

DETSKY MIR GROUP

Interim Condensed Consolidated
Financial Information (unaudited)
Half-Year Ended 30 June 2020

DETSKY MIR GROUP

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2020 (UNAUDITED)

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the consolidated financial position of Public Joint Stock Company "Detsky Mir" (hereinafter, the "Company") and its subsidiaries (hereinafter, the "Group" or "Detsky Mir Group") as at 30 June 2020, and the consolidated results of its operations, cash flows and changes in equity for the half-year then ended, in compliance with International Accounting Standard 34 "Interim Financial Reporting" (hereinafter, "IAS 34").

In preparing the interim condensed consolidated financial information, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the interim condensed consolidated financial information of the Group complies with IAS 34;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards of the jurisdictions the Group's subsidiaries are operating in;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The interim condensed consolidated financial information of the Group for the half-year ended 30 June 2020 was approved on 24 August 2020.



M.S. Davydova
Chief Executive Officer
PJSC Detsky Mir



A.S. Garmanova
Chief Financial Officer
PJSC Detsky Mir

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To: Board of Directors and Shareholders of Public Joint Stock Company "Detsky Mir"

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Public Joint Stock Company "Detsky Mir" (hereinafter, the "Company") and its subsidiaries (hereinafter, the "Group") as at 30 June 2020 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the half-year then ended, and selected explanatory notes (hereinafter, the "interim condensed consolidated financial information"). Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated 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 consolidated 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.

Conclusion

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

Other Information

Management is responsible for the other information. The other information comprises the supplementary information included on pages 20-24 and is presented for the purpose of additional analysis and is not a part of the interim condensed consolidated financial information for the half-year ended 30 June 2020.

Our conclusion on the interim condensed consolidated financial information of the Group for the half-year ended 30 June 2020 does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our interim review of the interim condensed consolidated financial information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the interim condensed consolidated financial information, or our knowledge obtained in the interim review or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.


Egor Metelkin,
Engagement partner
24 August 2020



The Entity: PJSC "Detsky Mir"

State Registration Certificate No. 7701233499, issued by Interregional Inspectorate of the Russian Ministry of Taxes and Levies No. 29 for Moscow on 13.09.1999.

Primary State Registration Number: 1027700047100

Registered address: 37 Vernadsky Prospekt, bldg. 3, Moscow, 119415, Russia

Audit Firm: AO "Deloitte & Touche CIS"

Certificate of state registration № 018.482, issued by the Moscow Registration Chamber on 30.10.1992.

Primary State Registration Number: 1027700425444

Certificate of registration in the Unified State Register № 77 004840299 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Member of Self-regulatory organization of auditors Association "Sodruzhestvo", ORNZ 12006020384

DETSKY MIR GROUP

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2020 (UNAUDITED) (in millions of Russian Rubles, except earnings per share)

	Notes	For the half-year ended	
		30 June 2020	30 June 2019
Revenue	3	59,856	55,899
Cost of sales		<u>(41,890)</u>	<u>(38,308)</u>
GROSS PROFIT		17,966	17,591
Selling, general and administrative expenses	4	(13,636)	(12,873)
Other operating income, net		<u>39</u>	<u>2</u>
OPERATING PROFIT		4,369	4,720
Finance income		66	6
Finance expenses	5	(2,481)	(2,422)
Foreign exchange loss, net		<u>(1,471)</u>	<u>(286)</u>
PROFIT BEFORE INCOME TAX		483	2,018
Income tax expense		<u>(99)</u>	<u>(84)</u>
PROFIT FOR THE PERIOD		<u>384</u>	<u>1,934</u>
Other comprehensive (loss)/income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Effect of translation to presentation currency		<u>(30)</u>	<u>45</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>354</u>	<u>1,979</u>
Earnings per share			
Weighted average number of shares outstanding, basic and diluted		734,819,613	735,841,810
Earnings per share, basic and diluted (in Russian Rubles per share)		0.52	2.63

The Notes on pages 8 to 19 form an integral part of this interim condensed consolidated financial information.

DETSKY MIR GROUP

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020 (in millions of Russian Rubles)

	Notes	30 June 2020 (Unaudited)	31 December 2019
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	6	9,174	9,755
Intangible assets	6	1,245	1,464
Right-of-use assets	7	32,126	32,988
Deferred tax assets		2,289	2,415
Other non-current assets		116	138
Total non-current assets		44,950	46,760
CURRENT ASSETS:			
Inventories	8	41,997	38,636
Trade receivables		1,761	4,048
Advances paid and other receivables		985	1,435
Prepaid income tax		12	13
Cash and cash equivalents	9	2,931	1,769
Total current assets		47,686	45,901
TOTAL ASSETS		92,636	92,661
EQUITY AND LIABILITIES			
EQUITY:			
Share capital		1	1
Treasury shares	10	(407)	(317)
Additional paid-in capital		5,793	5,793
Accumulated deficit		(9,107)	(7,305)
Currency translation reserve		131	161
Total equity		(3,589)	(1,667)
NON-CURRENT LIABILITIES:			
Lease liabilities	12	27,678	27,635
Long-term loans and borrowings	13	11,000	8,980
Deferred tax liabilities		91	104
Total non-current liabilities		38,769	36,719
CURRENT LIABILITIES:			
Trade payables		24,996	32,911
Short-term loans and borrowings and current portion of long-term loans and borrowings	13	16,839	10,270
Lease liabilities	12	7,241	7,145
Advances received, other payables and accrued expenses	14	7,792	6,042
Deferred revenue		476	436
Income tax payable		112	805
Total current liabilities		57,456	57,609
Total liabilities		96,225	94,328
TOTAL EQUITY AND LIABILITIES		92,636	92,661

The Notes on pages 8 to 19 form an integral part of this interim condensed consolidated financial information.

