

O'KEY GROUP S.A.

**Condensed Consolidated Interim
Financial Statements**

Six months ended 30 June 2022

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'000 RUB	Note	30 June 2022	31 December 2021
ASSETS			
Non-current assets			
Investment property	10	1,575,511	1,947,218
Property, plant and equipment	11	42,267,923	41,617,139
Construction in progress	11	1,346,152	1,772,089
Right-of-use assets	12	20,956,660	20,190,899
Intangible assets	13	1,254,627	1,330,376
Deferred tax assets		5,045,559	4,895,412
Other non-current assets		1,083,538	959,428
Total non-current assets		73,529,970	72,712,561
Current assets			
Inventories	14	20,952,920	19,877,175
Trade and other receivables	15	2,209,614	3,590,570
Prepaid income tax		58,408	59,055
Prepayments		1,218,844	1,159,164
Cash and cash equivalents		7,945,699	9,447,998
Non-current assets held for sale	10	255,000	-
Total current assets		32,640,485	34,133,962
Total assets		106,170,455	106,846,523

'000 RUB	Note	30 June 2022	31 December 2021
EQUITY AND LIABILITIES			
Equity			
Share capital		119,440	119,440
Legal reserve		10,597	10,597
Additional paid-in capital		8,555,657	8,555,657
Retained earnings		3,969,886	3,393,474
Translation reserve		899,168	1,774,457
Total equity		13,554,748	13,853,625
Non-current liabilities			
Loans and borrowings	17	34,274,530	31,644,919
Lease liabilities	18	18,710,659	19,077,160
Deferred tax liabilities		718,930	514,428
Total non-current liabilities		53,704,119	51,236,507
Current liabilities			
Loans and borrowings	17	10,121,676	6,171,694
Interest accrued on loans and borrowings	17	95,535	149,445
Lease liabilities	18	5,256,829	4,985,877
Trade and other payables	19	23,201,973	29,954,756
Current income tax payable		235,575	494,619
Total current liabilities		38,911,588	41,756,391
Total liabilities		92,615,707	92,992,898
Total equity and liabilities		106,170,455	106,846,523

*Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2022*

'000 RUB	Note	Six months ended 30 June 2022	Six months ended 30 June 2021
Revenue	4	97,803,485	88,662,401
Cost of goods sold		(75,501,195)	(69,175,973)
Gross profit		22,302,290	19,486,428
General, selling and administrative expenses	5	(19,793,712)	(17,274,820)
Other operating income and expenses, net	6	(551,029)	(265,768)
Operating profit		1,957,549	1,945,840
Finance income	7	257,223	28,160
Finance costs	7	(2,942,558)	(2,371,303)
Foreign exchange gain	8	1,533,476	538,923
Profit before income tax		805,690	141,620
Income tax (expense)/benefit	9	(229,278)	10,836
Profit for the period		576,412	152,456
Other comprehensive (loss)/income			
<i>Items that will never be reclassified to profit or loss:</i>			
Exchange differences on translation to presentation currency		(875,289)	(45,489)
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Change in fair value of hedges		-	161,520
Income tax on items within other comprehensive income		-	(32,304)
Other comprehensive (loss)/income for the period, net of income tax		(875,289)	83,727
Total comprehensive (loss)/ income for the period		(298,877)	236,183
Earnings per share			
Basic and diluted earnings per share (in RUB per share)	16	2.1	0.6

Condensed Consolidated Interim Statement of Changes in Equity for the six months ended 30 June 2022

'000 RUB	Share capital	Legal reserve	Additional paid-in capital	Hedging reserve	Retained earnings	Translation reserve	Total equity
Balance at 1 January 2021	119,440	10,597	8,555,657	(155,056)	3,185,645	1,761,152	13,477,435
Comprehensive income for the period							
Profit for the period	-	-	-	-	152,456	-	152,456
Other comprehensive income							
Foreign currency translation differences	-	-	-	-	-	(45,489)	(45,489)
Change in fair value of hedges and reclassification from hedging reserve	-	-	-	161,520	-	-	161,520
Income tax on items within other comprehensive income	-	-	-	(32,304)	-	-	(32,304)
Total other comprehensive income	-	-	-	129,216	-	(45,489)	83,727
Total comprehensive income for the period	-	-	-	129,216	152,456	(45,489)	236,183
Balance at 30 June 2021	119,440	10,597	8,555,657	(25,840)	3,338,101	1,715,663	13,713,618

