

O'KEY GROUP S.A.

**Condensed Consolidated Interim
Financial Statements**

Six months ended 30 June 2020

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Report on Review of Condensed Consolidated Interim Financial Statements

To the Board of Directors of
O'KEY GROUP S.A.

We have reviewed the accompanying condensed consolidated interim financial statements of O'KEY GROUP S.A. (the "Company") and its subsidiaries (the "Group"), which comprise the condensed consolidated interim statement of financial position as at 30 June 2020, and the related condensed consolidated interim statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the condensed consolidated interim financial statements

The Board of Directors is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review. We conducted our review in accordance with International Standard on Review Engagements (ISRE 2410 "Review of interim financial information performed by the independent auditor of the entity") as adopted for Luxembourg by the "Institut des Réviseurs d'Entreprises". This standard requires us to comply with relevant ethical requirements and conclude whether anything has come to our attention that causes us to believe that the condensed consolidated interim financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework.

A review of condensed consolidated interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. The "Réviseur d'entreprises agréé" performs procedures, primarily consisting of making inquiries of management and others within the Group, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these condensed consolidated interim financial statements.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 21 August 2020

Andrei Chizhov

'000 RUB	Note	30 June 2020	31 December 2019
ASSETS			
Non-current assets			
Investment property		1,251,864	1,249,969
Property, plant and equipment	10	41,422,503	41,962,175
Construction in progress	10	3,280,874	2,976,838
Right-of-use assets	11	19,413,702	21,512,397
Intangible assets	12	1,210,820	1,292,185
Deferred tax assets		4,482,284	4,175,871
Other non-current assets	13	1,073,985	831,632
Total non-current assets		72,136,032	74,001,067
Current assets			
Inventories	14	14,631,417	15,219,769
Trade and other receivables	15	3,637,277	4,322,950
Prepayments		1,104,740	895,033
Other current assets		59,169	42,662
Cash and cash equivalents		2,181,426	5,507,079
Total current assets		21,614,029	25,987,493
Total assets		93,750,061	99,988,560

'000 RUB	Note	30 June 2020	31 December 2019
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
Hedging reserve		(257,778)	(155,518)
Retained earnings		4,333,898	5,233,827
Translation reserve		1,547,923	1,204,897
Total equity		14,309,737	14,968,900
Non-current liabilities			
Loans and borrowings	17	27,607,590	30,089,758
Lease liabilities	18	19,219,078	21,172,587
Deferred tax liabilities		526,046	527,796
Total non-current liabilities		47,352,714	51,790,141
Current liabilities			
Loans and borrowings	17	7,469,013	1,629,220
Interest accrued on loans and borrowings	17	206,863	211,181
Lease liabilities	18	4,421,223	3,949,756
Trade and other payables	19	19,781,122	27,182,739
Current income tax payable		209,389	256,623
Total current liabilities		32,087,610	33,229,519
Total liabilities		79,440,324	85,019,660
Total equity and liabilities		93,750,061	99,988,560

*Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2020*

'000 RUB	Note	Six months ended 30 June 2020	Six months ended 30 June 2019
Revenue	4	85,058,680	79,883,427
Cost of goods sold		(65,405,129)	(61,046,967)
Gross profit		19,653,551	18,836,460
General, selling and administrative expenses	5	(16,978,001)	(16,531,707)
Other operating income and expenses, net	6	(413,117)	138,667
Operating profit		2,262,433	2,443,420
Finance income	7	53,459	59,008
Finance costs	7	(2,459,521)	(2,625,749)
Foreign exchange (loss)/gain	8	(1,082,191)	692,220
(Loss)/profit before income tax		(1,225,820)	568,899
Income tax benefit	9	325,891	62,990
(Loss)/profit for the period		(899,929)	631,889
Other comprehensive income/(loss)			
<i>Items that will never be reclassified to profit or loss:</i>			
Exchange differences on translation to presentation currency		343,026	(371,542)
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Change in fair value of hedges and reclassification from hedging reserve		(127,825)	(46,671)
Income tax on items within other comprehensive income/(loss)		25,565	9,334
Other comprehensive income/(loss) for the period, net of income tax		240,766	(408,879)
Total comprehensive (loss)/income for the period		(659,163)	223,010
(Loss)/earnings per share			
Basic and diluted (loss)/earnings per share (in RUB per share)	16	(3.3)	2.3

The condensed consolidated interim statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 9 to 29.

