

**O'KEY GROUP S.A.**

**Condensed Consolidated Interim  
Financial Statements**

**Six months ended 30 June 2023**

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## Condensed Consolidated Interim Statement of Financial Position as at 30 June 2023

'000 RUB	Note	30 June 2023	31 December 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property	10	1,257,218	1,474,333
Property, plant and equipment	11	42,170,127	42,609,851
Construction in progress	11	1,254,856	1,326,017
Right-of-use assets	12	21,692,769	19,216,816
Intangible assets	13	1,164,658	1,205,515
Deferred tax assets		5,887,544	5,245,595
Other non-current assets		1,627,085	1,801,139
<b>Total non-current assets</b>		<b>75,054,257</b>	<b>72,879,266</b>
<b>Current assets</b>			
Inventories	14	22,431,699	23,916,987
Trade and other receivables	15	2,573,715	2,930,220
Prepaid income tax		104,378	59,282
Prepayments		802,530	1,177,461
Cash and cash equivalents		5,920,819	11,779,334
Non-current assets held for sale	10	255 000	305,000
<b>Total current assets</b>		<b>32,088,141</b>	<b>40,168,284</b>
<b>Total assets</b>		<b>107,142,398</b>	<b>113,047,550</b>

'000 RUB	Note	30 June 2023	31 December 2022
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		119,440	119,440
Legal reserve		10,597	10,597
Additional paid-in capital		8,555,657	8,555,657
Retained earnings		348,423	3,325,409
Translation reserve		1,891,054	1,454,205
<b>Total equity</b>		<b>10,925,171</b>	<b>13,465,308</b>
<b>Non-current liabilities</b>			
Loans and borrowings	17	42,243,532	35,525,212
Lease liabilities	18	19,273,573	16,924,142
Deferred tax liabilities		509,636	532,644
<b>Total non-current liabilities</b>		<b>62,026,741</b>	<b>52,981,998</b>
<b>Current liabilities</b>			
Loans and borrowings	17	6,198,051	9,960,796
Interest accrued on loans and borrowings	17	251,965	215,737
Lease liabilities	18	5,941,033	5,620,662
Trade and other payables	19	21,799,437	30,636,945
Current income tax payable		-	166,104
<b>Total current liabilities</b>		<b>34,190,486</b>	<b>46,600,244</b>
<b>Total liabilities</b>		<b>96,217,227</b>	<b>99,582,242</b>
<b>Total equity and liabilities</b>		<b>107,142,398</b>	<b>113,047,550</b>

*Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income  
for the six months ended 30 June 2023*

'000 RUB	Note	Six months ended 30 June 2023	Six months ended 30 June 2022
Revenue	4	99,477,890	97,803,485
Cost of goods sold		(76,825,436)	(75,501,195)
<b>Gross profit</b>		<b>22,652,454</b>	<b>22,302,290</b>
General, selling and administrative expenses	5	(21,762,285)	(19,793,712)
Other operating income and expenses, net	6	(389,294)	(551,029)
<b>Operating profit</b>		<b>500,875</b>	<b>1,957,549</b>
Finance income	7	130,408	257,223
Finance costs	7	(3,379,908)	(2,942,558)
Foreign exchange (loss)/gain	8	(880,518)	1,533,476
<b>(Loss)/Profit before income tax</b>		<b>(3,629,143)</b>	<b>805,690</b>
Income tax benefit/(expense)	9	652,157	(229,278)
<b>(Loss)/Profit for the period</b>		<b>(2,976,986)</b>	<b>576,412</b>
<b>Other comprehensive (loss)/income</b>			
<i>Items that will never be reclassified to profit or loss:</i>			
Exchange differences on translation to presentation currency		436,849	(875,289)
<b>Other comprehensive income/(loss) for the period, net of income tax</b>		<b>436,849</b>	<b>(875,289)</b>
<b>Total comprehensive (loss) for the period</b>		<b>(2,540,137)</b>	<b>(298,877)</b>
<b>(Loss)/Earnings per share</b>			
Basic and diluted (loss) earnings per share (in RUB per share)	16	(11.1)	2.1

## Condensed Consolidated Interim Statement of Changes in Equity for the six months ended 30 June 2023

'000 RUB	Share capital	Legal reserve	Additional paid-in capital	Retained earnings	Translation reserve	Total equity
<b>Balance at 1 January 2022</b>	<b>119,440</b>	<b>10,597</b>	<b>8,555,657</b>	<b>3,393,474</b>	<b>1,774,457</b>	<b>13,853,625</b>
<b>Comprehensive income for the period</b>						
Profit for the period	-	-	-	576,412	-	<b>576,412</b>
<b>Other comprehensive income</b>						
Foreign currency translation differences	-	-	-	-	(875,289)	(875,289)
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(875,289)</b>	<b>(875,289)</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>576,412</b>	<b>(875,289)</b>	<b>(298,877)</b>
<b>Balance at 30 June 2022</b>	<b>119,440</b>	<b>10,597</b>	<b>8,555,657</b>	<b>3,969,886</b>	<b>899,168</b>	<b>13,554,748</b>

