	66,403
Communication, post	29,318	33,061
Depreciation of property, plant and equipment	23,928	19,567
Leases	18,347	21,410
Information, consulting, audit and legal fees	14,454	3,672
Taxes other than income tax	11,979	5,635
Material costs	7,994	6,347
Travel expenses	8,542	9,186
Other	14,305	2,919
Total	**514,250**	**717,665**

9. Finance income and expenses

	6 months of 2017 (unaudited)	6 months of 2016 (unaudited) Restated
Finance income		
Interest on loans issued	8,981	13,984
Total	**8,981**	**13,984**
Finance expense		
Interest on loans received	389,532	338,765
Interest on bonds	139,572	136,319
Other	109	11
Total	**529,213**	**475,095**

10. Property, plant and equipment

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

	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 2016 (restated)	**30,112**	**578,008**	**183,600**	**12,785**	**464,747**	**24,431**	**515,394**	**1,809,077**
Cost								
Balance at 1 January 2016 (restated)	**30,112**	**625,128**	**204,426**	**30,260**	**675,808**	**34,640**	**515,394**	**2,115,768**
Additions	–	–	–	–	–	–	176,913	**176,913**
Commissioning	–	–	16,078	5,240	109,793	510	(131,621)	**–**
Disposals	–	–	(5,877)	–	(1,866)	(203)	(5,418)	**(13,364)**
Balance at 30 June 2016 (unaudited)	**30,112**	**625,128**	**214,627**	**35,500**	**783,735**	**34,947**	**555,268**	**2,279,317**
Accumulated depreciation								
Balance at 1 January 2016 (restated)	**–**	**(47,120)**	**(20,826)**	**(17,475)**	**(211,061)**	**(10,209)**	**–**	**(306,691)**
Depreciation charge	–	(12,475)	(16,267)	(2,352)	(69,759)	(2,554)	–	**(103,407)**
Depreciation disposal	–	–	2,201	–	207	94	–	**2,502**
Balance at 30 June 2016 (unaudited)	**–**	**(59,595)**	**(34,892)**	**(19,827)**	**(280,613)**	**(12,669)**	**–**	**(407,596)**
Carrying amount at 30 June 2016 (unaudited)	**30,112**	**565,533**	**179,735**	**15,673**	**503,122**	**22,278**	**555,268**	**1,871,721**

11. Intangible assets

Intangible assets comprise the following:

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

	Goodwill	Trademarks	Software	Other	Total
Carrying amount at 1 January 2016	**124**	**17,489**	**12,347**	**726**	**30,686**
Cost					
Balance at the beginning of the year	**124**	**18,055**	**13,862**	**726**	**32,767**
Additions	–	–	73	1,037	**1,110**
Balance at 30 June 2016 (unaudited)	**124**	**18,055**	**13,935**	**1,763**	**33,877**
Accumulated depreciation					
Balance at the beginning of the year	**–**	**(566)**	**(1,515)**	**–**	**(2,081)**
Depreciation charge	–	(139)	(10)	–	**(149)**
Balance at 30 June 2016 (unaudited)	**–**	**(705)**	**(1,525)**	**–**	**(2,230)**
Carrying amount at 30 June 2016 (unaudited)	**124**	**17,350**	**12,410**	**1,763**	**31,647**

12. Inventories

	30 June 2017 (unaudited)	31 December 2016 Restated
Raw materials and supplies	110,228	83,641
Work in progress	24,811	15,393
Finished goods and goods for resale	5,888,254	5,936,720
Total	**6,023,293**	**6,035,754**

Expenses on write-down of finished goods and goods for resale to net realizable value amounted to RUB 7,130 (6 months 2016: RUB 2,667).

13. Trade and other receivables

	30 June 2017 (unaudited)	31 December 2016 Restated
Trade receivables from wholesale customers	334,705	99,813
Trade receivables from retail customers	1,918,949	2,684,068
Provision for doubtful receivables from retail customers	(730,750)	(561,021)
Receivables from related parties	6,960	7,092
Other receivables	361,557	150,533
Total	**1,891,421**	**2,380,485**

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

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

Movement of provision for doubtful receivables:

	2017	2016 Restated
At 1 January	**561,021**	**249,301**
Provision charge	169,949	195,959
Utilization of provision	(220)	–
At 30 June (unaudited)	**730,750**	**445,260**

Details of the trade and other receivables are shown in the tables below:

30 June 2017 (unaudited)	Neither past due nor impaired	Past due: 1 to 30 days	Past due: 31 to 91 days	Past due: 92 to 540 days	Past due: Over 540 days	Provision for impairment
Trade receivables from wholesale customers	334,705	–	–	–	–	–
Trade receivables from retail customers	906,736	36,677	68,783	387,221	519,532	(730,750)
Other receivables	361,557	–	–	–	–	–
Receivables from related parties	6,960	–	–	–	–	–
Total	**1,609,958**	**36,677**	**68,783**	**387,221**	**519,532**	**(730,750)**

13. Trade and other receivables (continued)

31 December 2016	Neither past due nor impaired	Past due: 1 to 30 days	Past due: 31 to 91 days	Past due: 92 to 540 days	Past due: Over 540 days	Provision for impairment
Trade receivables from wholesale customers	99,813	–	–	–	–	–
Trade receivables from retail customers	1,846,313	50,208	53,061	355,745	378,741	(561,021)
Other receivables	150,533	–	–	–	–	–
Receivables from related parties	7,092	–	–	–	–	–
Total	**2,103,751**	**50,208**	**53,061**	**355,745**	**378,741**	**(561,021)**

14. Other financial assets

Other financial assets comprise the following:

	30 June 2017 (unaudited)	31 December 2016
Other non-current financial assets		
Loans issued to third parties	84,417	–
Total	**84,417**	**–**
Other current financial assets		
Loans issued to third parties	41,084	17,573
Cash loans issued to individuals	1,435,685	1,295,867
Allowance for cash loans impairment	(531,092)	(457,949)
Interest on cash loans receivable	971,887	860,649
Allowance for impairment of interest on cash loans	(742,204)	(677,118)
Loans issued to related parties	363,442	223,332
Total	**1,538,802**	**1,262,354**

Loans issued to third parties are denominated in Russian rubles. They bear interest rate of 12.5% to 15% (2016: 12.5% to 15%) and mature within 1 year. Loans issued to third parties are not secured.

Cash loans issued to individuals comprise RUB-denominated unsecured amounts of less than RUB 30, maturing from 1 to 12 months. Such receivables bear interest of 15.33% to 766.50% p.a., which mainly depend on the amount of the loan issued (2016: 15.33% to 730%).

For the 6 months, movements in the provision for other financial assets comprise the following:

	2017	2016
At 1 January	**1,135,067**	**582,979**
Provision charge	139,507	353,506
Utilization of provision	(1,278)	–
At 30 June (unaudited)	**1,273,296**	**936,485**

14. Other financial assets (continued)

Details of the financial assets are shown in the tables below:

30 June 2017 (unaudited)	Neither past due nor impaired	Past due: 1 to 30 days	Past due: 31 to 91 days	Past due: 92 to 540 days	Past due: Over 540 days	Provision for impairment
Loans issued to third parties	125,501	–	–	–	–	–
Cash loans issued to individuals	748,831	43,681	49,386	240,347	353,440	(531,092)
Interest on cash loans receivable	61,425	12,824	28,496	271,280	597,862	(742,204)
Loans issued to related parties	363,442	–	–	–	–	–
	1,299,199	**56,505**	**77,882**	**511,627**	**951,302**	**(1,273,296)**

31 December 2016	Neither past due nor impaired	Past due: 1 to 30 days	Past due: 31 to 91 days	Past due: 92 to 540 days	Past due: Over 540 days	Provision for impairment
Loans issued to third parties	17,573	–	–	–	–	–
Cash loans to individuals	725,439	28,976	31,176	243,809	266,467	(457,949)
Interest on cash loans receivable	54,064	8,020	15,973	323,379	459,213	(677,118)
Loans issued to related parties	223,332	–	–	–	–	–
	1,020,408	**36,996**	**47,149**	**567,188**	**725,680**	**(1,135,067)**

15. Equity

Share capital

Share capital of OR OJSC is fully paid by shares in subsidiaries and comprises 70,660,000 shares with the nominal value of RUB 100.

Additional paid-in capital

Additional paid-in capital of RUB 6,904,204 represents the difference between the nominal value of the share capital and the current value of share capitals of the companies, which were contributed as payment of the share capital at the moment of repayment.

Additional paid-in capital includes contributions from ultimate controlling party for the six-month ended 30 June 2017 in the amount of RUB 0 (for the six-month ended 30 June 2016 RUB 32,839).

Dividends

During the first half of 2017, the Group paid dividends in the amount of RUB 7,741.

