

O'KEY GROUP S.A.

**Condensed Consolidated Interim
Financial Statements**

Six months ended 30 June 2024

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REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

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'000 RUB	Note	30 June 2024	31 December 2023
ASSETS			
Non-current assets			
Investment property	10	1,257,218	1,257,218
Property, plant and equipment	11	41,954,228	43,240,482
Construction in progress	11	1,009,321	1,122,363
Right-of-use assets	12	21,216,505	23,309,763
Intangible assets	13	1,246,455	1,214,553
Deferred tax assets		6,376,100	6,082,047
Other non-current assets		702,671	872,104
Total non-current assets		73,762,498	77,098,530
Current assets			
Inventories	14	22,616,883	24,975,926
Trade and other receivables	15	2,246,359	2,516,192
Prepaid income tax		106,605	97,140
Prepayments		523,912	800,312
Cash and cash equivalents		6,760,696	11,525,791
Total current assets		32,254,455	39,915,361
Total assets		106,016,953	117,013,891

'000 RUB	Note	30 June 2024	31 December 2023
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		525,820	447,347
Translation reserve		1,862,218	1,961,350
Total equity		11,073,732	11,094,391
Non-current liabilities			
Loans and borrowings	17	40,892,497	41,128,448
Lease liabilities	18	18,162,540	20,760,179
Deferred tax liabilities		789,972	683,833
Total non-current liabilities		59,845,009	62,572,460
Current liabilities			
Loans and borrowings	17	4,999,000	6,002,850
Interest accrued on loans and borrowings	17	248,047	254,450
Lease liabilities	18	5,936,161	5,962,202
Trade and other payables	19	23,832,033	31,062,083
Current income tax payable		82,971	65,455
Total current liabilities		35,098,212	43,347,040
Total liabilities		94,943,221	105,919,500
Total equity and liabilities		106,016,953	117,013,891

*Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2024*

'000 RUB	Note	Six months ended 30 June 2024	Six months ended 30 June 2023
Revenue	4	105,653,122	99,477,890
Cost of goods sold		(81,477,573)	(76,825,436)
Gross profit		24,175,549	22,652,454
General, selling and administrative expenses	5	(20,842,865)	(21,762,285)
Other operating income and expenses, net	6	713,765	(389,294)
Operating profit		4,046,449	500,875
Finance income	7	338,597	130,408
Finance costs	7	(4,356,788)	(3,379,908)
Foreign exchange gain/(loss)	8	72,612	(880,518)
Profit/(loss) before income tax		100,870	(3,629,143)
Income tax (expense)/benefit	9	(22,397)	652,157
Profit/(loss) for the period		78,473	(2,976,986)
Other comprehensive (loss)/income			
<i>Items that will never be reclassified to profit or loss:</i>			
Exchange differences on translation to presentation currency		(99,132)	436,849
Other comprehensive (loss)/income for the period, net of income tax		(99,132)	436,849
Total comprehensive loss for the period		(20,659)	(2,540,137)
Earnings/(loss) per share			
Basic and diluted earnings/(loss) per share (in RUB per share)	16	0.3	(11.1)

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 7 to 25.

Condensed Consolidated Interim Statement of Changes in Equity for the six months ended 30 June 2024

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

Condensed Consolidated Interim Statement of Changes in Equity for the six months ended 30 June 2024

'000 RUB	Share capital	Legal reserve	Additional paid-in capital	Retained earnings	Translation reserve	Total equity
Balance at 1 January 2024	119,440	10,597	8,555,657	447,347	1,961,350	11,094,391
Comprehensive loss for the period						
Profit for the period	-	-	-	78,473	-	78,473
Other comprehensive loss						
Foreign currency translation differences	-	-	-	-	(99,132)	(99,132)
Total other comprehensive loss	-	-	-	-	(99,132)	(99,132)
Total comprehensive loss for the period	-	-	-	78,473	(99,132)	(20,659)
Balance at 30 June 2024	119,440	10,597	8,555,657	525,820	1,862,218	11,073,732

Condensed Consolidated Interim Statement of Cash Flows for the six months ended 30 June 2024