## Condensed Consolidated Interim Statement of Changes in Equity for the six months ended 30 June 2023

'000 RUB	Share capital	Legal reserve	Additional paid-in capital	Retained earnings	Translation reserve	Total equity
<b>Balance at 1 January 2023</b>	<b>119,440</b>	<b>10,597</b>	<b>8,555,657</b>	<b>3,325,409</b>	<b>1,454,205</b>	<b>13,465,308</b>
<b>Comprehensive loss for the period</b>						
Loss for the period	-	-	-	<b>(2,976,986)</b>	-	<b>(2,976,986)</b>
<b>Other comprehensive loss</b>						
Foreign currency translation differences	-	-	-	-	436,849	436,849
<b>Total other comprehensive income</b>	-	-	-	-	436,849	436,849
<b>Total comprehensive loss for the period</b>	-	-	-	<b>(2,976,986)</b>	<b>436,849</b>	<b>(2,540,137)</b>
<b>Balance at 30 June 2023</b>	<b>119,440</b>	<b>10,597</b>	<b>8,555,657</b>	<b>348,423</b>	<b>1,891,054</b>	<b>10,925,171</b>

## Condensed Consolidated Interim Statement of Cash Flows for the six months ended 30 June 2023

'000 RUB	Note	Six months ended 30 June 2023	Six months ended 30 June 2022
<b>Cash flows from operating activities</b>			
Cash receipts from customers		113,919,249	111,971,743
Other cash receipts		285,251	373,195
Interest received		98,020	236,330
Cash paid to suppliers and employees		(112,006,658)	(108,763,775)
Taxes other than on income		(390,954)	(371,852)
Other cash payments		(13,185)	(30,429)
VAT paid		(2,192,521)	(2,042,908)
Income tax paid		(220,433)	(424,392)
<b>Net cash used in operating activities</b>		<b>(521,231)</b>	<b>947,912</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment (excluding VAT)		(2,494,667)	(3,355,720)
Purchase of intangible assets (excluding VAT)		(143,848)	(152,180)
Proceeds from sale of property, plant and equipment and intangible assets (excluding VAT)		389,312	1,166
Proceeds from sale of investment property (excluding VAT)		-	25,000
<b>Net cash used in investing activities</b>		<b>(2,249,203)</b>	<b>(3,481,734)</b>
<b>Cash flows from financing activities</b>			
Proceeds from loans and borrowings		14,500,000	10,417,252
Repayment of loans and borrowings		(11,521,569)	(3,241,572)
Repayment of loans from related parties	23	-	(393,582)
Interest paid on loans and borrowings		(2,197,399)	(1,976,965)
Repayment of principal amount of lease liabilities		(2,682,591)	(2,348,785)
Interest paid on lease liabilities		(1,131,679)	(1,032,208)
Other financial payments		(45,831)	(19,336)
<b>Net cash from/(used in) financing activities</b>		<b>(3,079,069)</b>	<b>1,404,804</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(5,849,501)</b>	<b>(1,129,018)</b>
Cash and cash equivalents at the beginning of the period		11,779,334	9,447,998
Effect of exchange rate fluctuations on cash and cash equivalents		(9,014)	(373,281)
<b>Cash and cash equivalents at the end of the period</b>		<b>5,920,819</b>	<b>7,945,699</b>



## **1 Background**

### **(a) The Group and its operations**

These condensed consolidated interim financial statements as at and for the six months ended 30 June 2023 have been prepared for O'KEY GROUP S.A. (the "Company") and its subsidiaries (together referred to as the "Group").

The Company was incorporated and is domiciled in Luxembourg. The Company is a public limited company (société anonyme) and was set up in accordance with Luxembourg regulations. The main part of the Group is located and conducts its business in the Russian Federation.

The Company does not have an immediate parent or an ultimate controlling party.

As at 30 June 2023 and 31 December 2022, the Company's major indirect shareholders are Mr. Troitskii, Mr. Volchek.

As at 30 June 2023 global depository receipts ("GDRs") represented 50.22% of the Company's shares, 38.17% of the Company's shares were listed on the London Stock Exchange in the form of GDRs (as at 31 December 2022 GDRs represented 41.89% of the Company's shares, 38.17% of the Company's shares were admitted to trading on the London Stock Exchange). Starting 14 December 2020, the Company's GDRs are also traded on Moscow Exchange. In March 2022, the London Stock Exchange temporarily suspended the admission to trading of the Group's GDRs in order to maintain orderly markets, which has not been resumed as of the date of these condensed consolidated interim financial statements. The Group's GDRs and bonds remain admitted to trading on Moscow Exchange.

The Company's registered address is 25C Boulevard Royal, L-2449 Luxembourg.

The Group's principal business activity is operation of retail chains in Russia under the brand names "O'KEY" (hypermarkets) and "Da!" (discounter stores). As at 30 June 2023, the Group operated 282 stores including 205 discounter stores (31 December 2022: 273 stores including 194 discounter stores) in major Russian cities, including but not limited to Moscow and towns in Moscow region, St. Petersburg, Murmansk, Nizhniy Novgorod, Rostov-on-Don, Krasnodar, Lipetsk, Ekaterinburg, Novosibirsk, Krasnoyarsk, Ufa, Astrakhan and Surgut.

### **(b) Business environment**

The Group's operations are primarily located in the Russian Federation which displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The economy continued to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies, sectors of economy and individuals.

In 2021, the ongoing political tension in the region escalated as a result of further developments of the situation with Ukraine which have negatively impacted commodity and financial markets and increased volatility, particularly with regard to foreign exchange rates. Since February 2022, several packages of sanctions have been imposed by USA, UK, and EU countries against several Russian sectors of economy, enterprises and individuals. Additionally, a number of multinational brands and foreign companies had to suspend their operations in Russia and/or with Russian counterparties. Since March 2022, the Group has been revising its portfolio of suppliers and making necessary adjustments to its supply chain and logistics in order to secure the uninterrupted supply of products on offer. However, the Group has historically been focused on domestic supply with around 80% of assortment sourced locally. No sanctions have been imposed against the Company, nor any of its subsidiaries, nor its major indirect shareholders.