Condensed Consolidated Interim Statement of Changes in Equity for the six months ended 30 June 2022

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

Condensed Consolidated Interim Statement of Cash Flows for the six months ended 30 June 2022

'000 RUB	Note	Six months ended 30 June 2022	Six months ended 30 June 2021
Cash flows from operating activities			
Cash receipts from customers		111,971,743	102,074,566
Other cash receipts		373,195	378,267
Interest received		236,330	29,875
Cash paid to suppliers and employees		(108,763,775)	(99,361,904)
Taxes other than on income		(371,852)	(309,297)
Other cash payments		(30,429)	(22,113)
VAT paid		(2,042,908)	(1,742,531)
Income tax paid		(424,392)	(242,487)
Net cash from operating activities		947,912	804,376
Cash flows from investing activities			
Purchase of property, plant and equipment (excluding VAT)		(3,355,720)	(1,757,522)
Purchase of intangible assets (excluding VAT)		(152,180)	(209,676)
Proceeds from sale of subsidiary		-	180,000
Proceeds from sale of property, plant and equipment and intangible assets (excluding VAT)		1,166	1,013
Proceeds from sale of investment property (excluding VAT)		25,000	-
Net cash used in investing activities		(3,481,734)	(1,786,185)
Cash flows from financing activities			
Proceeds from loans and borrowings		10,417,252	2,500,000
Repayment of loans and borrowings		(3,241,572)	(2,148,027)
Repayment of loans from related parties	23	(393,582)	-
Interest paid on loans and borrowings		(1,976,965)	(1,367,787)
Repayment of principal amount of lease liabilities		(2,348,785)	(2,230,474)
Interest paid on lease liabilities		(1,032,208)	(964,382)
Other financial payments		(19,336)	(133,630)
Net cash from/(used in) financing activities		1,404,804	(4,344,300)
Net decrease in cash and cash equivalents		(1,129,018)	(5,326,109)
Cash and cash equivalents at the beginning of the period		9,447,998	7,713,568
Effect of exchange rate fluctuations on cash and cash equivalents		(373,281)	(7,325)
Cash and cash equivalents at the end of the period		7,945,699	2,380,134

The condensed consolidated interim statement of cash flows is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 7 to 26.

1 Background

(a) The Group and its operations

These condensed consolidated interim financial statements as at and for the six months ended 30 June 2022 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 2022 and 31 December 2021, the Company's major indirect shareholders are Mr. Troitskii, Mr. Volchek and Mr. Korzhev.

As at 30 June 2022 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 2021 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 2022, the Group operated 243 stores including 164 discounter stores (31 December 2021: 230 stores including 152 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. However, 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 March 2022, the official exchange rate of the Central Bank of the Russian Federation reached 120 RUB for 1 USD and 133 RUB for 1 EUR, and then dropped to 51.1580 RUB for 1 USD and 53.8580 RUB for 1 EUR on 30 June 2022, compared to year-end exchange rates of 74.2926 RUB and 84.0695 RUB respectively. This led to significant net foreign exchange gain for the period, as further disclosed in Note 8.

The Bank of Russia key rate also was volatile during the reporting period. As a part of comprehensive measures to ensure the stability of credit institutions, the Bank of Russia raised the key rate to 20% p.a. in February 2022. Nevertheless, as the macroeconomic environment started to stabilise, the Bank of Russia has been gradually lowering the key rate to reach 9.5% p.a. in June 2022. In July 2022, the key rate was lowered further to 8% p.a. compared to 8.5% in December 2021.

In March and April 2022, the Group temporarily kept its promotional activity in the hypermarkets limited on the back of the current economic environment. The Group also increased stock purchase volumes to secure sufficient stock levels, ensure full on-shelf availability of essential goods and goods under the brands which availability in the Russian market was not guaranteed. 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.