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2020 (UNAUDITED) (in millions of Russian Rubles)

	Share capital	Treasury shares	Additional paid-in capital	Accumulated deficit	Currency translation reserve	Total
Balance as at 1 January 2019	1	(214)	5,793	(6,609)	87	(942)
Profit for the period	-	-	-	1,934	-	1,934
Other comprehensive income	-	-	-	-	45	45
Total comprehensive income for the period	-	-	-	1,934	45	1,979
Share-based compensation (Note 15)	-	-	-	156	-	156
Purchase of treasury shares (Note 10)	-	(139)	-	-	-	(139)
Sale of treasury shares (Note 10)	-	31	-	-	-	31
Dividends (Note 11)	-	-	-	(3,274)	-	(3,274)
Balance as at 30 June 2019	1	(322)	5,793	(7,793)	132	(2,189)
Balance as at 1 January 2020	1	(317)	5,793	(7,305)	161	(1,667)
Profit for the period	-	-	-	384	-	384
Other comprehensive loss	-	-	-	-	(30)	(30)
Total comprehensive income for the period	-	-	-	384	(30)	354
Share-based compensation (Note 15)	-	-	-	19	-	19
Purchase of treasury shares (Note 10)	-	(90)	-	-	-	(90)
Dividends (Note 11)	-	-	-	(2,205)	-	(2,205)
Balance as at 30 June 2020	1	(407)	5,793	(9,107)	131	(3,589)

The Notes on pages 8 to 19 form an integral part of this interim condensed consolidated financial information.

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2020 (UNAUDITED) (in millions of Russian Rubles)

	For the half-year ended	
	30 June 2020	30 June 2019
OPERATING ACTIVITIES:		
Profit for the period	384	1,934
Adjustments for:		
Depreciation and amortization expense	5,220	4,875
Finance expenses	2,481	2,422
Foreign exchange loss, net	1,471	286
Write-offs of merchandise inventories relating to shrinkage and write-down to net realizable value	799	358
Income tax expense recognized in profit or loss	99	84
Expense on equity-settled share-based compensation	22	156
Loss/(gain) on disposal of non-current assets	2	(11)
Bad debts written-off and change in allowance for credit losses for doubtful accounts	(2)	(35)
Finance income	(66)	(6)
Other	(43)	(50)
Changes in working capital:		
Decrease in trade receivables	2,287	1,192
Decrease in advances paid and other receivables	494	263
Increase in inventories	(4,150)	(2,591)
Decrease in trade payables	(9,016)	(4,787)
Decrease in advances received, other payables and accrued expenses	(854)	(507)
Increase/(decrease) in deferred revenue	40	(251)
Cash (used in)/generated by operations	(832)	3,332
Interest paid	(2,390)	(2,248)
Interest received	52	3
Income taxes paid	(712)	(659)
Net cash (used in)/generated by operating activities	(3,882)	428
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(576)	(1,248)
Payments for intangible assets	(93)	(368)
Proceeds from disposal of property, plant and equipment	21	20
Net cash used in investing activities	(648)	(1,596)
FINANCING ACTIVITIES:		
Purchase of treasury shares	(90)	(139)
Sale of treasury shares	-	31
Proceeds from loans and borrowings	49,800	34,937
Repayment of loans and borrowings	(41,211)	(28,914)
Dividends paid	-	(3,274)
Lease payments	(2,807)	(3,490)
Net cash generated/(used in) financing activities	5,692	(849)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,162	(2,017)
CASH AND CASH EQUIVALENTS, beginning of the period	1,769	3,335
CASH AND CASH EQUIVALENTS, end of the period	2,931	1,318

The Notes on pages 8 to 19 form an integral part of this interim condensed consolidated financial information.

DETSKY MIR GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2020 (UNAUDITED) (in millions of Russian Rubles)

1. GENERAL INFORMATION

PJSC "Detsky Mir" (hereinafter, the "Company", "Detsky mir") together with its subsidiaries (hereinafter, the "Group") is the largest retail chain in the children's products market in the Russian Federation (hereinafter, "RF"). The Company is registered in the Unified State Register of Legal Entities under the laws of the Russian Federation (State Registration Certificate No. 1027700047100). The Company's address is 3/6 3-Niznelikhoborsky Proezd, Moscow 127238.

The primary activity of the Group is the sale of children's clothing and products through retail stores and its online store, and the Group develops pet goods sales through retail stores and its online store as well. During the half-year ended 30 June 2020 and as at 30 June 2020 the Group operated "Detsky Mir" branded stores in Russia, Kazakhstan and Belarus, Early Learning Centre (hereinafter, the "ELC") branded retail stores in Russia, and "Zoozavr" branded retail stores in Russia.

In June 2020, the Company's shareholders PJSC Sistema (hereinafter, "Sistema") and the Russia-China Investment Fund (hereinafter, "RCIF") successfully priced the offering of Detsky Mir shares. The offering size was 118 million existing shares in the Company, representing 15.9% of the Company's issued share capital. During the share placement the shareholders of the Company sold part of their shares to external investors, which led to certain changes in the structure of the Company's shareholders and increased the Company's free float up to 75%-1 share.

The registered shareholders of the Company and their effective ownership were as follows, as at each period end:

	30 June 2020, %	31 December 2019, %
PJSFC Sistema and its subsidiaries	20.38	33.38
Floette Holdings Limited ^{1, 2}	2.31	4.50
Exarzo Holdings Limited ^{1, 2}	2.31	4.50
Capital Group Companies ³	5.64	5.05
Other shareholders	69.36	52.57
Total	100	100

¹ Represent the interests of the "Russian-Chinese investment Fund".

² Including shares on the account of nominal holder.

³ Through indirect ownership, entitled to exercise shareholder rights.

As at 30 June 2020 and 31 December 2019 the Group had no ultimate controlling party.

The ownership interest of the Group and the proportion of its voting power in its major operating subsidiaries was as follows, as at each period end:

Subsidiaries	Ownership interest and proportion of voting power	
	30 June 2020, %	31 December 2019, %
LLP Detsky Mir Kazakhstan, Kazakhstan	100	100
LLC Kub-Market, RF	100	100
LLC Detmir BEL, Belarus	100	100

As at 30 June 2020 and 31 December 2019 the Group does not have non-wholly owned subsidiaries that have material non-controlling interests to the Group.