## 1 Background (continued)

### (b) Business environment (continued)

In June 2023, the official exchange rate of the Central Bank of the Russian Federation reached 87.0341 RUB for 1 USD and 95.1052 RUB for 1 EUR, compared to year-end exchange rates of 70.3375 RUB and 75.6553 RUB respectively. This led to significant net foreign exchange loss for the period, as further disclosed in Note 8.

Despite the volatility on the capital market, the Group's financial position and ability to attract financing remained solid in the reporting period. In June 2023, NCR rating agency assigned the credit rating of O'Key LLC, the main operating subsidiary of the Company, as "A.ru", outlook Stable. The rating reflects highly appreciated Group's business profile due to its significant geographical distribution, a diversified supplier base and the lack of concentration of risk on any large asset. The agency also noted solid and stable operational and financial position in the market, low exposure to market risks, and high standards of corporate governance, risk management, strategic control and transparency. According to NCR, the the Group's financial profile is supported by strong indicators of debt servicing and liquidity, which is attributable to low leverage and diversified financing structure.

It is not possible to determine how long the increased volatility in the financial market will last or at what level it will eventually level out. It is not possible for the management to predict with any degree of certainty an impact of this uncertainty on the Group's operations. Whilst these uncertainties may affect the future dividend income of the shareholders in the medium term, they do not affect the Group's ability to continue its operations in the foreseeable future.

### (c) Seasonality

The Group experiences seasonal fluctuations in its operations, such as an increase in sales during December, prior to Christmas and the New Year period, and May holidays and a decrease in sales in August, September and February, which follow the summer and winter holiday seasons, respectively. The sale of seasonal products, such as school-related non-food products in August, New Year decorations and gifts in December and household appliances for summer houses from April to September affects the Group's interim results.

As a result, in the middle of the year the Group's stock levels, cash, payables to suppliers and cash flows from operating activities normally decrease compared to year-end. The Group's inventory and trade and other receivables are discussed in Notes 14 and 15.

### (d) Net current liabilities

As at 30 June 2023, the Group's current liabilities exceeded its current assets by RUB 3,102,345 thousand (31 December 2022: RUB 6,431,960 thousand). The Group uses excess of trade and other payables over inventory to finance its operating and investing activities. The Group has reviewed its cash flow forecasts in the context of current and projected market conditions, as well as available undrawn credit facilities disclosed in Note 17, and is confident that it will be able to meet its obligations as they fall due.

## 2 Basis of preparation

### (a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with

IAS 34 *Interim financial reporting* as adopted by the European Union. They do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2021 which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union.

These condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 11 September 2023.

### 3 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements and significant judgments made by management in applying these accounting policies are consistent with those applied by the Group in its annual consolidated financial statements as at and for the year ended 31 December 2022 and corresponding interim period, except for the estimation of income tax. Certain amendments to standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments to standards.

### 4 Segment information

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocate resources and assess the performance for the entity. The CODM has been determined as the CEO of the Group and the Board of Directors of the Company.

The Group is engaged in management of retail stores located in the Russian Federation. Although the Group is not exposed to concentration of sales to individual customers, all of the Group’s sales are made in the Russian Federation. As such, the Group is exposed to the economic development in Russia, including the development of the Russian retail industry. The Group has no significant non-current assets outside the Russian Federation.

The Group identified its operating segments in accordance with the criteria set in IFRS 8 *Operating Segments* and based on the way the operations of the Group are regularly reviewed by the CODM to analyse performance and allocate resources within the Group.

The Group has two operating segments that also represent reportable segments: “O’Key” and “Da!”. Each segment has similar format of their stores which is described below:

- O’Key – chain of modern style hypermarkets under the “O’KEY” brand;
- Da! – chain of discounter stores in Moscow and Central region.

The assortment of goods in the stores of each segment is different, and the segments are managed separately. For each of the segments, the CEO of the Group reviews internal management reports at least on a monthly basis.

All business components within each reportable segment demonstrate similar characteristics:

- the products and customers;
- the business processes are integrated and uniform: the components manage their operations centrally. Purchasing, logistics, finance, HR and IT functions are centralised;
- the components’ activities are mainly limited to Russia which has a uniform regulatory environment.

The CODM assesses performance of the operating segments based on revenue and earnings before interest, tax, depreciation and amortisation adjusted for certain one-off items outlined below

(“EBITDA”). The “EBITDA” term is not defined in IFRS. Other information provided to the CODM is measured in a manner consistent with that in the consolidated financial statements. The accounting policies used for the segment reporting are the same as the accounting policies applied for the consolidated financial statements (Note 3).

Basis of segmentation used in these condensed consolidated interim financial statements is consistent with that used in the most recent annual consolidated financial statements of the Group.