'000 RUB	Note	Six months ended 30 June 2024	Six months ended 30 June 2023
Cash flows from operating activities			
Cash receipts from customers		120,886,483	113,919,249
Other cash receipts		357,936	285,251
Interest received		345,340	98,020
Cash paid to suppliers and employees		(114,071,091)	(112,006,658)
Taxes other than on income		(391,649)	(390,954)
Other cash payments		(21,469)	(13,185)
VAT paid		(2,539,960)	(2,192,521)
Income tax paid		(141,210)	(220,433)
Net cash used in operating activities		4,424,380	(521,231)
Cash flows from investing activities			
Purchase of property, plant and equipment (excluding VAT)		(742,047)	(2,494,667)
Purchase of intangible assets (excluding VAT)		(91,223)	(143,848)
Proceeds from sale of property, plant and equipment and intangible assets (excluding VAT)		2,766	389,312
Net cash used in investing activities		(830,504)	(2,249,203)
Cash flows from financing activities			
Proceeds from loans and borrowings		3,500,000	14,500,000
Repayment of loans and borrowings		(4,749,900)	(11,521,569)
Interest paid on loans and borrowings		(2,962,313)	(2,197,399)
Repayment of principal amount of lease liabilities		(2,676,122)	(2,682,591)
Interest paid on lease liabilities	7	(1,407,822)	(1,131,679)
Other financial payments		(24,466)	(45,831)
Net cash used in financing activities		(8,320,623)	(3,079,069)
Net decrease in cash and cash equivalents		(4,726,747)	(5,849,503)
Cash and cash equivalents at the beginning of the period		11,525,791	11,779,334
Effect of exchange rate fluctuations on cash and cash equivalents		(38,348)	(9,012)
Cash and cash equivalents at the end of the period		6,760,696	5,920,819

1 Background

(a) The Group and its operations

These condensed consolidated interim financial statements as at and for the six months ended 30 June 2024 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 2024 and 31 December 2023, the Company's major indirect shareholders are Mr. Troitskii, Mr. Volchek.

As at 30 June 2024 global depository receipts ("GDRs") represented 50.22% of the Company's shares, 38.17% of the Company's shares were admitted to trading on the Moscow Exchange and Astana International Exchange in the form of GDRs (as at 31 December 2023 GDRs represented 50.22% of the Company's shares, 38.17% of the Company's shares were listed on the London Stock Exchange, Moscow Exchange and Astana International 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.

In March 2023 the Astana International Exchange ("AIX") has approved the listing of global depository receipts ("GDRs") of the Group. Since 20 March 2023 O'KEY Group's GDR's started trading on the AIX.

In November 2023, the Bank of Russia decided to register a prospectus for the Company's global depository receipts (GDRs), each representing one ordinary share of O'KEY GROUP S.A. Thus, the Group has changed its listing status on Moscow Exchange ("MOEX") to primary. GDRs of O'KEY GROUP S.A. have been traded in Level I Quotation List on the Moscow Exchange since December 2020.

In June 2024 listing and the admission of the Group's GDRs to trading on the London Stock Exchange Main Market have been cancelled.

In view of the potential delisting from the London Stock Exchange planned June 2024, the Group had applied to the Moscow Exchange requesting to transfer the GDRs of O'KEY GROUP S.A. to Level II List, which has been done since June 2024.

The Company continues to have and plans to keep listing on the regulated market of Moscow Exchange and Astana International Exchange. The GDR program remains in force and continues to operate.

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 2024, the Group operated 296 stores including 219 discounter stores (31 December 2023: 297 stores including 220 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 characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The

1 Background (continued)

(b) Business environment (continued)

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 Russian economy continued to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals.

In 2022 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 1 sectors of economy, enterprises and individuals. However, no sanctions have been imposed against the Company, nor any of its subsidiaries, nor its major indirect shareholders.

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 2024, Expert RA (the 'Agency') has affirmed a credit rating of 'ruA-' for O'KEY LLC, the main operating subsidiary of the Company. The outlook of the rating remains Stable. The rating reflects highly appreciated Group's business profile due to its significant geographical distribution, a diversified supplier base and the lack of concentration of risk on any large asset. The agency also noted solid and stable operational and financial position in the market, low exposure to market risks, and high standards of corporate governance, risk management, strategic control and transparency. According to NCR, the Group's financial profile is supported by strong indicators of debt servicing and liquidity, which is attributable to diversified financing structure.