DETSKY MIR GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2020 (UNAUDITED) (in millions of Russian Rubles)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The annual consolidated financial statements of PJSC "Detsky Mir" and its subsidiaries are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (hereinafter, "IASB") (hereinafter, "IFRS"). This interim condensed consolidated financial information for the half-year ended 30 June 2020 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" (hereinafter, "IAS 34").

The interim condensed consolidated financial information does 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 for the year ended 31 December 2019.

Going concern principle – This interim condensed consolidated financial information has been prepared on management's assumption that the Group will continue as a going concern in the foreseeable future, which implies the realization of assets and settlement of liabilities in the normal course of business.

In mid-March and April the Group faced with the impact of a new coronavirus disease (COVID-19), which led to a considerable drop of traffic across the retail stores, resulted in retail revenue decrease, besides a number of retail stores were closed during the lockdown declared in Russia and Kazakhstan. Nevertheless, the outbreak of COVID-19 and its impact on the global economy confirmed that the Group selected an effective business model, driven by omnichannel and multi-category proposition. During the six months ended 30 June 2020 the Group managed to increase its share across all its markets and achieved explosive growth in the online segment (Note 3) as the most of Russian stores remained open to continue playing the important societal role of providing essential food and non-food products for children.

The Group is well equipped to resist volatility within fast spread of COVID-19 and its adverse effect on the global and Russian economy. The management considered the Group's forecasts and projections for foreseeable future, taking into account current and anticipated economic situation, the Group's financial position, available undrawn credit lines (Note 13), covenants' compliance, planned store opening program and the anticipated cash flows and related expenditures from retail stores. Maintaining financial stability is a top priority for the Group: in March and April 2020 the Group successfully refinanced RUB 11,000 million of short-term loans and borrowings (Note 13) and continued maintaining a stable cash balance (Note 9) to ensure business continuity in case of further downturn.

As part of the strategy that focuses on the online channel, the Group will continue to expand the assortment of children's goods, will launch its marketplace and strengthen logistics capabilities by launching regional distribution centers in large cities across Russia. In order to increase profitability due to accelerated opening of small-format stores Detmir PVZ, the Group decided to close ELC-branded stores, the share of which in the total revenue of the Group in 2019 comprised less than 1%.

Having considered all the above, the Group's management believes that at the date of approval of these interim condensed consolidated financial information, there are no significant risks related to the Group's ability to continue as a going concern.

Functional and presentation currency – The amounts in the interim condensed consolidated financial information are presented in Russian Rubles ("RUB"), which is the functional currency of the Company and its Russian subsidiaries. The functional currency of LLP Detsky Mir Kazakhstan is Kazakhstani Tenge, and the functional currency of LLC Detmir BEL is Belarusian Ruble.

Seasonality of operations – Significant portion of the Group's sales, profit and operating cash flows have historically been realized in the fiscal fourth quarter. As a result, six months results of operations may fluctuate significantly based on many factors, including seasonal fluctuations in customer demand, product offerings, inventory levels and promotional activity. The results of operations and cash flows for the half-year ended 30 June are not necessarily indicative of the results that may be expected for the full year.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2020 (UNAUDITED) (in millions of Russian Rubles)

Income tax – Income tax in the interim periods is accrued using the effective tax rate that would be applicable to expected total annual earnings.

Significant accounting policies

Adoption of New Standards and Interpretations

New and revised Standards and Interpretations adopted in the current period and applicable to the Group's interim condensed consolidated financial information

The accounting policies applied by the Group are consistent with those of the financial year ended as at 31 December 2019, except for the adoption of the new standards and interpretations.

From 1 January 2020 and 1 June 2020 (for IFRS 16), the Group has adopted the following new and amended standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB in the interim condensed consolidated financial information:

- Amendments to IAS 1 and IAS 8 – "Definition of Material";
- Amendments to IFRS 3 – "Definition of a Business";
- Amendments to References to the Conceptual Framework in IFRS Standards;
- Amendments to IFRS 9, IAS 39 and IFRS 7 – "Interest Rate Benchmark Reform";
- Amendments to IFRS 16 – "Covid-19-Related Rent Concessions".

No new standards and interpretations adopted in 2020 had a material impact on the interim condensed consolidated financial information of the Group for the half-year ended 30 June 2020. As for amendments to IFRS 16, the Group preferred not to take an exemption from assessing whether a COVID-19-related rent concession is a lease modification and continued applying its accounting policy consistently.

New and revised Standards and Interpretations not yet effective

- Amendments to IAS 1 – "Classification of Liabilities as Current and Non-Current";
- Amendments to IFRS 17, addressing the concerns and implementations of the standard issued in 2017;
- Amendments to IAS 16 – "Proceeds before Intended Use";
- 2018-2020 Annual Improvements Cycle;
- Amendments to IAS 37 – "Onerous Contracts";
- Amendments to IFRS 3 – "Reference to the Conceptual Framework".

The Group does not expect that the adoption of the standards listed above will have a material impact on the consolidated financial statements of the Group in the future.

Significant assumptions used applying accounting policies and the sources of uncertainty in estimates

In preparing these interim condensed consolidated financial information, no significant changes occurred to the judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty that were applied to the Group's annual consolidated financial statements for the year ended 31 December 2019 prepared in accordance with IFRS.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2020 (UNAUDITED) (in millions of Russian Rubles)

3. REVENUE

The Group's revenue for the half-year ended 30 June 2020 and 2019 was as follows:

	For the half-year ended	
	30 June 2020	30 June 2019
Retail	45,655	50,552
Online store	14,133	5,303
Other	68	44
Total	59,856	55,899

Revenue for sales of goods ordered via the online stores and picked up at Group's retail stores amounting to RUB 9,846 million and RUB 3,855 million for the period ended 30 June 2020 and 2019 is included within online store revenue.