#### 4 Segment information (continued)

The segment information for the six-month periods ended 30 June 2023 and 30 June 2022 is as follows:

'000 RUB	O'Key		Da!		Total	
	2023	2022	2023	2022	2023	2022
<b>For six months ended 30 June</b>						
External revenue						
- Sales of trading stock	65,295,297	68,548,488	30,409,360	25,514,259	95,704,657	94,062,747
- Sales of self-produced catering products	2,758,623	2,751,618	-	-	2,758,623	2,751,618
<b>Revenue from contracts with customers</b>	<b>68,053,920</b>	<b>71,300,106</b>	<b>30,409,360</b>	<b>25,514,259</b>	<b>98,463,280</b>	<b>96,814,365</b>
Rental income	988,378	964,215	26,233	24,905	1,014,611	989,120
<b>Total revenue</b>	<b>69,042,298</b>	<b>72,264,321</b>	<b>30,435,593</b>	<b>25,539,164</b>	<b>99,477,891</b>	<b>97,803,485</b>
Inter-segment revenue	168,555	270,210	757,958	988,810	926,513	1,259,020
<b>EBITDA</b>	<b>5,446,575</b>	<b>5,765,157</b>	<b>1,655,886</b>	<b>1,745,363</b>	<b>7,102,461</b>	<b>7,510,520</b>

#### 4 Segment information (continued)

A reconciliation of EBITDA to profit for the period is as follows:

'000 RUB	Note	Six months ended 30 June 2023	Six months ended 30 June 2022
<b>EBITDA</b>		<b>7,102,461</b>	<b>7,510,520</b>
Net loss from disposal of non-current assets and impairment of non-current assets	6	(250,745)	(157,695)
Impairment of receivables	6	(179,698)	(195,029)
Depreciation and amortisation	5	(5,717,238)	(5,115,247)
Net loss from disposal of right of use assets		(80,067)	-
Finance income	7	130,409	257,223
Finance costs	7	(3,379,908)	(2,942,558)
Foreign exchange (loss)/gain	8	(880,518)	1,533,476
Other one-off items		(373,838)	-
Revaluation of investment property	6	-	(85,000)
<b>(Loss)/Profit before income tax</b>		<b>(3,629,143)</b>	<b>805,690</b>
Income tax benefit/(expense)	9	652,157	(229,278)
<b>(Loss)/Profit for the period</b>		<b>(2,976,986)</b>	<b>576,412</b>

#### 5 General, selling and administrative expenses

'000 RUB	Note	Six months ended 30 June 2023	Six months ended 30 June 2022
Personnel costs		9,427,102	8,494,251
Depreciation and amortisation	11 – 13	5,717,238	5,115,247
Communication and utilities		2,701,669	2,184,122
Advertising and marketing		955,846	1,028,609
Repairs and maintenance costs		820,490	765,824
Insurance and bank commissions		646,498	605,687
Operating taxes		388,334	420,597
Security expenses		379,927	374,574
Legal and professional expenses		292,280	329,749
Materials and supplies		217,708	206,236
Variable lease expenses and expenses relating to short-term and low value leases		186,700	245,791
Other costs		28,493	23,025
<b>Total general, selling and administrative expenses</b>		<b>21,762,285</b>	<b>19,793,712</b>

Total employee benefits expense for the six months ended 30 June 2023 included in the cost of goods sold and general, selling and administrative expenses is 11,380,484 RUB thousand (six months ended 30 June 2022: 10,509,923 thousand).

## 6 Other operating income and expenses, net

'000 RUB	Six months ended 30 June 2023	Six months ended 30 June 2022
Revaluation of investment property	-	(85,000)
Gain from modification of leases	83,793	-
Net (loss) from disposal of right of use assets	(80,067)	-
Net (loss) from disposal of non-current assets	(250,745)	(52,695)
Impairment of receivables	(179,698)	(195,029)
Impairment of non-current assets (Note 11)	-	(105,000)
Sundry income and (expenses), net	37,423	(113,305)
<b>Total other operating income and expenses, net</b>	<b>(389,294)</b>	<b>(551,029)</b>

## 7 Finance income and finance costs

'000 RUB	Six months ended 30 June 2023	Six months ended 30 June 2022
<b>Recognised in profit or loss</b>		
Interest income on bank deposits	112,116	232,501
Other finance income	18,292	24,722
<b>Total finance income</b>	<b>130,408</b>	<b>257,223</b>
Interest expense on loans and borrowings	(2,248,229)	(1,912,250)
Interest expense on lease liabilities	(1,131,679)	(1,030,308)
<b>Total finance costs</b>	<b>(3,379,908)</b>	<b>(2,942,558)</b>
<b>Net finance costs recognised in profit or loss</b>	<b>(3,249,500)</b>	<b>(2,685,335)</b>

## 8 Foreign exchange (loss)/gain

'000 RUB	Six months ended 30 June 2023	Six months ended 30 June 2022
Foreign exchange (loss) on financial items	(1,770,744)	(818,785)
Foreign exchange gain on financial items	1,048,326	2,376,716
<b>Net foreign exchange (loss)/gain on financial items</b>	<b>(722,418)</b>	<b>1,557,931</b>
Foreign exchange (loss) on operating items	(158,100)	(24,455)

'000 RUB	Six months ended 30 June 2023	Six months ended 30 June 2022
<b>Total foreign exchange (loss)/gain</b>	<b>(880,518)</b>	<b>1,533,476</b>

Substantial amount of the net foreign exchange gain on financial items for the six-month period ended 30 June 2023 relates to USD-denominated intercompany loans between Group entities with different functional currencies which are eliminated on consolidation, as well as lease contracts in foreign currencies (Note 18). Foreign exchange loss on operating items is primarily attributable to import operations.

## 9 Income tax

Income tax is recognised based on management's estimate of the average effective annual income tax rate expected for the full financial year adjusted for one-time events.