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 2022, Expert RA credit rating agency affirmed the credit rating of O'Key LLC, the main operating subsidiary of the Company, at "ruA-", outlook Stable. The rating reflects the Group's 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 Expert RA, the qualitative assessment of the Group's liquidity is high, 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.

COVID-19. In the reporting period, the Group continued to undertake necessary measures to maintain safe and smooth operations of its stores and supply chain during the continuing COVID-19 pandemic. While the business conditions in the context of the pandemic were stable and no significant governmental restrictions were in place, there is still a significant uncertainty regarding future developments of the COVID-19 situation, in particular, its duration and the risk that the Russian authorities would impose additional restrictions in subsequent periods, including due to emerging new variants of the virus. As such, the future effects of the current situation are difficult to predict and management's current expectations and estimates could differ from actual results.

Consideration of climate change. The Group management has taken note of global awareness and concerns about the potential impact of climate change. Currently, this matter has had no significant impact on these condensed consolidated interim financial statements, but the Group management continues to monitor developments in this area.

1 Background (continued)

(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. In the reporting period, the Group invested in inventory to secure the sufficient stock level of goods, in particular, those under the brand names that announced their exit from the Russian market, therefore the usual seasonal trend was affected by the Group's reaction to the changes in the macroeconomic situation. Besides, the Group optimised settlements with its suppliers which led to a reduction in bonuses receivable from suppliers in the reporting period. The Group's inventory and trade and other receivables are discussed in Notes 14 and 15.

(d) Net current liabilities

As at 30 June 2022, the Group's current liabilities exceeded its current assets by RUB 6,271,103 thousand (31 December 2021: RUB 7,622,429 thousand). An excess of current liabilities over current assets is usual for the retail industry. 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 12 September 2022.

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 2021 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 2022 and 30 June 2021 is as follows:

'000 RUB	O'Key		Da!		Total	
	2022	2021	2022	2021	2022	2021
For six months ended 30 June						
External revenue						
- Sales of trading stock	68,548,488	69,250,427	25,514,259	15,636,803	94,062,747	84,887,230
- Sales of self-produced catering products	2,751,618	2,810,836	-	-	2,751,618	2,810,836
Revenue from contracts with customers	71,300,106	72,061,263	25,514,259	15,636,803	96,814,365	87,698,066
Rental income	964,215	939,992	24,905	24,343	989,120	964,335
Total revenue	72,264,321	73,001,255	25,539,164	15,661,146	97,803,485	88,662,401
Inter-segment revenue	270,210	88,325	988,810	1,036,325	1,259,020	1,124,650
EBITDA	5,765,157	5,903,761	1,745,363	671,039	7,510,520	6,574,800

4 Segment information (continued)

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

'000 RUB	Note	Six months ended 30 June 2022	Six months ended 30 June 2021
EBITDA		7,510,520	6,574,800
Revaluation of investment property	6	(85,000)	121,967
Net loss from disposal of non-current assets and impairment of non-current assets	6	(157,695)	(369,063)
Impairment of receivables	6	(195,029)	(34,895)
Depreciation and amortisation	5	(5,115,247)	(4,346,969)
Finance income	7	257,223	28,160
Finance costs	7	(2,942,558)	(2,371,303)
Foreign exchange gain	8	1,533,476	538,923
Profit before income tax		805,690	141,620
Income tax (expense)/benefit	9	(229,278)	10,836
Profit for the period		576,412	152,456

5 General, selling and administrative expenses

'000 RUB	Note	Six months ended 30 June 2022	Six months ended 30 June 2021
Personnel costs		8,494,251	7,429,712
Depreciation and amortisation	11 – 13	5,115,247	4,346,969
Communication and utilities		2,184,122	1,983,847
Advertising and marketing		1,028,609	899,296
Repairs and maintenance costs		765,824	648,429
Insurance and bank commissions		605,687	523,920
Operating taxes		420,597	344,522
Security expenses		374,574	348,823
Legal and professional expenses		329,749	355,037
Variable lease expenses and expenses relating to short-term and low value leases		245,791	184,938
Materials and supplies		206,236	182,074
Other costs		23,025	27,253
Total general, selling and administrative expenses		19,793,712	17,274,820

Total employee benefits expense for the six months ended 30 June 2022 included in the cost of goods sold and general, selling and administrative expenses is RUB 10,509,923 thousand (six months ended 30 June 2021: 8,914,533 thousand).