16. Interest-bearing loans and borrowings

Long-term loans and borrowings	30 June 2017 (unaudited)	31 December 2016
Bank loans	2,630,608	2,237,054
Bonds	1,599,721	999,146
Total	**4,230,329**	**3,236,200**

Short-term loans and borrowings	30 June 2017 (unaudited)	31 December 2016
Bank loans	3,090,123	3,093,530
Bonds	425,236	1,010,586
Loans received from the companies	568	393
Total	**3,515,927**	**4,104,509**

Bank loans are denominated in Russian rubles. They bear interest rate of 12.30%-15.25% p.a. (2016: 13%-16% p.a.). Long-term bank loans mature in 2018-2022.

As at 30 June 2017, two bonds were in circulation.

A bond issued in 2017 (stock-exchange bonds with identification number 4B02-07-16005-R dated 23 March 2016) is represented by 500 bonds with the nominal amount of RUB 2,000 each maturing not later than 20 January 2022. Coupon is paid quarterly during the entire maturity term. As at 30 June 2017, the coupon rate was 13.8% p.a. The effective interest rate was 14.48% p.a.

A bond issued in 2016 (stock-exchange bonds with identification number 4B02-06-16005-R dated 21 March 2016) is represented by 500 bonds with the nominal amount of RUB 2,000 each maturing not later than 22 March 2021. Coupon is paid quarterly during the entire maturity term. As at 30 June 2017, the coupon rate was 13.8% p.a. The effective interest rate was 14.48% (2016: 14,49%) p.a.

As at 30 June 2017, the Group has undrawn credit facilities of RUB 183,819 (31 December 2016: RUB 748,215).

Pledges

As at 30 June 2017, property, plant and equipment, as well as goods for resale, used as collateral for the loans received, amounted to RUB 975,262 and RUB 1,013,049, respectively. As at 31 December 2016, loans received were not secured.

17. Trade and other payables

	30 June 2017 (unaudited)	31 December 2016
Trade payables	373,662	852,242
Payables to employees	52,712	48,745
Other payables	57,924	38,712
Payables to related parties (Note 18)	1,304	15,080
Total	**485,602**	**954,779**

18. Related party transactions

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

Related parties include the owner, key management personnel, entities under common control of the ultimate controlling party, and entities in relation to which the Group has significant influence.

The following table provides the amounts of transactions with related parties:

Six months of 2017 (unaudited)	Sales to related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Entities under common control	8,025	4,875	5,257	1,304
Close relatives	6,563	–	2,948	–
Total	**14,588**	**4,875**	**8,205**	**1,304**

Six months of 2016 (unaudited)	Sales to related parties Restated	Purchases from related parties Restated	Receivables from related parties Restated	Payables to related parties Restated
Entities under common control	3,971	25,055	5,197	15,068
Ultimate controlling party	–	–	41	–
Close relatives	–	4,736	4,068	12
Total	**3,971**	**29,791**	**9,306**	**15,080**

18. Related party transactions (continued)

Terms and conditions of related party transactions

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

Payables to the ultimate controlling party comprise the amounts received to proceed transactions on behalf of the Group.

Related parties may enter into transactions, which unrelated parties might not, and the terms, conditions and amounts of those transactions may differ from the terms, conditions and amounts of transactions between unrelated parties. Balances with related parties outstanding as at the end of the reporting period 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 2017 and 2016, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. The Group assesses whether there are any indicators of impairment in each financial year by analyzing the financial position of the respective related party and conditions existing on the market where such related party operates.

During the first half of 2017 and the year ended 31 December 2016, related parties did not pledge any assets as collateral.

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

Six months of 2017 (unaudited)	**Loans issued to related parties**	**Loans received from related parties**	**Interest income**	**Interest expense**
Entities under common control	37,247	–	2,018	–
Ultimate controlling party	326,195	–	134	–
Total	**363,442**	**–**	**2,152**	**–**

Six months of 2016 (unaudited)	**Loans issued to related parties Restated**	**Loans received from related parties Restated**	**Interest income**	**Interest expense**
Entities under common control	41,895	–	3,101	–
Ultimate controlling party	181,437	–	3,002	1
Total	**223,332**	**–**	**6,103**	**1**

Loans issued to related parties for the six months of 2017 bore interest rate of 11%-14% p.a. (6 months of 2016: 14% p.a.). Loans issued to related parties mature during 2017-2018.