Condensed Consolidated Interim Statement of Changes in Equity for the six months ended 30 June 2020

'000 RUB	Note	Share capital	Legal reserve	Additional paid-in capital	Hedging reserve	Retained earnings	Translation reserve	Total equity
Balance at 31 December 2018		119,440	10,597	8,555,657	-	12,200,119	1,595,368	22,481,181
Change in accounting policy		-	-	-	-	(6,725,738)	-	(6,725,738)
Balance at 1 January 2019		119,440	10,597	8,555,657	-	5,474,381	1,595,368	15,755,443
Comprehensive income for the period		-	-	-	-	631,889	-	631,889
Profit for the period		-	-	-	-	631,889	-	631,889
Other comprehensive loss		-	-	-	-	-	(371,542)	(371,542)
Foreign currency translation differences		-	-	-	-	-	(371,542)	(371,542)
Change in fair value of hedges and reclassification from hedging reserve		-	-	-	(46,671)	-	-	(46,671)
Income tax on items within other comprehensive loss		-	-	-	9,334	-	-	9,334
Total other comprehensive loss		-	-	-	(37,337)	-	(371,542)	(408,879)
Total comprehensive income/(loss) for the period		-	-	-	(37,337)	631,889	(371,542)	223,010
Balance at 30 June 2019		119,440	10,597	8,555,657	(37,337)	6,106,270	1,223,826	15,978,453

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 9 to 29.

Condensed Consolidated Interim Statement of Changes in Equity for the six months ended 30 June 2020

'000 RUB	Note	Share capital	Legal reserve	Additional paid-in capital	Hedging reserve	Retained earnings	Translation reserve	Total equity
Balance at 1 January 2020		119,440	10,597	8,555,657	(155,518)	5,233,827	1,204,897	14,968,900
Comprehensive loss for the period		-	-	-	-	(899,929)	-	(899,929)
Loss for the period								
Other comprehensive income								
Foreign currency translation differences		-	-	-	-	-	343,026	343,026
Change in fair value of hedges and reclassification from hedging reserve		-	-	-	(127,825)	-	-	(127,825)
Income tax on items within other comprehensive loss		-	-	-	25,565	-	-	25,565
Total other comprehensive income/(loss)		-	-	-	(102,260)	-	343,026	240,766
Total comprehensive loss/(income) for the period		-	-	-	(102,260)	(899,929)	343,026	(659,163)
Balance at 30 June 2020		119,440	10,597	8,555,657	(257,778)	4,333,898	1,547,923	14,309,737

Condensed Consolidated Interim Statement of Cash Flows for the six months ended 30 June 2020

'000 RUB	Six months ended 30 June 2020	Six months ended 30 June 2019
Cash flows from operating activities		
Cash receipts from customers	97,702,337	92,381,998
Other cash receipts	224,010	435,310
Interest received	37,443	42,770
Cash paid to suppliers and employees	(96,404,979)	(90,150,271)
Taxes other than on income	(358,989)	(367,911)
Other cash payments	(62,708)	(30,157)
VAT paid	(1,496,473)	(1,559,547)
Income tax paid	(108,989)	(418,532)
Net cash (used in)/from operating activities	(468,348)	333,660
Cash flows from investing activities		
Purchase of property, plant and equipment and right-of-use assets (excluding VAT)	(1,413,964)	(1,126,491)
Purchase of intangible assets (excluding VAT)	(166,946)	(145,171)
Proceeds from sale of subsidiaries	-	1,552,785
Proceeds from sale of property, plant and equipment and intangible assets (excluding VAT)	(32,961)	13,220
Net cash (used in)/from investing activities	(1,613,871)	294,343
Cash flows from financing activities		
Proceeds from loans and borrowings	3,450,000	5,250,000
Repayment of loans and borrowings	(215,726)	(5,893,800)
Interest paid on loans and borrowings	(1,471,889)	(1,432,712)
Repayment of principal amount of lease liabilities	(1,871,850)	(1,974,051)
Interest paid on lease liabilities	(1,027,110)	(1,216,864)
Other financial payments	(97,159)	(34,920)
Net cash used in financing activities	(1,233,734)	(5,302,347)
Net decrease in cash and cash equivalents	(3,315,953)	(4,674,344)
Cash and cash equivalents at the beginning of the period	5,507,079	8,712,253
Effect of exchange rate fluctuations on cash and cash equivalents	(9,700)	(21,778)
Cash and cash equivalents at the end of the period	2,181,426	4,016,131

1 Background

(a) The Group and its operations

These condensed consolidated interim financial statements as at and for the six months ended 30 June 2020 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 2020 and 31 December 2019, the Company's major indirect shareholders are Mr. Troitskii, Mr. Volchek and Mr. Korzhev.