'000 RUB	Six months ended 30 June 2023	Six months ended 30 June 2022
Current tax expense	(13,799)	(174,923)
Deferred tax benefit/(expense)	665,956	(54,355)
<b>Total income tax benefit/(expense)</b>	<b>652,157</b>	<b>(229,278)</b>

## 10 Investment property

### a) Reconciliation of carrying amount

'000 RUB	Note	
<b>Investment properties at fair value as at 1 January 2022</b>		<b>1,947,218</b>
Fair value gains less losses	6	(85,000)
Reclassification to non-current assets held for sale		(255,000)
Other		(31,707)
<b>Investment properties at fair value as at 30 June 2022</b>		<b>1,575,511</b>
<b>Investment properties at fair value as at 1 January 2023</b>		<b>1,474,333</b>
Disposals		(217,115)
<b>Investment properties at fair value as at 30 June 2023</b>		<b>1,257,218</b>

The trade premises of the Group included in investment property are subject to operating leases.

As at 30 June 2023 the Group's investment property comprises three buildings and three land plots (31 December 2022: three buildings and four land plots).

As at 30 June 2023 the lease agreement for one land plot was ended.

### b) Measurement of fair value

The fair value measurement of investment property has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.



## 11 Property, plant and equipment and construction in progress

'000 RUB	Land	Buildings	Leasehold improvements	Machinery and equipment, auxiliary facilities and other fixed assets	Total property, plant and equipment	Construction in progress	Total property, plant and equipment and construction in progress
<i>Cost</i>							
<b>Balance at 1 January 2022</b>	<b>3,735,039</b>	<b>42,294,973</b>	<b>10,586,717</b>	<b>18,273,095</b>	<b>74,889,824</b>	<b>2,974,861</b>	<b>77,864,685</b>
Additions	-	2,232	5,061	1,371,023	<b>1,378,316</b>	1,376,415	<b>2,754,731</b>
Transfers	-	307,557	1,174,622	206,296	<b>1,688,475</b>	(1,688,475)	-
Disposals	-	-	(77,436)	(525,150)	<b>(602,586)</b>	(8,877)	<b>(611,463)</b>
<b>Balance at 30 June 2022</b>	<b>3,735,039</b>	<b>42,604,762</b>	<b>11,688,964</b>	<b>19,325,264</b>	<b>77,354,029</b>	<b>2,653,924</b>	<b>80,007,953</b>
<b>Balance at 1 January 2023</b>	<b>3,735,039</b>	<b>42,733,457</b>	<b>12,836,893</b>	<b>20,662,019</b>	<b>79,967,408</b>	<b>2,633,789</b>	<b>82,601,197</b>
Additions	-	38,000	2,610	1,131,059	<b>1,171,669</b>	1,729,018	<b>2,900,687</b>
Transfers	-	220,875	805,562	215,472	<b>1,241,909</b>	(1,241,910)	-
Disposals	-	(9,100)	(178,464)	(542,941)	<b>(730,505)</b>	(558,269)	<b>(1,288,774)</b>
<b>Balance at 30 June 2023</b>	<b>3,735,039</b>	<b>42,983,232</b>	<b>13,466,601</b>	<b>21,465,609</b>	<b>81,650,481</b>	<b>2,562,628</b>	<b>84,213,109</b>

## 11 Property, plant and equipment and construction in progress (continued)

'000 RUB	Land	Buildings	Leasehold improvements	Machinery and equipment, auxiliary facilities and other fixed assets	Total property, plant and equipment	Construction in progress	Total property, plant and equipment and construction in progress
<i>Depreciation and impairment losses</i>							
Balance at 1 January 2022	-	(13,237,435)	(5,903,739)	(14,131,511)	(33,272,685)	(1,202,772)	(34,475,457)
Depreciation for the period	-	(695,018)	(899,949)	(789,822)	(2,384,789)	-	(2,384,789)
Impairment losses	-	-	-	-	-	(105,000)	(105,000)
Disposals	-	-	72,324	499,044	571,368	-	571,368
<b>Balance at 30 June 2022</b>	<b>-</b>	<b>(13,932,453)</b>	<b>(6,731,364)</b>	<b>(14,422,289)</b>	<b>(35,086,106)</b>	<b>(1,307,772)</b>	<b>(36,393,878)</b>
Balance at 1 January 2023	-	(14,634,738)	(7,724,160)	(14,998,659)	(37,357,557)	(1,307,772)	(38,665,329)
Depreciation for the period	-	(707,259)	(1,142,314)	(928,777)	(2,778,350)	-	(2,778,350)
Disposals	-	2,889	151,296	501,368	655,553	-	655,553
<b>Balance at 30 June 2023</b>	<b>-</b>	<b>(15,339,108)</b>	<b>(8,715,178)</b>	<b>(15,426,068)</b>	<b>(39,480,354)</b>	<b>(1,307,772)</b>	<b>(40,788,126)</b>
<i>Net book value</i>							
At 1 January 2022	3,735,039	29,057,538	4,682,978	4,141,584	41,617,139	1,772,089	43,389,228
At 30 June 2022	3,735,039	28,672,309	4,957,600	4,902,975	42,267,923	1,346,152	43,614,075
At 1 January 2023	3,735,039	28,098,719	5,112,733	5,663,360	42,609,851	1,326,017	43,935,868
At 30 June 2023	3,735,039	27,644,124	4,751,423	6,039,541	42,170,127	1,254,856	43,424,983

## 11 Property, plant and equipment and construction in progress (continued)

Depreciation expense of RUB 2,778,351 thousand has been charged to general, selling and administrative expenses (six months ended 30 June 2022: RUB 2,384,789 thousand).