Revenue from ELC-branded stores, presented within retail revenue line, for the period ended 30 June 2020 and 2019 amounted to RUB 276 million and RUB 378 million, respectively.

Revenue from the Group's stores located in Kazakhstan, presented within retail revenue line, comprised RUB 1,608 million and RUB 1,509 million for the period ended 30 June 2020 and 2019, respectively.

Revenue from the Group's stores located in Belarus, presented within retail revenue line, comprised RUB 366 million and RUB 67 million for the period ended 30 June 2020 and 2019, respectively.

4. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The Group's selling, general and administrative expenses for the half-year ended 30 June 2020 and 2019 were as follows:

	For the half-year ended	
	30 June 2020	30 June 2019
Depreciation and amortization	5,220	4,875
Payroll and other personnel costs	5,198	5,113
Rent and utilities	779	706
Banking services	623	534
Advertising and marketing expenses	427	488
Repair and maintenance	269	290
Software maintenance	215	177
Promotional materials	202	188
Security expenses	176	202
Consulting services	122	138
Communication expenses	72	66
Taxes (other than income tax)	69	(110)
Office equipment	64	77
Travel expenses	27	37
Stationery and other materials	19	20
Other	154	72
Total	13,636	12,873

5. FINANCE EXPENSES

The Group's finance expenses for the half-year ended 30 June 2020 and 2019 were as follows:

	For the half-year ended	
	30 June 2020	30 June 2019
Interest expense on lease liabilities	1,232	1,258
Interest expense on bank loans	821	930
Interest expense on bonds	428	234
Total	2,481	2,422

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2020 (UNAUDITED) (in millions of Russian Rubles)

6. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the half-year ended 30 June 2020, the Group incurred capital expenditures in the amount of RUB 541 million, which mainly comprised purchase of leasehold improvements and trade and warehouse equipment (for the half-year ended 30 June 2019: RUB 1,583 million, which mainly comprised purchase of trade premises, leasehold improvements and trade and warehouse equipment).

The total amount of expenditure related to purchase of intangible assets comprised RUB 93 million and RUB 368 million for the half-year ended 30 June 2020 and 30 June 2019, respectively. These amounts relate to licenses and other software products acquired for ERP system and capitalized implementation costs.

7. RIGHT-OF-USE ASSETS

The Group leases retail premises, offices and warehouses with average lease term of 7.6 years as at 30 June 2020 (31 December 2019: 7.1 years). Movements in the carrying amount of leased premises and buildings were as follows (movements of lease liabilities are disclosed in Note 12):

	<u>2020</u>	<u>2019</u>
Cost		
At 1 January	47,120	36,695
New lease contracts and modification of existing lease contracts	2,891	4,457
Translation to presentation currency	74	(63)
Disposals	(227)	(179)
At 30 June	49,858	40,910
	<u>2020</u>	<u>2019</u>
Accumulated depreciation and impairment		
At 1 January	14,132	7,089
Depreciation expense	3,820	3,650
Disposals	(227)	(179)
Translation to presentation currency	19	-
Other movements	(12)	-
At 30 June	17,732	10,560
Balance at 1 January	32,988	29,606
Balance at 30 June	32,126	30,350
	<u>For the half-year ended</u>	<u>30 June 2019</u>
	<u>30 June 2020</u>	<u>30 June 2019</u>
Amounts recognized in profit and loss		
Depreciation expense on right-of-use assets	3,820	3,650
Interest expense on lease liabilities	1,232	1,258
Expenses relating to variable lease payments not included in the measurement of the lease liability	179	236
Other	(12)	-

Some of the property leases in which the Group is the lessee contain variable lease payment terms that are linked to sales generated from the leased retail stores. Variable payment terms are used to link rental payments to store cash flows and reduce fixed cost. The variable payments depend on sales and consequently on the overall economic development over the next few years. The Group expects that variable rent expenses are expected to continue to present a similar proportion of retail store sales in future years.

The total cash outflow for leases amounted to RUB 4,218 million and RUB 4,984 million for the half-year ended 30 June 2020 and 30 June 2019, respectively.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2020 (UNAUDITED) (in millions of Russian Rubles)

8. INVENTORIES

Inventories as at 30 June 2020 and 31 December 2019 were as follows:

	<u>30 June 2020</u>	<u>31 December 2019</u>
Merchandise inventories	41,751	38,425
Materials	246	211
Total	<u>41,997</u>	<u>38,636</u>

Materials are represented by spare parts, packaging materials and other materials used in outlets and warehouses.

Write-offs of merchandise inventories relating to shrinkage and write-down to net realizable value in the amount of RUB 799 million and RUB 358 million for the half-year ended 30 June 2020 and 2019, respectively, were recorded within cost of sales in the interim condensed consolidated statement of profit or loss and other comprehensive income.

As at 30 June 2020 and 31 December 2019 no inventories were pledged.

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 June 2020 and 31 December 2019 consisted of the following:

	<u>30 June 2020</u>	<u>31 December 2019</u>
Short-term deposits (less than 3 months)	2,021	-
Cash in current bank accounts	307	244
Cash on hand	303	315
Cash in transit	300	1,210
Total	<u>2,931</u>	<u>1,769</u>

Cash in transit comprises cash collected from the Group's stores and not yet placed into the Group's bank accounts at the period end.

As at 30 June 2020 the Group placed cash in a short-term bank deposit denominated in Russian rubles with interest rate set at 5.50% which will mature on 6 July 2020.