As at 30 June 2020 and 31 December 2019, as well as throughout the reporting periods then ended, 38.172% of the Company's shares were admitted to trading on the London Stock Exchange in the form of global depositary receipts (GDRs).

The Company's registered address is Luxembourg 6 rue Jean Monnet, L-2180.

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 2020, the Group operated 178 stores including 101 discounter stores (31 December 2019: 178 stores including 100 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 and individuals.

Late in 2019 news first emerged from China about the COVID-19. The situation at 2019 year end, was that a limited number of cases of an unknown virus had been reported to the World Health Organisation. In the first few months of 2020 the virus had spread globally, and its negative impact has gained momentum. Measures taken by various governments to contain the virus have affected economic activity, both globally and in Russia.

1 Background (continued)

In response to the COVID-19 downturn, the Group promptly addressed the situation with the spread of COVID-19 and undertook necessary measures to maintain safe and smooth operations of its stores and supply chain, with focus on safety of customers and employees, supply chain and store replenishment, e-commerce and online orders, as well as social responsibility initiatives. These measures allowed the Group to overcome the challenges the market faced in the first half of 2020, and fully satisfy consumer demand by creating a safe, convenient, and pleasurable shopping experience across all its formats and sales channels. As the Group primarily operates in the food retail market, overall customer demand did not encounter significant deterioration, and even on the contrary for certain types of goods. Further, entities supplying food and essential goods for individuals fell out of scope of the restrictions imposed by Russian government authorities to contain the virus. The negative impact in the economic environment due to the COVID-19 downturn has been considered by the Group in assessing impairment of its non-current assets as of the interim reporting date, as well in other areas, as further discussed in notes.

Management of the Group continues to follow applicable government policies and recommendations and will do utmost to continue the Group's operations in the best and safest way possible without jeopardising the health of people. However, the future effects of the current situation are difficult to predict and management's current expectations and estimates could differ from actual results.

Underpinned by the COVID-19 turmoil and oil price plunge in the first quarter 2020, Russian rouble has weakened relative to major foreign currencies compared to the 2019 year-end, with the principal rates of exchange established by the Central Bank of the Russian Federation ("CBRF") used for translating foreign currency balances as at 30 June 2020 of USD 1 = RUB 69.9513 and EUR 1 = RUB 78.6812 (31 December 2019: USD 1 = RUB 61.9057; EUR 1 = RUB 69.3406). This resulted in significant foreign exchange losses in the reporting period (Note 8).

(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 decrease compared to year-end.

(d) Net current liabilities

As at 30 June 2020, the Group's current liabilities exceeded its current assets by RUB 10,473,581 thousand (31 December 2019: RUB 7,242,026 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, including COVID-19 considerations, 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 2019 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 21 August 2020.

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 2019 and corresponding interim period, except for the estimation of income tax. A number of new or amended 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 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.

4 Segment information (continued)

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 2020 and 30 June 2019 is as follows:

	O'Key		Da!		Total	
	2020	2019	2020	2019	2020	2019
'000 RUB						
For six months ended 30 June						
External revenue						
- Sales of trading stock	69,261,540	67,350,153	12,616,787	8,583,192	81,878,327	75,933,345
- Sales of self-produced catering products	2,456,886	2,992,225	-	-	2,456,886	2,992,225
Revenue from contracts with customers	71,718,426	70,342,378	12,616,787	8,583,192	84,335,213	78,925,570
Rental income	698,142	929,690	25,325	28,167	723,467	957,857
Total revenue	72,416,568	71,272,068	12,642,112	8,611,359	85,058,680	79,883,427
Inter-segment revenue	95,470	146,486	1,152,648	1,528	1,248,118	148,014
EBITDA	6,238,607	6,509,221	459,158	(168,708)	6,697,765	6,340,513

4 Segment information (continued)

A reconciliation of EBITDA to (loss)/profit for the period is as follows:

'000 RUB	Note	Six months ended 30 June 2020	Six months ended 30 June 2019
EBITDA		6,697,765	6,340,513
(Loss)/gain from disposal of non-current assets	6	(360,402)	68,061
Impairment of receivables	6	(58,148)	(7,432)
Impairment of non-current assets	6	-	(237,000)
Depreciation and amortisation	5	(4,016,782)	(3,720,722)
Finance income	7	53,459	59,008
Finance costs	7	(2,459,521)	(2,625,749)
Foreign exchange (loss)/gain	8	(1,082,191)	692,220
(Loss)/profit before income tax		(1,225,820)	568,899
Income tax benefit	9	325,891	62,990
(Loss)/profit for the period		(899,929)	631,889

5 General, selling and administrative expenses

'000 RUB	Note	Six months ended 30 June 2020	Six months ended 30 June 2019
Personnel costs		7,702,480	7,377,206
Depreciation and amortisation	10 – 12	4,016,782	3,720,722
Communication and utilities		1,812,400	1,872,890
Advertising and marketing		954,730	1,068,746
Repairs and maintenance costs		614,126	668,488
Insurance and bank commissions		503,202	450,362
Operating taxes		431,172	381,102
Security expenses		358,531	354,520
Legal and professional expenses		335,211	293,089
Materials and supplies		211,718	148,800
Other costs		22,169	11,164
Variable lease expenses and expenses relating to short-term and low value leases		15,480	184,618
Total general, selling and administrative expenses		16,978,001	16,531,707

Due to the COVID-19 downturn, the Group renegotiated lease payments with some of the lessors, which resulted in the decrease of variable lease expenses.

6 Other operating income and expenses, net

'000 RUB	Six months ended 30 June 2020	Six months ended 30 June 2019
Gain from modification of leases	56,090	315,397
Net (loss)/gain from disposal of non-current assets	(360,402)	68,061
Impairment of receivables	(58,148)	(7,432)
Impairment of non-current assets (Note 10)	-	(237,000)
Sundry income and expenses, net	(50,657)	(359)
Total other operating income and expenses, net	(413,117)	138,667

7 Finance income and finance costs

'000 RUB	Six months ended 30 June 2020	Six months ended 30 June 2019
Recognised in profit or loss		
Interest income on bank deposits	37,091	46,217
Other finance income	16,368	12,791
Total finance income	53,459	59,008
Interest expense on loans and borrowings	(1,463,211)	(1,436,263)
Interest expense on lease liabilities	(996,310)	(1,189,486)
Total finance costs	(2,459,521)	(2,625,749)
Net finance costs recognised in profit or loss	(2,406,062)	(2,566,741)

8 Foreign exchange (loss)/gain

'000 RUB	Six months ended 30 June 2020	Six months ended 30 June 2019
Foreign exchange loss	(1,995,521)	(134,440)
Foreign exchange gain	913,330	826,660
Total foreign exchange (loss)/gain	(1,082,191)	692,220

Substantial amount of foreign exchange losses and gains relates to intercompany loans which are eliminated on consolidation. Another major part of foreign exchange result is due to lease contracts in foreign currencies. Relatively small impact is also 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 2020	Six months ended 30 June 2019
Current tax benefit/(expense)	43,293	(82,639)
Deferred tax benefit	282,598	145,629
Total income tax benefit	325,891	62,990

10 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 2019	4,975,059	38,907,212	7,916,794	15,657,993	67,457,058	3,621,918	71,078,976
Additions	90,000	8,070	-	425,912	523,982	701,700	1,225,682
Transfers	-	552,984	186,548	104,400	843,932	(843,932)	-
Disposals	-	(5,525)	(670)	(417,523)	(423,718)	(713,469)	(1,137,187)
Balance at 30 June 2019	5,065,059	39,462,741	8,102,672	15,770,782	68,401,254	2,766,217	71,167,471
Balance at 1 January 2020	4,901,189	40,042,676	8,539,655	16,009,852	69,493,372	2,976,838	72,470,210
Additions	58,911	442,224	-	367,110	868,245	858,824	1,727,069
Transfers	-	165,355	172,264	116,019	453,638	(453,638)	-
Disposals	-	-	(180,900)	(345,762)	(526,662)	(101,150)	(627,812)
Balance at 30 June 2020	4,960,100	40,650,255	8,531,019	16,147,219	70,288,593	3,280,874	73,569,467