6 Other operating income and expenses, net

'000 RUB	Six months ended 30 June 2022	Six months ended 30 June 2021
Revaluation of investment property (Note 10)	(85,000)	121,967
Gain from modification of leases	-	18,072
Net (loss)/gain from disposal of non-current assets	(52,695)	3,421
Impairment of receivables	(195,029)	(34,895)
Impairment of non-current assets (Note 11)	(105,000)	(372,484)
Sundry income and expenses, net	(113,305)	(1,849)
Total other operating income and expenses, net	(551,029)	(265,768)

7 Finance income and finance costs

'000 RUB	Six months ended 30 June 2022	Six months ended 30 June 2021
Recognised in profit or loss		
Interest income on bank deposits	232,501	20,499
Other finance income	24,722	7,661
Total finance income	257,223	28,160
Interest expense on loans and borrowings	(1,912,250)	(1,429,060)
Interest expense on lease liabilities	(1,030,308)	(942,243)
Total finance costs	(2,942,558)	(2,371,303)
Net finance costs recognised in profit or loss	(2,685,335)	(2,343,143)

8 Foreign exchange gain

'000 RUB	Six months ended 30 June 2022	Six months ended 30 June 2021
Foreign exchange loss on financial items	(818,785)	(170,854)
Foreign exchange gain on financial items	2,376,716	622,989
Net foreign exchange gain on financial items	1,557,931	452,135
Foreign exchange (loss)/gain on operating items	(24,455)	86,788
Total foreign exchange gain	1,533,476	538,923

Substantial amount of the net foreign exchange gain on financial items for the six-month period ended 30 June 2022 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 2022	Six months ended 30 June 2021
Current tax expense	(174,923)	(39,289)
Deferred tax (expense)/benefit	(54,355)	50,125
Total income tax (expense)/benefit	(229,278)	10,836

10 Investment property

a) Reconciliation of carrying amount

'000 RUB	Note	
Investment properties at fair value as at 1 January 2021		1,897,449
Transfers from property, plant and equipment, construction in progress and right-of-use assets	11, 12	1,338,812
Expenditure on subsequent improvements		7,845
Fair value gains less losses	6	121,967
Reclassification to non-current assets held for sale		(129,000)
Investment properties at fair value as at 30 June 2021		3,237,073
Investment properties at fair value as at 1 January 2022		1,947,218
Fair value gains less losses	6	(85,000)
Reclassification to non-current assets held for sale		(255,000)
Other		(31,707)
Investment properties at fair value as at 30 June 2022		1,575,511

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

As at 30 June 2022 the Group's investment property comprises three buildings and five land plots (31 December 2021: three buildings and six land plots).

In the reporting period the Group entered into active negotiations with a third party in respect of a sale of one of the Group's investment properties represented by a land plot and concluded that as at 30 June 2022, it was highly probable that the sale would be shortly completed. The underlying land plot was therefore remeasured at its current fair value less costs to sell with reference to its expected selling price and reclassified to non-current assets held for sale.

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>							
Balance at 1 January 2021	4,135,395	41,148,072	9,157,029	17,120,544	71,561,040	3,034,268	74,595,308
Additions	349,120	416,402	-	389,258	1,154,780	846,309	2,001,089
Transfers	-	53,946	443,046	62,584	559,576	(559,576)	-
Transfers to investment property (Note 10)	(583,790)	-	-	(2,708)	(586,498)	(521,691)	(1,108,189)
Reclassification to non-current assets held for sale	(204,175)	-	-	-	(204,175)	(15,825)	(220,000)
Disposals	-	(18,872)	(418)	(297,018)	(316,308)	(11,510)	(327,818)
Balance at 30 June 2021	3,696,550	41,599,548	9,599,657	17,272,660	72,168,415	2,771,975	74,940,390
Balance at 1 January 2022	3,735,039	42,294,973	10,586,717	18,273,095	74,889,824	2,974,861	77,864,685
Additions	-	2,232	5,061	1,371,023	1,378,316	1,376,415	2,754,731
Transfers	-	307,557	1,174,622	206,296	1,688,475	(1,688,475)	-
Disposals	-	-	(77,436)	(525,150)	(602,586)	(8,877)	(611,463)
Balance at 30 June 2022	3,735,039	42,604,762	11,688,964	19,325,264	77,354,029	2,653,924	80,007,953