10. ORDINARY AND TREASURY SHARES

Ordinary shares

As at 30 June 2020 and 2019, the ordinary share capital of the Company was as follows:

	<u>Outstanding ordinary shares</u>	<u>Issued ordinary shares</u>	<u>Authorized ordinary shares</u>
At 1 January 2019	<u>736,693,997</u>	<u>739,000,000</u>	<u>739,000,000</u>
Purchase of treasury shares	(1,556,610)	-	-
Sale of treasury shares	367,069	-	-
At 30 June 2019	<u>735,504,456</u>	<u>739,000,000</u>	<u>739,000,000</u>
At 1 January 2020	<u>735,518,965</u>	<u>739,000,000</u>	<u>739,000,000</u>
Purchase of treasury shares	(1,212,210)	-	-
At 30 June 2020	<u>734,306,755</u>	<u>739,000,000</u>	<u>739,000,000</u>

All ordinary shares have a par value of RUB 0.0004 per share.

DETSKY MIR GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2020 (UNAUDITED) (in millions of Russian Rubles)

Treasury shares

During the period ended 30 June 2020 and 2019, the Group purchased 1,212,210 and 1,556,610 of the Company's ordinary shares in a number of transactions for a total consideration of RUB 90 million and RUB 139 million, respectively.

No sales of the Company's ordinary shares by the Group took place during the period ended 30 June 2020. During the period ended 30 June 2019, the Group sold 367,069 of the Company's ordinary shares to management of the Group for a total consideration of RUB 31 million to settle a share-based arrangement (Note 15).

As at 30 June 2020 and 2019 the Group has 4,693,245 treasury shares with cost of RUB 407 million and 3,495,544 treasury shares with cost of RUB 322 million, respectively.

11. DIVIDENDS

Dividends may only be declared from accumulated undistributed and unreserved earnings, as shown in the Company's statutory financial statements prepared in accordance with Russian accounting standards (hereinafter, "RAS"), and if certain other requirements of Russian legislation are met. If statutory undistributed earnings are negative as at the beginning of fiscal year, then dividends may only be declared from net profit earned in that fiscal year, as shown in the Company's statutory financial statements prepared under RAS.

On 30 June 2020, the annual General meeting of shareholders approved the dividend payment for the year 2019 in the amount of RUB 2,205 million or RUB 3 per share, which was not paid as at 30 June 2020 and was presented within Advances received, other payables and accrued expenses line (Note 14).

On 16 May 2019, the annual General meeting of shareholders approved the dividend payment for the year 2018 in the amount of RUB 3,274 million or RUB 4.45 per share, which was paid in full on 29 May 2019.

12. LEASE LIABILITIES

As at 30 June 2020 and 31 December 2019 lease liabilities comprised the following:

	<u>30 June 2020</u>	<u>31 December 2019</u>
Present value of net minimum lease payments	34,919	34,780
Less current portion of lease obligations	(7,241)	(7,145)
Non-current portion of lease obligations	<u>27,678</u>	<u>27,635</u>

The following table summarizes the changes in the lease liabilities (movements of right-of-use assets are disclosed in Note 7):

	<u>2020</u>	<u>2019</u>
Balance at 1 January	34,780	30,546
Interest expense on lease liabilities	1,232	1,258
Lease payments	(4,039)	(4,748)
New lease contracts and modification of existing lease contracts	2,865	4,334
Translation to presentation currency	81	-
Balance at 30 June	<u>34,919</u>	<u>31,390</u>

DETSKY MIR GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2020 (UNAUDITED) (in millions of Russian Rubles)

Group's lease contracts include typical restrictions and covenants common for local business practice such as responsibility of the Group for regular maintenance and repair of the lease assets and its insurance, redesign and conduction of permanent improvements only with consent of the lessor, use of leased asset in accordance with current legislation.

The Group has a number of lease arrangements which had not commenced by 30 June 2020 and as a result, lease liabilities and right-of-use assets have not been recognized as at 30 June 2020. The aggregate future cash outflows to which the Group is exposed in respect of these contracts are RUB 1,642 million as at 30 June 2020 (31 December 2019: RUB 1,717 million).

13. LOANS AND BORROWINGS

Loans and borrowings as at 30 June 2020 and 31 December 2019 comprised the following:

	<u>30 June 2020</u>	<u>31 December 2019</u>
Loans and borrowings		
Unsecured bank loans in Russian Rubles	16,839	8,250
Bonds	<u>11,000</u>	<u>11,000</u>
	27,839	19,250
Less current portion of long-term loans and borrowings	<u>(16,839)</u>	<u>(10,270)</u>
Loans and borrowings, non-current	<u>11,000</u>	<u>8,980</u>

Bank loans in Russian Rubles

As at 30 June 2020 and 31 December 2019 the loans in Russian Rubles were provided to the Group by 6 and 3 Russian banks, respectively.

A loan received from the PJSC "Sberbank" under government anti-crisis support program in June 2020 amounted to RUB 507 million is presented within the loans and borrowings line as it does not qualify for government grants as at 30 June 2020.

The fair value of the Group's bank loans, including amounts due within one year, as at 30 June 2020 and 31 December 2019 amounted to RUB 16,913 million and RUB 8,261 million, respectively. The carrying amount of bank loans is RUB 16,839 million and RUB 8,250 million, respectively. Inputs of Level 2 of the fair value hierarchy are used to measure the fair value of bank loans.

The resulting Level 2 fair value is determined in accordance with generally accepted valuation techniques based on a discounted cash flow analysis. The discount rate for 30 June 2020 valuation is determined by reference to the Group's traded bonds yield of 6.53%, Level 2 input (31 December 2019: 6.65% (mostly driven by short-term bonds), Level 2 input).

Bonds

In May 2020, the Group issued and placed documentary exchange non-convertible bonds (Series BO 06) in the total amount of RUB 3,000 million at PJSC "Moscow Stock exchange" with a nominal value of 1 thousand Russian Rubles each. The coupon interest rate was set at 7% per annum. The bonds mature on 29 April 2027 with the pull offer date on 8 May 2023.

In December 2019, the Group issued and placed documentary exchange non-convertible bonds (Series BO 05) in the total amount of RUB 3,000 million at PJSC "Moscow Stock exchange" with a nominal value of 1 thousand Russian Rubles each. The coupon interest rate was set at 7.25% per annum. The bonds mature on 1 December 2026 with the pull offer date on 8 December 2022.