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

	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
'000 RUB							
<i>Depreciation and impairment losses</i>							
Balance at 1 January 2019	-	(8,592,043)	(3,135,766)	(11,929,087)	(23,656,896)	-	(23,656,896)
Depreciation for the period	-	(653,297)	(332,413)	(886,590)	(1,872,300)	-	(1,872,300)
Impairment losses	-	(237,000)	-	-	(237,000)	-	(237,000)
Disposals	-	2,309	570	398,242	401,121	-	401,121
Balance at 30 June 2019	-	(9,480,031)	(3,467,609)	(12,417,435)	(25,365,075)	-	(25,365,075)
Balance at 1 January 2020	-	(10,717,277)	(3,806,563)	(13,007,357)	(27,531,197)	-	(27,531,197)
Depreciation for the period	-	(653,456)	(361,413)	(720,093)	(1,734,962)	-	(1,734,962)
Disposals	-	-	71,958	328,111	400,069	-	400,069
Balance at 30 June 2020	-	(11,370,733)	(4,096,018)	(13,399,339)	(28,866,090)	-	(28,866,090)
<i>Net book value</i>							
At 1 January 2019	4,975,059	30,315,169	4,781,028	3,728,906	43,800,162	3,621,918	47,422,080
At 30 June 2019	5,065,059	29,982,710	4,635,063	3,353,347	43,036,179	2,766,217	45,802,396
At 1 January 2020	4,901,189	29,325,399	4,733,092	3,002,495	41,962,175	2,976,838	44,939,013
At 30 June 2020	4,960,100	29,279,522	4,435,001	2,747,880	41,422,503	3,280,874	44,703,377

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

Depreciation expense of RUB 1,734,962 thousand has been charged to general, selling and administrative expenses (six months ended 30 June 2019: RUB 1,872,300 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, including impact of COVID-19 on each particular CGU where noted, as outlined in Note 1.

For the CGUs subject to impairment testing, recoverable amount was determined based on value-in-use calculations 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 2020, the Group did not identify an impairment loss (six months ended 30 June 2019: impairment loss of RUB 237,000 thousand was recognised, including RUB 200,000 thousand in O'KEY segment and RUB 37,000 thousand in Da! segment).

The post-tax discount rate used in the assessment as at 30 June 2020 was 11.9%.

11 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 2019	17,448,977	5,281,087	2,496,115	25,226,179
Additions	132,864	22,314	12,667	167,845
Modifications and reassessments	(193,665)	22,010	11,259	(160,396)
Depreciation	(1,234,094)	(133,666)	(258,885)	(1,626,645)
Disposals	-	(686,173)	-	(686,173)
Balance at 30 June 2019	16,154,082	4,505,572	2,261,156	22,920,810
Balance at 1 January 2020	15,069,404	4,487,947	1,955,046	21,512,397
Additions	193,447	-	26,476	219,923
Modifications and reassessments	(166,164)	(4,360)	27,592	(142,932)
Depreciation	(1,590,092)	(130,248)	(305,997)	(2,026,337)
Disposals	(13,583)	(135,766)	-	(149,349)
Balance at 30 June 2020	13,493,012	4,217,573	1,703,117	19,413,702

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

Depreciation expense of RUB 1,974,186 thousand has been charged to general, selling and administrative expenses (six months ended 30 June 2019: RUB 1,576,778 thousand).

The comparative amounts presented above were restated as compared to the amounts disclosed in the Group's condensed consolidated interim financial statements for the six-month period ended 30 June 2019. As part of the preparation of the annual financial statements for the year ended 31 December 2019, management identified circumstances pointing to the presence of impairment indicators of right-of-use assets as at 1 January 2019. As a result of the detailed analysis and testing of relevant assets for impairment, the adjustments were made to carrying values of respective assets against the Group's retained earnings on 1 January 2019.

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 2020. 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 10. No impairment attributable to the right-of-use assets was identified as at 30 June 2020.