### Impairment assessment

At the end of each reporting period, the Group assesses whether there is any indication that its non-current assets including property, plant and equipment, right-of-use assets and other non-current assets may be impaired. Where the non-current assets relate to the Group's stores, these stores are treated as separate CGUs, and impairment assessment is performed in respect of the aggregate carrying value of the non-current assets attributable to these CGUs with reference to their actual and anticipated performance and other relevant factors.

For the CGUs subject to impairment testing, recoverable amount was determined based on value-in-use.

Value in use calculations were prepared using cash flow projections based on financial budgets and forecasts approved by management covering a one-year period. Cash flows beyond the one-year period are extrapolated using an expected growth rate for each particular CGU which depends on its maturity and other relevant factors. The discount rates are post-tax and reflect management's estimate of the risks specific to the Group.

As the result of the impairment test performed as at 30 June 2023 no impairment was identified.

The post-tax discount rate used in the assessment under the value-in-use approach as at 30 June 2023 was 14.6%. If the revised estimated post-tax discount rate applied to the discounted cash flows of the CGUs had been 600 basis points higher than management's estimates, the Group would need to reduce the carrying value of property, plant and equipment by RUB 2,000 thousand.

### Pledged assets

At 30 June 2023, trade stores with carrying value of RUB 7,653,873 thousand have been pledged to third parties as collateral for bank borrowings (At 31 December 2022: trade stores were pledged with carrying value of RUB 7,788,521 thousand).

## 12 Right-of-use assets

The table below presents the right-of-use assets by class of underlying assets:

'000 RUB	Trade premises	Land	Other	Total
<b>Balance at 1 January 2022</b>	<b>14,915,114</b>	<b>3,717,642</b>	<b>1,558,143</b>	<b>20,190,899</b>
Additions	1,206,529	-	132,197	<b>1,338,726</b>
Modifications and reassessments	1,916,698	8,386	(70,476)	<b>1,854,608</b>
Depreciation	(1,984,103)	(83,781)	(359,689)	<b>(2,427,573)</b>
<b>Balance at 30 June 2022</b>	<b>16,054,238</b>	<b>3,642,247</b>	<b>1,260,175</b>	<b>20,956,660</b>
<b>Balance at 1 January 2023</b>	<b>14,929,487</b>	<b>3,373,340</b>	<b>913,989</b>	<b>19,216,816</b>
Additions	1,247,486	-	7,977	<b>1,255,463</b>
Modifications and reassessments	1,700,717	39,630	2,213,994	<b>3,954,341</b>
Depreciation	(2,261,931)	(78,306)	(312,291)	<b>(2,652,528)</b>
Disposals	-	(81,323)	-	<b>(81,323)</b>
<b>Balance at 30 June 2023</b>	<b>15,615,759</b>	<b>3,253,341</b>	<b>2,823,669</b>	<b>21,692,769</b>

The group 'Other' is mostly represented by office premises and warehouses.

Depreciation expense of RUB 2,652,528 thousand has been charged to general, selling and administrative expenses (six months ended 30 June 2022: RUB 2,420,274 thousand).

Modifications and reassessments for the period ended 30 June 2023 were driven by the reassessment of extension options for some of the Group's leases with related parties, as well as by the modification and reassessment of a number of other leases, primarily attributable to the Group's trade premises, that changed either the consideration of the lease, contractual terms, or both, with no change in the scope of the leases.

Right-of-use assets are assessed for indication of potential impairment as at each reporting date. For those assets where impairment indicators exist, the Group estimates recoverable amount being the higher of their value in use and fair value less costs of disposal, on either individual asset or CGU level. No indicators of impairment were identified for the Group's right-of-use assets that are attributable to individual leased assets and do not relate to stores in operation as at 30 June 2023. For those right-of-use assets that relate to the Group's stores and are therefore assessed for impairment on the store level together with the other non-current assets attributable to the stores, impairment assessment has been performed as disclosed in Note 11. No impairment attributable to the right-of-use assets was identified as at 30 June 2023.

### 13 Intangible assets

'000 RUB	Software	Other intangible assets	Total
<i>Cost</i>			
<b>Balance at 1 January 2022</b>	<b>1,964,058</b>	<b>316,432</b>	<b>2,280,490</b>
Additions	195,098	40,982	236,080
Disposals	(149,767)	(10,251)	(160,018)
<b>Balance at 30 June 2022</b>	<b>2,009,389</b>	<b>347,163</b>	<b>2,356,552</b>
<b>Balance at 1 January 2023</b>	<b>1,974,018</b>	<b>309,460</b>	<b>2,283,478</b>
Additions	250,268	21,809	272,077
Disposals	(172,902)	(11,434)	(184,336)
<b>Balance at 30 June 2023</b>	<b>2,051,384</b>	<b>319,835</b>	<b>2,371,219</b>
<i>Amortisation and impairment losses</i>			
<b>Balance at 1 January 2022</b>	<b>(813,330)</b>	<b>(136,784)</b>	<b>(950,114)</b>
Amortisation for the period	(294,845)	(15,339)	(310,184)
Disposals	149,551	8,822	158,373
<b>Balance at 30 June 2022</b>	<b>(958,624)</b>	<b>(143,301)</b>	<b>(1,101,925)</b>
<b>Balance at 1 January 2023</b>	<b>(916,221)</b>	<b>(161,742)</b>	<b>(1,077,963)</b>
Amortisation for the period	(263,172)	(23,188)	(286,360)
Disposals	147,228	10,534	157,762
<b>Balance at 30 June 2023</b>	<b>(1,032,165)</b>	<b>(174,396)</b>	<b>(1,206,561)</b>
<i>Carrying amounts</i>			
<b>At 1 January 2022</b>	<b>1,150,728</b>	<b>179,648</b>	<b>1,330,376</b>
<b>At 30 June 2022</b>	<b>1,050,765</b>	<b>203,862</b>	<b>1,254,627</b>
<b>At 1 January 2023</b>	<b>1,057,797</b>	<b>147,718</b>	<b>1,205,515</b>
<b>At 30 June 2023</b>	<b>1,019,219</b>	<b>145,439</b>	<b>1,164,658</b>