In April 2019, the Group issued and placed documentary exchange non-convertible bonds (Series BO 07) in the total amount of RUB 5,000 million at PJSC "Moscow Stock exchange" with a nominal value of 1 thousand Russian Rubles each. The coupon interest rate was set at 8.9% per annum. The bonds mature on 6 April 2026 with the pull offer date on 13 April 2022.

DETSKY MIR GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2020 (UNAUDITED) (in millions of Russian Rubles)

In April 2017, the Group issued and placed documentary exchange non-convertible bonds (Series BO 04) in the total amount of RUB 3,000 million at PJSC "Moscow Stock exchange" with a nominal value of 1 thousand Rubles each. The coupon interest rate was set at 9.5% per annum. The bonds mature on 29 March 2024 with the pull offer date on 7 April 2020. This issue was fully repaid in April 2020.

As at 30 June 2020 the book value of exchange-traded bonds issued and placed by the Group comprised the amount of RUB 11,000 million, excluding accumulated coupon income of RUB 138 million. As at 31 December 2019 the book value of exchange-traded bonds issued and placed by the Group comprised the amount of RUB 11,000 million, excluding accumulated coupon income of RUB 182 million.

The Level 1 fair value of exchange-traded bonds, including the amounts due for payment within one year, as at 30 June 2020 amounted to RUB 11,435 million with the carrying amount equal to RUB 11,000 million (31 December 2019: RUB 11,400 million with the carrying amount equal to RUB 11,000 million).

Unused credit lines

As at 30 June 2020 and 31 December 2019, the total amount of undrawn revolving credit lines of the Group amounted to RUB 27,732 million and RUB 34,350 million, respectively, including RUB 23,893 million and RUB 30,750 million of long-term credit lines, respectively. The amount of undrawn short-term credit lines includes the amount of RUB 761 million on a forgivable loan under government anti-crisis support program at a below-market rate of interest.

Covenants

Under the terms of the loan agreements, the Group is required to comply with a number of covenants and restrictions, including maintenance of certain financial ratios. Non-compliance with these covenants may result in negative consequences of the Group: in particular, the creditors can increase the interest rate on the loan, require for additional collateral or early repayment of outstanding debt.

Management believes that as at 30 June 2020 and 31 December 2019 the Group is in compliance with all financial covenants stipulated by its loan agreements.

Pledges

As at 30 June 2020 and 31 December 2019 the Group has no assets or securities transferred as collateral for loans and borrowings granted to the Group.

14. ADVANCES RECEIVED, OTHER PAYABLES AND ACCRUED EXPENSES

Advances received, other payables and accrued expenses as at 30 June 2020 and 31 December 2019 were as follows:

	<u>30 June 2020</u>	<u>31 December 2019</u>
Accrued expenses and other current liabilities	3,631	3,310
Dividends payable	2,205	-
Taxes payable other than income tax	768	470
Payables to employees	551	1,387
Advances received	481	680
Interest payable on bonds	138	182
Interest payable on bank loans	18	13
Total	<u>7,792</u>	<u>6,042</u>

DETSKY MIR GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2020 (UNAUDITED) (in millions of Russian Rubles)

15. SHARE-BASED COMPENSATION

During the half-year ended 30 June 2020 the Group had several long-term cash-settled and equity-settled share-based payment arrangements.

Liabilities recognized in relation to long-term incentive plans

As at 30 June 2020, the Group recognized liabilities of RUB 28 million in relation to a cash-settled share-based payment arrangement, including accrued social contributions of RUB 4 million (31 December 2019: RUB 963 million, including accrued social contributions of RUB 129 million).

Expenses recognized in relation to long-term incentive plans

Expenses in the amount of RUB 384 million incurred by the Group in relation to Incentive Plan 2, Incentive Plan 3, amendment to Incentive Plan 3, Incentive Plan 4.1 and Incentive Plan 4.2 were recognized as Selling, General and Administrative expenses ("payroll and other personnel costs" line item) in the interim condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 30 June 2020 (half-year ended 30 June 2019: expenses totaling RUB 322 million in relation to Incentive Plan 2, Incentive Plan 3 and amendment to Incentive Plan 3).

During the half-year ended 30 June 2020 the Group also recognized a credit to equity within Accumulated Deficit line in relation to equity-settled share-based payment arrangements of RUB 22 million (half-year ended 30 June 2019: RUB 156 million). This amount includes accrued social contributions of RUB 3 million (half-year ended 30 June 2019: RUB 20 million).

In March 2020, the Group's Board of Directors modified Incentive Plan 4.1 so that all its options could only be settled in cash. Therefore the equity-settled share-based part of Incentive Plan 4.1 was reclassified to a cash-settled share-based payment arrangement. The reclassification was recognized as a debit to equity within Accumulated Deficit line in the half-year ended 30 June 2020 in the amount of RUB 3 million (half-year ended 30 June 2019: nil).

16. RELATED PARTIES

Parties are considered related if they have the ability to control the other party or can exercise significant influence or joint control over decisions on matters of economic and financial activity. In considering each possible related party, the management paid special attention to the substance of the relationship and not merely the legal form, based on reasonable judgment.

Transactions with related parties may be on terms that are not always accessible to third parties. This table presents transactions and outstanding balances of the Group with subsidiaries of PJSFC Sistema, which was earlier the controlling shareholder and now retains the largest non-controlling stake and exercises significant influence over the Group as at 30 June 2020, and other related parties:

	30 June 2020		31 December 2019	
	Assets	Liabilities	Assets	Liabilities
Balances outstanding with related parties				
Cash and cash equivalents	117	-	72	-
Trade receivables/(payables)	3	-	26	(221)
Other receivables/(payables)	14	(1)	1	(12)
Dividends payable	-	(452)	-	-

Outstanding balances with related parties are unsecured and will be settled in cash.