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 2021	(15,871)	(12,035,209)	(4,817,797)	(13,439,705)	(30,308,582)	(249,673)	(30,558,255)
Depreciation for the period	-	(672,721)	(581,762)	(683,984)	(1,938,467)	-	(1,938,467)
Transfers to investment property (Note 10)	15,871	-	-	2,615	18,486	-	18,486
Impairment losses	(92,484)	-	-	-	(92,484)	(280,000)	(372,484)
Disposals	-	717	280	293,411	294,408	-	294,408
Balance at 30 June 2021	(92,484)	(12,707,213)	(5,399,279)	(13,827,663)	(32,026,639)	(529,673)	(32,556,312)
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
Balance at 30 June 2022	-	(13,932,453)	(6,731,364)	(14,422,289)	(35,086,106)	(1,307,772)	(36,393,878)
<i>Net book value</i>							
At 1 January 2021	4,119,524	29,112,863	4,339,232	3,680,839	41,252,458	2,784,595	44,037,053
At 30 June 2021	3,604,066	28,892,335	4,200,378	3,444,997	40,141,776	2,242,302	42,384,078
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

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

Depreciation expense of RUB 2,384,789 thousand has been charged to general, selling and administrative expenses (six months ended 30 June 2021: RUB 1,938,467 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 2022, the Group recognised an impairment loss in the amount of RUB 105,000 thousand in respect of certain construction in progress belonging to O'Key segment.

The total recoverable amount of the impaired assets determined based on the value in use approach as of 30 June 2022 amounted to RUB 608,305 thousand.

The post-tax discount rate used in the assessment under the value-in-use approach as at 30 June 2022 was 12.4%. If the revised estimated post-tax discount rate applied to the discounted cash flows of the CGUs had been 100 basis points higher than management's estimates, the Group would need to reduce the carrying value of property, plant and equipment by RUB 70,000 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
Balance at 1 January 2021	14,335,276	4,388,776	1,877,939	20,601,991
Additions	328,474	-	137,217	465,691
Modifications and reassessments	1,641,529	(148,670)	274,628	1,767,487
Depreciation	(1,678,603)	(99,462)	(363,550)	(2,141,615)
Transfers to investment property (Note 10)	-	(249,109)	-	(249,109)
Disposals	-	(158,407)	-	(158,407)
Balance at 30 June 2021	14,626,676	3,733,128	1,926,234	20,286,038
Balance at 1 January 2022	14,915,114	3,717,642	1,558,143	20,190,899
Additions	1,206,529	-	132,197	1,338,726
Modifications and reassessments	1,916,698	8,386	(70,476)	1,854,608
Depreciation	(1,984,103)	(83,781)	(359,689)	(2,427,573)
Balance at 30 June 2022	16,054,238	3,642,247	1,260,175	20,956,660

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

Depreciation expense of RUB 2,420,274 thousand has been charged to general, selling and administrative expenses (six months ended 30 June 2021: RUB 2,087,812 thousand).

Modifications and reassessments for the period ended 30 June 2022 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 2022. 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 2022.