12 Intangible assets

'000 RUB	Software	Other intangible assets	Total
<i>Cost</i>			
Balance at 1 January 2019	1,745,665	181,247	1,926,912
Additions	219,433	10,602	230,035
Disposals	(46,153)	(2,505)	(48,658)
Balance at 30 June 2019	1,918,945	189,344	2,108,289
Balance at 1 January 2020	2,011,725	193,009	2,204,734
Additions	211,240	19,842	231,082
Disposals	(137,083)	(5,675)	(142,758)
Balance at 30 June 2020	2,085,882	207,176	2,293,058
<i>Amortisation and impairment losses</i>			
Balance at 1 January 2019	(556,514)	(76,184)	(632,698)
Amortisation for the period	(256,467)	(15,177)	(271,644)
Disposals	44,695	2,878	47,573
Balance at 30 June 2019	(768,286)	(88,483)	(856,769)
Balance at 1 January 2020	(811,485)	(101,064)	(912,549)
Amortisation for the period	(291,725)	(15,909)	(307,634)
Disposals	136,862	1,083	137,945
Balance at 30 June 2020	(966,348)	(115,890)	(1,082,238)
<i>Carrying amounts</i>			
At 1 January 2019	1,189,151	105,063	1,294,214
At 30 June 2019	1,150,659	100,861	1,251,520
At 1 January 2020	1,200,240	91,945	1,292,185
At 30 June 2020	1,119,534	91,286	1,210,820

Amortisation of RUB 307,634 thousand has been charged to general, selling and administrative expenses (six months ended 30 June 2019: RUB 271,644 thousand).

No indicators of impairment were identified for the Group's intangible assets as at 30 June 2020.

13 Other non-current assets

'000 RUB	30 June 2020	31 December 2019
Prepayments for non-current assets	504,986	252,806
Long-term loans to entities under control of shareholder group (Note 23)	346,025	346,025
Long-term refundable deposits to lessors	222,974	232,801
Total other non-current assets	1,073,985	831,632

14 Inventories

'000 RUB	30 June 2020	31 December 2019
Goods for resale	14,392,312	14,967,315
Raw materials and consumables	700,934	762,248
Write-down to net realisable value	(461,829)	(509,794)
Total inventories	14,631,417	15,219,769

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 2020	31 December 2019
Financial assets within trade and other receivables		
Trade receivables	549,147	486,626
Bonuses receivable from suppliers	2,025,485	2,027,894
Receivables from sale of supermarkets	115,796	120,686
Other financial receivables	250,629	371,395
Total financial assets within trade and other receivables	2,941,057	3,006,601
Other receivables		
VAT receivable	367,444	1,088,358
Prepaid income tax	283,520	180,966
Prepaid taxes other than income tax	45,256	47,025
Total trade and other receivables	3,637,277	4,322,950

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 (loss)/earnings per share equal the basic (loss)/earnings per share.

(Loss)/earnings per share is calculated as follows:

'000 RUB	Six months ended 30 June 2020	Six months ended 30 June 2019
(Loss)/profit for the period	(899,929)	631,889
Weighted average number of ordinary shares in issue (thousands)	269,074	269,074
Basic and diluted (loss)/earnings per ordinary share (in RUB per share)	(3.3)	2.3

17 Loans and borrowings

'000 RUB	30 June 2020	31 December 2019
<i>Non-current loans and borrowings</i>		
Secured bank loans	4,500,000	4,500,000
Unsecured bank facilities	13,107,590	10,538,462
Unsecured bonds	10,000,000	15,051,296
Total non-current loans and borrowings	27,607,590	30,089,758
<i>Current loans and borrowings</i>		
Unsecured bank facilities	1,342,410	464,258
Unsecured bonds	5,051,296	213,006
Unsecured loans from related parties (Note 23)	1,072,457	949,106
Unsecured loans from third parties	2,850	2,850
Total current loans and borrowings	7,469,013	1,629,220
Unsecured bonds interest	205,822	210,112
Interest accrued on loans	1,041	1,069
Interest accrued on loans and borrowings	206,863	211,181
Total current loans and borrowings, including interest accrued	7,675,876	1,840,401
Total loans and borrowings	35,283,466	31,930,159

17 Loans and borrowings (continued)

As at 30 June 2020 loans and borrowings with carrying value of RUB 4,500,000 thousand (31 December 2019: RUB 4,500,000 thousand) were secured by property, plant and equipment with carrying value of RUB 2,346,734 thousand (31 December 2019: RUB 2,386,084 thousand).

As at 30 June 2020 the Group had RUB 9,900,000 thousand (31 December 2019: RUB 15,947,280 thousand) of undrawn committed borrowing facilities available in RUB on fixed and floating rate basis until July 2020-December 2021 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 2020 and during the six-month period then ended the Group complied with all of its loan covenants.