Amortisation of RUB 286,360 thousand has been charged to general, selling and administrative expenses (six months ended 30 June 2022: RUB 310,184 thousand).

No indicators of impairment were identified for the Group's intangible assets as at 30 June 2023.

## 14 Inventories

'000 RUB	30 June 2023	31 December 2022
Goods for resale	21,300,655	22,846,326
Raw materials and consumables	1,792,787	1,736,759
Write-down to net realisable value	(661,743)	(666,098)
<b>Total inventories</b>	<b>22,431,699</b>	<b>23,916,987</b>

The write-down of inventories to net realisable value was assessed with the use of methods and assumptions consistent with those applied in the most recent annual consolidated financial statements and is included in cost of goods sold.

## 15 Trade and other receivables

'000 RUB	30 June 2023	31 December 2022
<b>Financial assets within trade and other receivables</b>		
Trade receivables	305,924	332,773
Bonuses receivable from suppliers	1,734,667	2,031,406
Other financial receivables	293,011	210,178
<b>Total financial assets within trade and other receivables</b>	<b>2,333,602</b>	<b>2,574,357</b>
<b>Other receivables</b>		
VAT receivable	210,475	338,689
Prepaid taxes other than income tax	29,638	17,174
<b>Total trade and other receivables</b>	<b>2,573,715</b>	<b>2,930,220</b>

## 16 (Loss)/Earnings per share

Basic (loss)/earnings per share are calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period. The Company has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal the basic earnings per share.

(Loss)/Earnings per share are calculated as follows:

'000 RUB	Six months ended 30 June 2023	Six months ended 30 June 2022
(Loss)/Profit for the period	(2,976,986)	576,412
Weighted average number of ordinary shares in issue (thousands)	269,074	269,074
<b>Basic and diluted (loss)/earnings per ordinary share (in RUB per share)</b>	<b>(11.1)</b>	<b>2.1</b>

## 17 Loans and borrowings

'000 RUB	Currency	30 June 2023		31 December 2022	
		Maturity	Carrying value	Maturity	Carrying value
<b>Non-current loans and borrowings</b>					
Secured bank loans	RUB	2025-2027	11,794,118	2025-2027	10,652,941
Unsecured bank facilities	RUB	2025-2028	12,850,000	2023-2025	13,500,000
Unsecured bonds	RUB	2024-2026	17,592,657	2023-2024	11,372,271
<b>Total non-current loans and borrowings</b>			<b>42,236,775</b>		<b>35,525,212</b>
<b>Current loans and borrowings</b>					
Secured bank loans	RUB		-	2022	729,412
Unsecured bank facilities	RUB	2024	2,500,000	2022	3,033,333
Unsecured bonds	RUB	2023-2024	3,695,201	2022	6,195,201
Unsecured loans from third parties	RUB	2023	2,850	2022	2,850
<b>Total current loans and borrowings</b>			<b>6,198,051</b>		<b>9,960,796</b>
Unsecured bonds interest	RUB		258,174		209,488
Secured bank loans	RUB		-		2,034
Unsecured loans interest	RUB		548		4,215
<b>Interest accrued on loans and borrowings</b>			<b>258,722</b>		<b>215,737</b>
<b>Total current loans and borrowings, including interest accrued</b>			<b>6,456,773</b>		<b>10,176,533</b>
<b>Total loans and borrowings</b>			<b>48,693,548</b>		<b>45,701,745</b>

Information about property, plant and equipment pledged as collateral for the Group's loans and borrowings is disclosed in Note 11.

As at 30 June 2023 the Group had RUB 18,800,000 thousand (31 December 2022: RUB 16,466,667 thousand) of undrawn committed borrowing facilities available in RUB on fixed and floating rate basis until July 2023-March 2028. Proceeds from these facilities may be used to finance operating and investing activities, if necessary.

### Compliance with loan covenants

The Group monitors compliance with loan covenants on an ongoing basis. Where noncompliance is unavoidable in management's view, the Group requests waiver letters from the banks before the period-end, confirming that the banks waive their rights to demand early redemption.

At 30 June 2023 and during the six-month period then ended the Group complied with all of its loan covenants.

## 18 Lease liabilities

'000 RUB	2023	2022
<b>Balance at 1 January</b>	<b>22,544,804</b>	<b>24,063,037</b>
Additions	1,255,462	1,171,972
Modifications and reassessments	3,645,904	1,822,900
Repayment	(3,659,885)	(3,380,993)
Interest expense	1,131,679	1,032,208
Foreign exchange gain/(loss)	297,898	(741,636)
Disposals	(1,256)	-
<b>Balance at 30 June</b>	<b>25,214,606</b>	<b>23,967,488</b>
<b>Non-current lease liabilities</b>	<b>19,273,573</b>	<b>18,710,659</b>
<b>Current lease liabilities</b>	<b>5,941,033</b>	<b>5,256,829</b>

Interest expense in the amount of RUB 1,131,679 thousand has been charged to finance costs (six months ended 30 June 2022: RUB 1,030,308 thousand).