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

(c) Net current liabilities

As at 30 June 2024, the Group's current liabilities exceeded its current assets by RUB 2,843,757 thousand (31 December 2023: RUB 3,431,679 thousand). The Group uses excess of trade and other payables over inventory to finance its operating and investing activities. The Group has reviewed its cash flow forecasts in the context of current and projected market conditions, as well as available undrawn credit facilities disclosed in Note 17, and is confident that it will be able to meet its obligations as they fall due.

2 Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim financial reporting*. 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 2023 which have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). These condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 22 August 2024.

3 Material 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 2023 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 2024 and 30 June 2023 is as follows:

'000 RUB	O'Key		Da!		Total	
For six months ended 30 June	2024	2023	2024	2023	2024	2023
External revenue						
- Sales of trading stock	66,297,189	65,295,297	35,184,917	30,409,360	101,482,106	95,704,657
- Sales of self-produced catering products	3,085,620	2,758,623	-	-	3,085,620	2,758,623
Revenue from contracts with customers	69,382,809	68,053,920	35,184,917	30,409,360	104,567,726	98,463,280
Rental income	1,062,593	988,378	22,803	26,233	1,085,396	1,014,611
Total revenue	70,445,402	69,042,298	35,207,720	30,435,593	105,653,122	99,477,891
Inter-segment revenue	111,090	168,555	653,008	757,958	764,098	926,513
EBITDA	6,458,950	5,446,575	3,157,145	1,655,886	9,616,095	7,102,461

4 Segment information (continued)

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

'000 RUB	Note	Six months ended 30 June 2024	Six months ended 30 June 2023
EBITDA		9,616,095	7,102,461
Net loss from disposal of non-current assets and impairment of non-current assets	6	(43,619)	(250,745)
Impairment of receivables	6	(66,392)	(179,698)
Depreciation and amortisation	5	(5,372,027)	(5,717,238)
Net loss from disposal of right of use assets		-	(80,067)
Finance income	7	338,597	130,409
Finance costs	7	(4,356,788)	(3,379,908)
Foreign exchange gain/(loss)	8	72,612	(880,518)
Other one-off items		(87,608)	(373,838)
Profit/(loss) before income tax		100,870	(3,629,143)
Income tax (expense)/benefit	9	(22,397)	652,157
Profit/(loss) for the period		78,473	(2,976,986)

5 General, selling and administrative expenses

'000 RUB	Note	Six months ended 30 June 2024	Six months ended 30 June 2023
Personnel costs		8,726,757	9,427,102
Depreciation and amortisation	11 – 13	5,372,027	5,717,238
Communication and utilities		2,687,356	2,701,669
Advertising and marketing		957,696	955,846
Repairs and maintenance costs		846,193	820,490
Insurance and bank commissions		705,269	646,498
Operating taxes		440,810	388,334
Security expenses		371,726	379,927
Legal and professional expenses		290,925	292,280
Variable lease expenses and expenses relating to short-term and low value leases		227,144	186,700
Materials and supplies		167,859	217,708
Other costs		49,103	28,493
Total general, selling and administrative expenses		20,842,865	21,762,285

Total employee benefits expense for the six months ended 30 June 2024 included in the cost of goods sold and general, selling and administrative expenses is RUB 10,844,880 thousand (six months ended 30 June 2023: RUB 11,380,484 thousand).

6 Other operating income and expenses, net

'000 RUB	Six months ended 30 June 2024	Six months ended 30 June 2023
Gain from modification of leases	754,253	83,793
Net (loss) from disposal of right of use assets	-	(80,067)
Net (loss) from disposal of non-current assets	(43,619)	(250,745)
Impairment of receivables	(66,392)	(179,698)
Sundry income and (expenses), net	69,523	37,423
Total other operating income and expenses, net	713,765	(389,294)

7 Finance income and finance costs

'000 RUB	Six months ended 30 June 2024	Six months ended 30 June 2023
Recognised in profit or loss		
Interest income on bank deposits	338,597	112,116
Other finance income	-	18,292
Total finance income	338,597	130,408
Interest expense on loans and borrowings	(2,948,966)	(2,248,229)
Interest expense on lease liabilities	(1,407,822)	(1,131,679)
Total finance costs	(4,356,788)	(3,379,908)
Net finance costs recognised in profit or loss	(4,018,191)	(3,249,500)