DETSKY MIR GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2020 (UNAUDITED) (in millions of Russian Rubles)

The Group's transactions with its related parties for the half-year ended 30 June 2020 and 2019 were as follows:

Related party	Type of operation	For the half-year ended	
		30 June 2020	30 June 2019
MTS	Communication costs	17	12
MTS	Advertising and marketing expenses	-	30
MTS	Agency fee	12	-
RA-Maxima	Advertising and marketing expenses	-	15
MTS – Bank	Interest income	8	2
CJSC "NVision group"	Acquisition of fixed assets	4	5
CJSC "NVision group"	Software maintenance	-	4
JSC "Progress"	Acquisition of goods	761	1,088
JSC "Business property"	Rent	-	1
LLC "Segezha packaging"	Acquisition of goods	5	-

The information about dividends declared and paid is disclosed in Note 11.

Remuneration of key management personnel of the Group

During the half-years ended 30 June 2020 and 2019, directors of the Group and other members of key management personnel received remuneration in the amount of RUB 590 million (including RUB 295 million of short-term non-share-based benefits, RUB 267 million of accrued short-term share-based compensation and RUB 28 million of accrued long-term share-based compensation) and RUB 562 million (including RUB 313 million of short-term non-share-based benefits, RUB 118 million of accrued short-term share-based compensation and RUB 131 million of accrued long-term share-based compensation), respectively.

17. COMMITMENTS AND CONTINGENCIES

Contractual commitments

At 30 June 2020 the Group has entered into contractual commitments for the acquisition of property, plant and equipment and intangible assets amounting to RUB 76 million, which related mostly to IT equipment and software, including equipment for the new distribution center (31 December 2019: 67 million, which related mostly to IT equipment and software).

Taxation and legal proceedings

Laws and regulations affecting business in the Russian Federation continue to change rapidly. These changes are characterized by different interpretations and arbitrary application by the authorities. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. Fiscal periods generally remain open to tax audit by the authorities in respect of taxes for three calendar years preceding the year of tax audit. Under certain circumstances reviews may cover longer periods. Management believes that it has provided adequately for tax liabilities based on its interpretations of tax legislation. However, the relevant authorities may have differing interpretations, and the effects on the financial statements could be significant.

In the ordinary course of business, the Group may be a party to various tax and legal proceedings, and be subject to claims. In the opinion of management, the Group's liability if any, in all, in all pending litigation, other legal proceedings or other matters, will not have a material effect on the consolidated financial position, consolidated results of operations or liquidity of the Group: exposure of possible contingent liabilities identified by the Group will not exceed 1% of the Group's revenue.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE HALF-YEAR ENDED 30 JUNE 2020 (UNAUDITED)
(in millions of Russian Rubles)**

Operating environment

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. In March 2020 oil prices dropped for more than 40%, which resulted in immediate weakening of Russian Ruble against major currencies.

Starting from 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. This led to reduced access of the Russian businesses to international capital markets. The impact of further economic and political developments on future operations and financial position of the Group might be significant.

In addition to that, starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. In addition, the Group may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Group's business largely depends on the duration and the incidence of the pandemic effects on the world and Russian economy (Note 2).

18. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

The Group has evaluated subsequent events through 24 August 2020, the date on which the interim condensed consolidated financial information was approved.

The dividends declared on 30 June 2020 were fully paid on 13-14 July 2020.

On 14 August 2020 the Company's Board of Directors approved a recommendation to the extraordinary General meeting of shareholders to distribute dividends for the fourth quarter of 2019 in the amount of RUB 2.5 per share. The total amount of dividends recommended for the distribution is RUB 1,848 million. The recommendation is subject to approval at the general meeting of shareholders which had not taken place by the date on which the interim condensed consolidated financial information was approved.

DETSKY MIR GROUP

SUPPLEMENTARY INFORMATION: NON-IFRS MEASURES *(in millions of Russian Rubles)*

SUPPLEMENTARY INFORMATION: NON-IFRS MEASURES

In this note, additional information is disclosed, which was not subject to review procedures, performed by the independent auditor. In order to maintain comparability of interim condensed consolidated financial results, interim condensed consolidated financial position and interim condensed consolidated cash flows of the Group for the recent years and provide comfort on key performance measures used to assess the Group's financial performance, the Group decided to disclose supplementary information for the half-year ended 30 June 2020, prepared according to IAS 17 "Leases" instead of IFRS 16 "Leases", including comparatives. The information set out below is not IFRS information and should be considered and read in addition to, but not as a substitute for, the information contained in the interim condensed consolidated financial information.

Starting 1 January 2018, the Group has been applying requirements of IFRS 16 with respect to lease agreements. Comparing to previously effective IAS 17, IFRS 16 introduced significant changes to the lessee accounting.

According to IAS 17, until 1 January 2018 the Group had recognized operating lease payments as an expense on a straight-line basis over the lease term, except where another systematic basis was more representative of the time pattern in which economic benefits from the leased asset were consumed. Contingent rentals arising under operating leases used to be recognized as an expense in the period in which they were activated.

Applying IFRS 16, for all leases (except as noted below), the Group:

- (a) Recognizes right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;
- (b) Recognizes depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and
- (c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognize a lease expense on a straight-line basis as permitted by IFRS 16.