13 Intangible assets

'000 RUB	Software	Other intangible assets	Total
<i>Cost</i>			
Balance at 1 January 2021	1,966,667	267,105	2,233,772
Additions	234,540	32,987	267,527
Disposals	(186,039)	(8,981)	(195,020)
Balance at 30 June 2021	2,015,168	291,111	2,306,279
Balance at 1 January 2022	1,964,058	316,432	2,280,490
Additions	195,098	40,982	236,080
Disposals	(149,767)	(10,251)	(160,018)
Balance at 30 June 2022	2,009,389	347,163	2,356,552
<i>Amortisation and impairment losses</i>			
Balance at 1 January 2021	(837,381)	(126,587)	(963,968)
Amortisation for the period	(309,690)	(11,000)	(320,690)
Disposals	186,030	6,643	192,673
Balance at 30 June 2021	(961,041)	(130,944)	(1,091,985)
Balance at 1 January 2022	(813,330)	(136,784)	(950,114)
Amortisation for the period	(294,845)	(15,339)	(310,184)
Disposals	149,551	8,822	158,373
Balance at 30 June 2022	(958,624)	(143,301)	(1,101,925)
<i>Carrying amounts</i>			
At 1 January 2021	1,129,286	140,518	1,269,804
At 30 June 2021	1,054,127	160,167	1,214,294
At 1 January 2022	1,150,728	179,648	1,330,376
At 30 June 2022	1,050,765	203,862	1,254,627

Amortisation of RUB 310,184 thousand has been charged to general, selling and administrative expenses (six months ended 30 June 2021: RUB 320,690 thousand).

No indicators of impairment were identified for the Group's intangible assets as at 30 June 2022.

14 Inventories

'000 RUB	30 June 2022	31 December 2021
Goods for resale	20,277,163	19,369,928
Raw materials and consumables	1,316,255	1,133,862
Write-down to net realisable value	(640,498)	(626,615)
Total inventories	20,952,920	19,877,175

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 2022	31 December 2021
Financial assets within trade and other receivables		
Trade receivables	286,703	311,490
Bonuses receivable from suppliers	1,206,849	2,169,396
Other financial receivables	284,218	256,338
Total financial assets within trade and other receivables	1,777,770	2,737,224
Other receivables		
VAT receivable	386,205	818,993
Prepaid taxes other than income tax	45,639	34,353
Total trade and other receivables	2,209,614	3,590,570

16 Earnings per share

Basic 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.

Earnings per share are calculated as follows:

'000 RUB	Six months ended 30 June 2022	Six months ended 30 June 2021
Profit for the period	576,412	152,456
Weighted average number of ordinary shares in issue (thousands)	269,074	269,074
Basic and diluted earnings per ordinary share (in RUB per share)	2.1	0.6

17 Loans and borrowings

'000 RUB	30 June 2022	31 December 2021
<i>Non-current loans and borrowings</i>		
Secured bank loans	11,382,353	11,694,919
Unsecured bank facilities	13,750,000	9,950,000
Unsecured bonds	9,142,177	10,000,000
Total non-current loans and borrowings	34,274,530	31,644,919
<i>Current loans and borrowings</i>		
Secured bank loans	1,358,824	1,158,824
Unsecured bank facilities	6,967,072	1,033,333
Unsecured bonds	1,250,000	2,837,671
Unsecured loans from related parties (Note 23)	542,930	1,139,016
Unsecured loans from third parties	2,850	2,850
Total current loans and borrowings	10,121,676	6,171,694
Unsecured bonds interest	94,486	144,483
Secured bank loans interest	-	2,398
Unsecured loans interest	1,049	2,564
Interest accrued on loans and borrowings	95,535	149,445
Total current loans and borrowings, including interest accrued	10,217,211	6,321,139
Total loans and borrowings	44,491,741	37,966,058

As at 30 June 2022 loans and borrowings were secured by property, plant and equipment with carrying value of RUB 8,029,736 thousand (31 December 2021: RUB 8,020,647 thousand).

As at 30 June 2022 the Group had RUB 13,149,594 thousand (31 December 2021: RUB 18,550,000 thousand) of undrawn committed borrowing facilities available in RUB on fixed and floating rate basis until July 2022-October 2027, out of which RUB 7,250,000 thousand are available in periods beyond twelve months after the reporting date, in respect of which all conditions have been met. 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 2022 and during the six-month period then ended the Group complied with all of its loan covenants.