8 Foreign exchange gain/(loss)

'000 RUB	Six months ended 30 June 2024	Six months ended 30 June 2023
Foreign exchange (loss) on financial items	(117,124)	(1,770,744)
Foreign exchange gain on financial items	169,137	1,048,326
Net foreign exchange gain/(loss) on financial items	52,013	(722,418)
Foreign exchange gain/ (loss) on operating items	20,599	(158,100)
Total foreign exchange gain/(loss)	72,612	(880,518)

Substantial amount of the net foreign exchange gain/loss on financial items for the six-month period ended 30 June 2024 and 30 June 2023 relates to USD-denominated intercompany loans between Group entities with different functional currencies which are eliminated on consolidation, as well as lease contracts in foreign currencies (Note 18). Foreign exchange gain/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 2024	Six months ended 30 June 2023
Current tax expense	(210,311)	(13,799)
Deferred tax benefit	187,914	665,956
Total income tax (expense)/benefit	(22,397)	652,157

10 Investment property

(a) Reconciliation of carrying amount

'000 RUB	Note
Investment properties at fair value as at 1 January 2023	1,474,333
Disposals	(217,115)
Investment properties at fair value as at 30 June 2023	1,257,218
Investment properties at fair value as at 1 January 2024	1,257,218
Disposals	-
Investment properties at fair value as at 30 June 2024	1,257,218

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

As at 30 June 2024 the Group's investment property comprises three buildings and three land plots (31 December 2023: three buildings and three land plots).

(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 2023	3,735,039	42,733,457	12,836,893	20,662,019	79,967,408	2,633,789	82,601,197
Additions	-	38,000	2,610	1,131,059	1,171,669	1,729,018	2,900,687
Transfers	-	220,875	805,562	215,472	1,241,909	(1,241,909)	-
Disposals	-	(9,100)	(178,464)	(542,941)	(730,505)	(558,269)	(1,288,774)
Balance at 30 June 2023	3,735,039	42,983,232	13,466,601	21,465,609	81,650,481	2,562,628	84,213,109
Balance at 1 January 2024	3,756,039	43,571,921	14,627,070	22,301,799	84,256,829	2,430,135	86,686,964
Additions	-	279	-	395,989	396,268	456,825	853,093
Transfers	-	212,699	262,487	93,526	568,712	(568,712)	-
Disposals	-	(1,269)	(128,288)	(474,363)	(603,920)	(1,155)	(605,075)
Balance at 30 June 2024	3,756,039	43,783,630	14,761,269	22,316,951	84,617,889	2,317,093	86,934,982

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 2023	-	(14,634,738)	(7,724,160)	(14,998,659)	(37,357,557)	(1,307,772)	(38,665,329)
Depreciation for the period	-	(707,259)	(1,142,314)	(928,777)	(2,778,350)	-	(2,778,350)
Disposals	-	2,889	151,296	501,368	655,553	-	655,553
Balance at 30 June 2023	-	(15,339,108)	(8,715,178)	(15,426,068)	(39,480,354)	(1,307,772)	(40,788,126)
Balance at 1 January 2024	-	(15,326,055)	(9,712,637)	(15,977,655)	(41,016,347)	(1,307,772)	(42,324,119)
Depreciation for the period	-	(358,091)	(967,654)	(877,424)	(2,203,169)	-	(2,203,169)
Disposals	-	522	106,708	448,625	555,855	-	555,855
Balance at 30 June 2024	-	(15,683,624)	(10,573,583)	(16,406,454)	(42,663,661)	(1,307,772)	(43,971,433)
<i>Net book value</i>							
At 1 January 2023	3,735,039	28,098,719	5,112,733	5,663,360	42,609,851	1,326,017	43,935,868
At 30 June 2023	3,735,039	27,644,124	4,751,423	6,039,541	42,170,127	1,254,856	43,424,983
At 1 January 2024	3,756,039	28,245,866	4,914,433	6,324,144	43,240,482	1,122,363	44,362,845
At 30 June 2024	3,756,039	28,100,006	4,187,686	5,910,497	41,954,228	1,009,321	42,963,549

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

Depreciation expense of RUB 2,203,169 thousand has been charged to general, selling and administrative expenses (six months ended 30 June 2023: RUB 2,778,350 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 2024 no impairment was identified.