18 Lease liabilities

'000 RUB	2020	2019
Balance at 1 January	25,122,343	29,227,792
Additions	219,923	143,416
Modifications and reassessments	(199,022)	(475,793)
Repayment	(2,898,960)	(3,190,915)
Interest expense	1,027,110	1,216,864
Foreign exchange loss/(gain)	368,907	(259,614)
Balance at 30 June	23,640,301	26,661,750
Non-current lease liabilities	19,219,078	22,928,011
Current lease liabilities	4,421,223	3,733,739

Interest expense in the amount of RUB 996,310 thousand has been charged to finance costs (six months ended 30 June 2019: RUB 1,189,486 thousand). Total cash outflow for leases in the reporting period amounted to RUB 3,121,954 thousand (six months ended 30 June 2019: RUB 3,818,091 thousand).

19 Trade and other payables

'000 RUB	30 June 2020	31 December 2019
Financial liabilities at amortised cost		
Trade payables	17,073,975	24,147,521
Other financial payables	207,423	302,402
Total financial liabilities at amortised cost	17,281,398	24,449,923
Financial liabilities at fair value		
Interest rate swap liability	322,223	194,398
Total financial liabilities at fair value	322,223	194,398
Payables to staff	1,129,649	1,250,477
Taxes payable other than income tax	678,539	791,610
Advances received from lessees	305,752	396,220
Contract liability related to gift cards	63,561	100,111
Total trade and other payables	19,781,122	27,182,739

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 838,409 thousand as at 30 June 2020 (31 December 2019: RUB 653,698 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 incompliant 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.

21 Contingencies (continued)

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 2020, the Group has other possible obligations of approximately RUB 2,100,000 thousand (31 December 2019: RUB 1,900,000 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.

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.

22 Fair value disclosures (continued)

(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.

Financial instruments carried at fair value. Interest swaps are carried in the condensed consolidated interim statement of financial position at their fair value. Fair value of the swaps was determined based on observable market data (Level 2 fair value), including forward interest rates. The Group has no financial assets or liabilities carried at fair value based on unobservable inputs (Level 3 fair value).

Investment property. Fair value of the investment property is updated by the Group annually on 31 December applying the income approach and market approach (Level 3 fair value based on inputs to valuation technique used). There were no significant changes in the assumptions used in determination of fair value of the investment property as at 30 June 2020 compared to 1 January 2020. Fair value of investment property as at 30 June 2020 did not significantly change as compared to 1 January 2020.

(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 2020.

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 (see 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.

23 Related party transactions (continued)

(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 2020	Six months ended 30 June 2019
<i>Short-term employee benefits:</i>		
Salaries and short-term bonuses	177,753	164,831
Social security contributions	6,385	5,402
Other short-term payments	-	9,135
<i>Long-term employee benefits:</i>		
Long-service service bonus	19,000	19,000
Total	203,138	198,368

In addition, members of the Company's Board of Directors received remuneration in the amount of RUB 37,141 thousand for the six-month period ended 30 June 2020 (six months ended 30 June 2019: RUB 33,043 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 2020	Six months ended 30 June 2019	30 June 2020	31 December 2019
Sale of services	1,174	991	187	122
Total	1,174	991	187	122

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.

(ii) Expenses

'000 RUB	Expenses	
	Six months ended 30 June 2020	Six months ended 30 June 2019
Interest expense on lease liabilities	52,016	67,124
Variable lease expenses and expenses relating to short-term and low value leases	46,445	49,118
Interest expense on loans and borrowings	42,925	39,473
Other services received	-	13,657
Total	141,386	169,372

23 Related party transactions (continued)

Lease liabilities under related party arrangements were as follows:

'000 RUB	30 June 2020	31 December 2019
Lease liabilities due to other related parties, including:	1,138,094	1,272,328
Current lease liabilities	417,287	382,636
Non-current lease liabilities	720,807	889,692

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.

(iii) Loans and borrowings

'000 RUB	30 June 2020	31 December 2019
Loans and borrowings	1,072,457	949,106

The loans from other related parties are denominated in USD, bear interest at 8% per annum and are payable on demand but not later than 2021. There were no movements in the loans received from related parties during the six-month period ended 30 June 2020, except for the foreign exchange loss in the amount of RUB 123,351 thousand (six months ended 30 June 2019: foreign exchange gain amounted to RUB 98,045 thousand).

(iv) Loans given

'000 RUB	30 June 2020	31 December 2019
Loans given	346,025	346,025
Interest receivable	49,703	33,196
Total	395,728	379,221

The loans given to other related parties are denominated in RUB, bear interest at 9% per annum, are not secured and are due for repayment by not later than 2021.