18 Lease liabilities

'000 RUB	2022	2021
Balance at 1 January	24,063,037	24,639,106
Additions	1,171,972	465,691
Modifications and reassessments	1,822,900	1,749,415
Repayment	(3,380,993)	(3,194,856)
Interest expense	1,032,208	964,382
Foreign exchange gain	(741,636)	(383,065)
Balance at 30 June	23,967,488	24,240,673
Non-current lease liabilities	18,710,659	19,511,638
Current lease liabilities	5,256,829	4,729,035

Interest expense in the amount of RUB 1,030,308 thousand has been charged to finance costs (six months ended 30 June 2021: RUB 942,243 thousand).

Total cash outflow for leases in the reporting period amounted to RUB 3,626,784 thousand (six months ended 30 June 2021: RUB 3,360,847 thousand).

19 Trade and other payables

'000 RUB	30 June 2022	31 December 2021
Financial liabilities at amortised cost		
Trade payables	20,082,927	27,109,929
Other financial payables	83,671	190,008
Total financial liabilities at amortised cost	20,166,598	27,299,937
Payables to staff	1,423,793	1,387,210
Taxes payable other than income tax	1,216,158	785,391
Advances received from lessees	327,297	407,139
Contract liability related to gift cards	68,127	75,079
Total trade and other payables	23,201,973	29,954,756

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 1,133,947 thousand as at 30 June 2022 (31 December 2021: RUB 586,007 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 2022, the Group has other possible obligations of approximately RUB 2,400,000 thousand (31 December 2021: 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 of 31 December 2021, so no fair value adjustment was required, with exception of one land plot which was remeasured at its current fair value less costs to sell with reference to its expected selling price (Note 10).

(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 2022.

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 key management personnel

Key management personnel received the following remuneration during the period, which is included in personnel costs:

'000 RUB	Six months ended 30 June 2022	Six months ended 30 June 2021
<i>Short-term employee benefits:</i>		
Salaries and short-term bonuses	177,883	192,467
Social security contributions	7,110	7,965
<i>Long-term employee benefits:</i>		
Long-term service bonus	19,000	19,000
Total	203,993	219,432

In addition, members of the Company's Board of Directors received remuneration in the amount of RUB 37,833 thousand for the six-month period ended 30 June 2022 (six months ended 30 June 2021: RUB 30,408 thousand) which is included in legal and professional expenses.

(b) Transactions with other related parties

(i) Revenue

'000 RUB	Income		Receivables	
	Six months ended 30 June 2022	Six months ended 30 June 2021	30 June 2022	31 December 2021
Sale of services	905	914	413	2,871
Total	905	914	413	2,871

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 2022	Six months ended 30 June 2021
Interest expense on lease liabilities	57,347	35,244
Variable lease expenses and expenses relating to short-term and low value leases	21,055	41,917
Interest expense on loans and borrowings	42,939	42,134
Other services received	11,375	-
Total	132,716	119,295

(iii) Leases with other related parties

Lease liabilities under related party arrangements were as follows:

'000 RUB	30 June 2022	31 December 2021
Lease liabilities due to other related parties, including:	1,644,469	514,100
Current lease liabilities	406,633	468,815
Non-current lease liabilities	1,237,836	45,285

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.

(iv) Loans and borrowings

'000 RUB	30 June 2022	31 December 2021
Loans and borrowings	542,930	1,139,016

The loans from other related parties are denominated in USD, bear interest at 12% per annum and are payable on demand but not later than 2023. In April 2022 the loan was partially repaid in the amount of RUB 393,582 thousand. During the six months ended 30 June 2022 the currency translation gain arising on the related party loans and recognised within other comprehensive income amounted to RUB 202,504 thousand (six months ended 30 June 2021: currency translation gain amounted to RUB 23,050 thousand).

24 Events subsequent to the reporting date

Dividends

In July 2022, the Company approved an interim dividend on all shares in issue of EUR 8,500 thousand (0.03159 Euro per share), the equivalent of RUB 480,594 thousand at the official exchange rate as of the date of the approval. The corresponding payments were made to the shareholders in August 2022 in full.