Pledged assets

At 30 June 2024, trade stores with carrying value of RUB 7,662,840 thousand have been pledged to third parties as collateral for bank borrowings (At 31 December 2023: trade stores were pledged with carrying value of RUB 7,769,535 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 2023	14,929,487	3,373,340	913,989	19,216,816
Additions	1,247,486	-	7,977	1,255,463
Modifications and reassessments	1,700,717	39,630	2,213,994	3,954,341
Depreciation	(2,261,931)	(78,306)	(312,291)	(2,652,528)
Disposals	-	(81,323)	-	(81,323)
Balance at 30 June 2023	15,615,759	3,253,341	2,823,669	21,692,769
Balance at 1 January 2024	16,170,237	3,404,312	3,735,214	23,309,763
Additions	28,904	-	-	28,904
Modifications and reassessments	839,518	(97,232)	6,323	748,609
Depreciation	(2,321,220)	(95,543)	(454,008)	(2,870,771)
Balance at 30 June 2024	14,717,439	3,211,537	3,287,529	21,216,505

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

Depreciation expense of RUB 2,863,366 thousand has been charged to general, selling and administrative expenses (six months ended 30 June 2023: RUB 2,652,528 thousand).

Modifications and reassessments for the period ended 30 June 2024 were driven by the reassessment of extension options for some of the Group's leases, 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 size of underlying assets**.

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 2024. 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 2024.

13 Intangible assets

'000 RUB	Software	Other intangible assets	Total
<i>Cost</i>			
Balance at 1 January 2023	1,974,018	309,460	2,283,478
Additions	250,268	21,809	272,077
Disposals	(172,902)	(11,434)	(184,336)
Balance at 30 June 2023	2,051,384	319,835	2,371,219
Balance at 1 January 2024	1,859,379	432,174	2,291,553
Additions	287,241	247,300	534,541
Disposals	(209,371)	(312,654)	(522,025)
Balance at 30 June 2024	1,937,249	366,820	2,304,069
<i>Amortisation and impairment losses</i>			
Balance at 1 January 2023	(916,221)	(161,742)	(1,077,963)
Amortisation for the period	(263,172)	(23,188)	(286,360)
Disposals	147,228	10,534	157,762
Balance at 30 June 2023	(1,032,165)	(174,396)	(1,206,561)
Balance at 1 January 2024	(886,794)	(190,206)	(1,077,000)
Amortisation for the period	(261,572)	(48,364)	(309,936)
Disposals	157,976	171,346	329,322
Balance at 30 June 2024	(990,390)	(67,224)	(1,057,614)
<i>Carrying amounts</i>			
At 1 January 2023	1,057,797	147,718	1,205,515
At 30 June 2023	1,019,219	145,439	1,164,658
At 1 January 2024	972,585	241,968	1,214,553
At 30 June 2024	946,859	299,596	1,246,455

Amortisation of RUB 305,492 thousand has been charged to general, selling and administrative expenses (six months ended 30 June 2023: RUB 286,360 thousand).

No indicators of impairment were identified for the Group's intangible assets as at 30 June 2024.

14 Inventories

'000 RUB	30 June 2024	31 December 2023
Goods for resale	21,835,097	24,145,751
Raw materials and consumables	1,455,767	1,562,829
Write-down to net realisable value	(673,981)	(732,654)
Total inventories	22,616,883	24,975,926

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 2024	31 December 2023
Financial assets within trade and other receivables		
Trade receivables	375,827	420,326
Bonuses receivable from suppliers	1,498,095	1,553,709
Other financial receivables	142,857	169,427
Total financial assets within trade and other receivables	2,016,779	2,143,462
Other receivables		
VAT receivable	116,969	138,294
Prepaid taxes other than income tax	112,611	234,436
Total trade and other receivables	2,246,359	2,516,192

16 Earnings/(loss) per share

Basic earnings/(loss) 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/(loss) per share are calculated as follows:

'000 RUB	Six months ended 30 June 2024	Six months ended 30 June 2023
Profit/(loss) for the period	78,473	(2,976,986)
Weighted average number of ordinary shares in issue (thousands)	269,074	269,074
Basic and diluted earnings/(loss) per ordinary share (in RUB per share)	0.3	(11.1)