18. Related party transactions (continued)

Compensation to key management personnel of the Group

Key management personnel comprise the Group's top managers and the members of the Board of Directors, totaling 7 persons as at 30 June 2017 (31 December 2016: 5). Compensation paid to the key management personnel for the six months of 2017 amounted to RUB 16,341 (6 months of 2016: RUB 4,984). Compensation included salary, bonuses, vacation payments, payments for serving on the management bodies and other short-term payments.

19. Operating segments

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

1) Retail trade of footwear, accessories and related goods;
2) 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 income before interest, taxes, amortization and the group-wide income and expenses.

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

- Revenue;
- Cost of sales;
- Selling and distribution expenses;
- Administrative expenses allocated to segments:
  - provision for other financial assets;
  - provision for doubtful receivables.
- Other income/expenses allocated to segments:
  - income/expenses from transfer of right to claim on installments receivable and cash loans to individuals;
  - foreign exchange differences;
  - write-off of accounts receivable/payable and advances issued;
  - penalties received;
  - write-off of goods for resale.

19. Operating segments (continued)

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 analyzed by management for the six months' periods ended 30 June 2017 and 2016 is presented in the table below.

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

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

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

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

19. Operating segments (continued)

Revenue and EBITDA of reporting segments for the six months ended 30 June 2016 comprise the following:

Six months of 2016 (unaudited) Restated	**Sale of goods**	**Cash loans**
Revenue		
Revenue from external customers	3,334,331	741,102
Cost of sales, selling and administrative expenses	(2,579,512)	(534,549)
Other operating income (direct)	61,785	–
Other operating expenses (direct)	(36,661)	–
Segment EBITDA	**779,943**	**206,553**

Reconciliation of reporting segments EBITDA and net profit for the six months ended 30 June 2016 is presented in the table below:

Total EBITDA of segments	**986,496**
Unallocated items by segments	
Depreciation of property, plant and equipment and amortization of intangible assets	(101,820)
Administrative (corporate) expenses	(148,633)
Other (corporate) operating income	4,654
Other (corporate) operating expenses	(26,193)
Finance income	13,984
Finance expense	(475,095)
Income tax expense	(2,468)
Net profit	**250,925**

20. Contractual commitments for future transactions

The Group entered into an agreement for supply of footwear manufacture equipment. The agreement was concluded with Boshmer Technik GmbH (Germany) for the total amount of EUR 4,800. According to the terms of the agreement, the Group is required to make advance payments. As at 30 June 2017, the advance payments to be paid by the Group amounted to EUR 2,819. The equipment will be supplied after the full price have been paid.

21. 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.

At 30 June 2017, 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 and subject to inspection for a period of up to three years. The fact that a year has been reviewed does not close that year, or any tax return applicable to that year, from further review during the three-year period.

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

The government of the Russian Federation continues to reform the business infrastructure in its transition to a market economy. Therefore, requirements by laws and regulations regulating activities of business companies are rapidly changing. These changes are not always clearly written and subject to varying interpretations; also, authorities are often arbitrary in its enforcement. There are common instances when tax audits and investigations are conducted by authorities that have the power to assess fines and penalties. The Group believes that it has accrued all taxes that are applicable in accordance with its interpretation of tax laws, however the facts described above could lead to additional tax risk. The Group's management estimates the maximum exposure to tax risk assessed as possible (5% to 50% probability) as RUB 80,000 (31 December 2016: RUB 75,000). The Group continues to track changes related to these risks and regularly reassesses risks and respective liabilities, provisions and disclosures.

22. Subsequent events

In July 2017, the Group company Obuvrus LLC issued stock-exchange bonds of BO-01 series. The issue involves 1,500,000 bonds with the nominal value of RUB 1,000 each and maturity period of three years. The coupon rate was 15% p.a.

On 5 July 2017, a transaction was closed with respect to the sale of 100% share owned by Mr. Anton Mikhailovich Titov, the ultimate owner, in the following companies: Design Studio LLC, Integra LLC, Dion LLC, MiraStil LLC, ModernShoes LLC, StilMarket LLC, Trading House Rossita LLC. The shares were sold to Obuv Rossii LLC and OR OJSC, which acquire 99.96% and 0.04% in the companies' share capital, respectively. The transaction amounted to RUB 496,000. The event had no impact on the financial statements of the Group, as the Group executed control over the above-mentioned companies (Note 1).

On 1 August 2017, the Group entered into an agreement with GLOBEXBANK for a revolving credit line of RUB 800 million maturing in 3 years.