DETSKY MIR GROUP

SUPPLEMENTARY INFORMATION: NON-IFRS MEASURES (in millions of Russian Rubles)

Had the Group continued applying IAS 17 instead of IFRS 16, the Group's interim condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 30 June 2020 would have been as follows:

	For the half-year ended	
	30 June 2020	30 June 2019
As if IAS 17 "Leases" was applied		
Revenue	59,856	55,899
Cost of sales	<u>(41,890)</u>	<u>(38,308)</u>
GROSS PROFIT	17,966	17,591
Selling, general and administrative expenses	(13,938)	(13,806)
Other operating income, net	<u>7</u>	<u>2</u>
OPERATING PROFIT	4,035	3,787
Finance income	66	3
Finance expenses	(1,250)	(1,164)
Foreign exchange loss, net	<u>(1,471)</u>	<u>(286)</u>
PROFIT BEFORE INCOME TAX	1,380	2,340
Income tax expense	<u>(278)</u>	<u>(148)</u>
PROFIT FOR THE PERIOD	<u>1,102</u>	<u>2,192</u>
Other comprehensive (loss)/income:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Effect of translation to presentation currency	<u>(3)</u>	<u>13</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>1,099</u>	<u>2,205</u>
Earnings per share		
Weighted average number of shares outstanding, basic and diluted:	734,819,613	735,841,810
Earnings per share, basic and diluted (in Russian Rubles per share)	1.50	2.98

DETSKY MIR GROUP

SUPPLEMENTARY INFORMATION: NON-IFRS MEASURES (in millions of Russian Rubles)

Had the Group continued applying IAS 17 instead of IFRS 16, the Group's interim condensed consolidated statement of financial position as at 30 June 2020 would have been as follows:

	<u>30 June 2020</u>	<u>31 December 2019</u>
As if IAS 17 "Leases" was applied		
ASSETS		
NON-CURRENT ASSETS:		
Property, plant and equipment	9,174	9,755
Intangible assets	1,245	1,464
Deferred tax assets	1,693	1,998
Other non-current assets	213	241
Total non-current assets	<u>12,325</u>	<u>13,458</u>
CURRENT ASSETS:		
Inventories	41,997	38,636
Trade receivables	1,761	4,048
Advances paid and other receivables	1,176	1,756
Prepaid income tax	12	13
Cash and cash equivalents	2,931	1,769
Total current assets	<u>47,877</u>	<u>46,222</u>
TOTAL ASSETS	<u>60,202</u>	<u>59,680</u>
EQUITY AND LIABILITIES		
EQUITY:		
Share capital	1	1
Treasury shares	(407)	(317)
Additional paid-in capital	5,793	5,793
Accumulated deficit	(6,720)	(5,637)
Currency translation reserve	127	130
Total equity	<u>(1,206)</u>	<u>(30)</u>
NON-CURRENT LIABILITIES:		
Long-term loans and borrowings	11,000	8,980
Deferred tax liabilities	91	104
Total non-current liabilities	<u>11,091</u>	<u>9,084</u>
CURRENT LIABILITIES:		
Trade payables	24,996	32,911
Short-term loans and borrowings and current portion of long-term loans and borrowings	16,839	10,270
Advances received, other payables and accrued expenses	7,894	6,204
Deferred revenue	476	436
Income tax payable	112	805
Total current liabilities	<u>50,317</u>	<u>50,626</u>
Total liabilities	<u>61,408</u>	<u>59,710</u>
TOTAL EQUITY DEFICIT AND LIABILITIES	<u>60,202</u>	<u>59,680</u>

DETSKY MIR GROUP

SUPPLEMENTARY INFORMATION: NON-IFRS MEASURES (in millions of Russian Rubles)

Had the Group continued applying IAS 17 instead of IFRS 16, the Group's interim condensed consolidated statement of cash flows for the half-year ended 30 June 2020 would have been as follows:

	For the half-year ended	
	30 June 2020	30 June 2019
As if IAS 17 "Leases" was applied		
OPERATING ACTIVITIES:		
Profit for the period	1,102	2,192
Adjustments for:		
Foreign exchange loss, net	1,471	286
Depreciation and amortization expense	1,401	1,225
Finance expenses	1,250	1,164
Write-offs of merchandise inventories relating to shrinkage and write-down to net realizable value	799	358
Income tax expense recognized in profit or loss	278	148
Expense on equity-settled share-based compensation	22	155
Loss/(gain) on disposal of non-current assets	2	(11)
Bad debts written-off and change in allowance for credit losses for doubtful accounts	(2)	(35)
Finance income	(66)	(3)
Changes in working capital:		
Decrease in trade receivables	2,287	1,192
Decrease in advances paid and other receivables	625	73
Increase in inventories	(4,150)	(2,591)
Decrease in trade payables	(9,016)	(4,787)
Decrease in advances received, other payables and accrued expenses	(914)	(530)
Increase/(decrease) in deferred revenue	40	(251)
Cash used in operations	(4,871)	(1,415)
Interest paid	(1,158)	(991)
Interest received	52	3
Income tax paid	(712)	(659)
Net cash used in operating activities	(6,689)	(3,062)
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(576)	(1,248)
Payments for intangible assets	(93)	(368)
Proceeds from disposal of property, plant and equipment	21	20
Net cash used in investing activities	(648)	(1,596)
FINANCING ACTIVITIES:		
Purchase of treasury shares	(90)	(139)
Sale of treasury shares	-	31
Proceeds from loans and borrowings	49,800	35,537
Repayment of loans and borrowings	(41,211)	(29,514)
Dividends paid	-	(3,274)
Net cash generated by financing activities	8,499	2,641
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,162	(2,017)
CASH AND CASH EQUIVALENTS, beginning of the period	1,769	3,335
CASH AND CASH EQUIVALENTS, end of the period	2,931	1,318

DETSKY MIR GROUP

SUPPLEMENTARY INFORMATION: NON-IFRS MEASURES (in millions of Russian Rubles)

Had the Group continued applying IAS 17 instead of IFRS 16, the Group's selling, general and administrative expenses for the half-year ended 30 June 2020 would have been as follows:

	For the half-year ended	
	30 June 2020	30 June 2019
As if IAS 17 "Leases" was applied		
Payroll and other personnel expenses	5,198	5,113
Rent and utilities	4,888	5,239
Depreciation and amortization	1,401	1,225
Banking services	623	534
Advertising and marketing expenses	427	488
Repair and maintenance	269	290
Software maintenance	215	177
Promotional materials	202	188
Security expenses	176	202
Consulting services	122	138
Communication expenses	72	66
Taxes (other than income tax)	69	(110)
Office equipment	64	77
Travel expenses	27	37
Stationery and other materials	19	20
Other	166	122
Total	13,938	13,806