17 Loans and borrowings

		30 June 2024		31 December 2023	
'000 RUB	Currency	Maturity	Carrying value	Maturity	Carrying value
<i>Non-current loans and borrowings</i>					
Secured bank loans	RUB	2025-2027	10,098,039	2025-2027	11,794,118
Unsecured bank facilities	RUB	2025-2028	11,192,105	2025-2028	12,850,000
Unsecured bonds	RUB	2026-2030	19,602,353	2026-2030	16,484,330
Total non-current loans and borrowings			40,892,497		41,128,448
<i>Current loans and borrowings</i>					
Secured bank loans	RUB	2024-2025	1,696,078		-
Unsecured bank facilities	RUB	2025	1,657,895	2024	3,500,000
Unsecured bonds	RUB	2024-2025	1,642,177	2024	2,500,000
Unsecured loans from third parties	RUB	2024	2,850	2024	2,850
Total current loans and borrowings			4,999,000		6,002,850
Unsecured bonds interest	RUB		236,129		240,529
Secured bank loans	RUB		3,296		3,305
Unsecured loans interest	RUB		8,622		10,616
Interest accrued on loans and borrowings			248,047		254,450
Total current loans and borrowings, including interest accrued			5,247,047		6,257,300
Total loans and borrowings			46,139,545		47,385,748

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

As at 30 June 2024 the Group had RUB 17,560,000 thousand (31 December 2023: RUB 16,560,000 thousand) of undrawn committed borrowing facilities available in RUB on fixed and floating rate basis until July 2024-March 2028. Proceeds from these facilities may be used to finance operating and investing activities, if necessary.

Compliance with loan covenants

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

18 Lease liabilities

'000 RUB	2024	2023
Balance at 1 January	26,722,381	22,544,804
Additions	28,904	1,255,462
Modifications and reassessments	(9,394)	3,645,904
Repayment	(4,083,944)	(3,659,885)
Interest expense	1,407,822	1,131,679
Foreign exchange loss	32,932	297,898
Disposals	-	(1,256)
Balance at 30 June	24,098,701	25,214,606
Non-current lease liabilities	18,162,540	19,273,573
Current lease liabilities	5,936,161	5,941,033

Interest expense in the amount of RUB 1,407,822 thousand has been charged to finance costs (six months ended 30 June 2023: RUB 1,131,679 thousand).

Total cash outflow for leases in the reporting period amounted to RUB 4,258,928 thousand (six months ended 30 June 2023: RUB 3,856,997 thousand).

19 Trade and other payables

'000 RUB	30 June 2024	31 December 2023
Financial liabilities at amortised cost		
Trade payables	20,609,896	27,883,950
Other financial payables	83,234	198,290
Total financial liabilities at amortised cost	20,693,130	28,082,240
Payables to staff	1,343,690	1,472,151
Taxes payable other than income tax	1,362,710	1,028,784
Advances received from lessees	351,365	391,144
Contract liability related to gift cards	81,138	87,764
Total trade and other payables	23,832,033	31,062,083

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 256,858 thousand as at 30 June 2024 (31 December 2023: RUB 364,249 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 noncompliant 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 2024, the Group has other possible obligations of approximately RUR 3,071,541 (31 December 2023: RUR 2,627,462) from exposure to other than remote tax risks arising from certain transactions. These exposures are estimates that result from uncertainties in interpretation of applicable legislation and related documentation requirements. Management will vigorously defend the Group's positions and interpretations that were applied in determining taxes recognised in these condensed consolidated interim financial statements if these are challenged by the authorities.

21 Contingencies (continued)

(c) Environmental matters

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

22 Fair value disclosures

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

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

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

(a) Recurring fair value measurements

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

Investment property. Carrying values of the Group's investment properties approximated their fair values as at 31 December 2023 and at 30 June 2024, so no fair value adjustment was required.

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

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

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

There were no transfers between the levels of the fair value hierarchy or changes in valuation techniques for fair value measurements during the six-month period ended 30 June 2024.

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.

Transactions with other related parties

(i) Revenue

'000 RUB	Income		Receivables	
	Six months ended 30 June 2024	Six months ended 30 June 2023	30 June 2024	31 December 2023
Sale of services	1,657	928	134	-
Total	1,657	928	134	-

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 2024	Six months ended 30 June 2023
Interest expense on lease liabilities	49,999	61,139
Variable lease expenses and expenses relating to short-term and low value leases	69,429	42,865
Total	119,428	104,004

23 Related party transactions (continued)

(iii) *Leases with other related parties*

Lease liabilities under related party arrangements were as follows:

'000 RUB	30 June 2024	31 December 2023
Lease liabilities due to other related parties, including:	1,147,045	1,380,514
Current lease liabilities	551,694	536,736
Non-current lease liabilities	595,351	843,778

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.