Total cash outflow for leases in the reporting period amounted to RUB 3,856,997 thousand (six months ended 30 June 2022: RUB 3,626,784 thousand).

## 19 Trade and other payables

'000 RUB	30 June 2023	31 December 2022
<b>Financial liabilities at amortised cost</b>		
Trade payables	18,406,861	26,771,109
Other financial payables	176,977	184,761
<b>Total financial liabilities at amortised cost</b>	<b>18,583,838</b>	<b>26,955,870</b>
Payables to staff	1,367,004	1,397,271
Taxes payable other than income tax	1,317,799	1,683,457
Advances received from lessees	458,666	520,096
Contract liability related to gift cards	72,130	80,251
<b>Total trade and other payables</b>	<b>21,799,437</b>	<b>30,636,945</b>

## 20 Capital commitments

The Group has capital commitments to acquire property, plant and equipment, mostly relating to construction of stores, and intangible assets amounting to RUB 2,102,651 thousand as at 30 June 2023 (31 December 2022: RUB 1,363,338 thousand). The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover these and any similar commitments.



## 21 Contingencies

### (a) Legal proceedings

From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and both internal and external professional advice the management is of the opinion that no material losses will be incurred in respect of claims outstanding.

### (b) Tax contingencies

Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax non-compliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decisions about the review was made. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing (TP) legislation is generally aligned with the international TP principles developed by the Organisation for Economic Cooperation and Development (OECD), although it has specific features. TP legislation provides for the possibility of additional tax assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's length basis. The management has implemented internal controls to comply with current TP legislation.

Tax liabilities arising from controlled transactions are determined based on their actual transaction prices. It is possible, with the evolution of the interpretation of the TP rules, that such prices could be challenged. The impact of any such challenge cannot be reliably estimated.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group applies its judgement in interpretations of such uncertain areas. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that an outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities.

The impact of any of the challenges mentioned above cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

In addition to the above matters, management estimates that as at 30 June 2023, the Group has other possible obligations of approximately RUB 2,562,000 thousand (31 December 2022: RUB 2,400,000 thousand) from exposure to other than remote tax risks arising from certain transactions. These exposures are estimates that result from uncertainties in interpretation of applicable legislation and related documentation requirements. Management will vigorously defend the Group's positions and interpretations that were applied in determining taxes recognised in these condensed consolidated interim financial statements if these are challenged by the authorities.

## 21 Contingencies (continued)

### (c) Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, the Group management believes that there are no significant liabilities for environmental damage.

## 22 Fair value disclosures

Fair value measurements are analysed and categorised by level in the fair value hierarchy as follows:

- (i) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- (iii) Level 3 measurements are valuations not based on observable market data (that is, unobservable inputs).

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

### (a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

**Investment property.** Carrying values of the Group's investment properties approximated their fair values as at 31 December 2022, so no fair value adjustment was required.

### (b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair value was determined by the Group for initial recognition of financial assets and liabilities which are subsequently measured at amortised cost.

Fair value of the Group's financial assets and liabilities measured at amortised cost approximates their carrying amounts. Fair value of the Group's bonds listed on Moscow exchange was determined for disclosure purposes based on active market quotations (Level 1 fair value). Fair value of the Group's other financial assets and liabilities at amortised cost belongs to level 2 measurements in the fair value hierarchy.

There were no transfers between the levels of the fair value hierarchy or changes in valuation techniques for fair value measurements during the six-month period ended 30 June 2023.

## 23 Related party transactions

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and 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 may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Related parties of the Group fall into the following categories:

1. The Company's major indirect shareholders (Note 1);
2. Other related parties under control of the major indirect shareholders;
3. Members of the Board of Directors of the Company and other key management personnel.

### (a) Transactions with other related parties

#### (i) Revenue

'000 RUB	Income		Receivables	
	Six months ended 30 June 2023	Six months ended 30 June 2022	30 June 2023	31 December 2022
Sale of services	928	905	45	473
<b>Total</b>	<b>928</b>	<b>905</b>	<b>45</b>	<b>473</b>

All outstanding balances with other related parties are to be settled in cash within six months after the reporting date. None of the balances are secured or impaired.

**23 Related party transactions (continued)****(b) Transactions with other related parties (continued)****(ii) Expenses**

'000 RUB	Expenses	
	Six months ended 30 June 2023	Six months ended 30 June 2022
Interest expense on lease liabilities	61,139	57,347
Variable lease expenses and expenses relating to short-term and low value leases	42,865	21,055
Interest expense on loans and borrowings	-	42,939
Other services received	-	11,375
<b>Total</b>	<b>104,004</b>	<b>132,716</b>

**(iii) Leases with other related parties**

Lease liabilities under related party arrangements were as follows:

'000 RUB	30 June 2023	31 December 2022
Lease liabilities due to other related parties, including:	<b>1,252,202</b>	<b>1,651,238</b>
Current lease liabilities	279,202	444,160
Non-current lease liabilities	973,000	1,207,078

Terms of the leases with other related parties are such that the Group pays rentals which include the reimbursement of all operating expenses related to the hypermarkets leased and nearby leased areas and a certain percentage of the Group's retail revenue from the operation of these hypermarkets.