

O'KEY GROUP S.A.

**Condensed Consolidated Interim
Financial Statements**

Six months ended 30 June 2021

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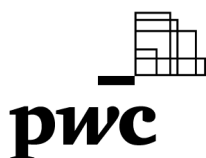
REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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Report on Review of the 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 condensed consolidated interim of financial position as at 30 June 2021, and the related condensed consolidated interim statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flow 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

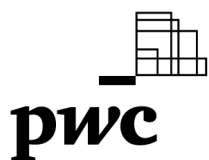
The Board of Directors is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary 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) 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, 23 August 2021

Andrei Chizhov

'000 RUB	Note	30 June 2021	31 December 2020
ASSETS			
Non-current assets			
Investment property	10	3,237,073	1,897,449
Property, plant and equipment	11	40,141,776	41,252,458
Construction in progress	11	2,242,302	2,784,595
Right-of-use assets	12	20,286,038	20,601,991
Intangible assets	13	1,214,294	1,269,804
Deferred tax assets		4,708,950	4,709,712
Other non-current assets		564,655	507,746
Total non-current assets		72,395,088	73,023,755
Current assets			
Inventories	15	16,324,721	16,460,125
Trade and other receivables	16	3,101,752	3,042,208
Prepaid income tax		30,973	58,882
Prepayments	14	1,078,595	1,092,150
Other current assets		9,467	63,250
Cash and cash equivalents		2,380,134	7,713,568
Non-current assets held for sale	10, 11	349,000	-
Total current assets		23,274,642	28,430,183
Total assets		95,669,730	101,453,938

'000 RUB	Note	30 June 2021	31 December 2020
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		(25,840)	(155,056)
Retained earnings		3,338,101	3,185,645
Translation reserve		1,715,663	1,761,152
Total equity		13,713,618	13,477,435
Non-current liabilities			
Loans and borrowings	18	26,895,023	31,808,417
Lease liabilities	19	19,511,638	20,166,661
Deferred tax liabilities		541,158	559,741
Total non-current liabilities		46,947,819	52,534,819
Current liabilities			
Loans and borrowings	18	9,660,992	4,418,673
Interest accrued on loans and borrowings	18	181,414	204,467
Lease liabilities	19	4,729,035	4,472,445
Trade and other payables	20	20,241,098	25,928,027
Current income tax payable		195,754	418,072
Total current liabilities		35,008,293	35,441,684
Total liabilities		81,956,112	87,976,503
Total equity and liabilities		95,669,730	101,453,938

*Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2021*

'000 RUB	Note	Six months ended 30 June 2021	Six months ended 30 June 2020
	25		Revised
Revenue	4	88,662,401	85,058,680
Cost of goods sold		(69,175,973)	(66,066,018)
Gross profit		19,486,428	18,992,662
General, selling and administrative expenses	5	(17,274,820)	(16,317,112)
Other operating income and expenses, net	6	(265,768)	(413,117)
Operating profit		1,945,840	2,262,433
Finance income	7	28,160	53,459
Finance costs	7	(2,371,303)	(2,459,521)
Foreign exchange gain/(loss)	8	538,923	(1,082,191)
Profit/(loss) before income tax		141,620	(1,225,820)
Income tax benefit	9	10,836	325,891
Profit/(loss) for the period		152,456	(899,929)
Other comprehensive income			
<i>Items that will never be reclassified to profit or loss:</i>			
Exchange differences on translation to presentation currency		(45,489)	343,026
<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		161,520	(127,825)
Income tax on items within other comprehensive income		(32,304)	25,565
Other comprehensive income for the period, net of income tax		83,727	240,766
Total comprehensive income/(loss) for the period		236,183	(659,163)
Earnings/(loss) per share			
Basic and diluted earnings/(loss) per share (in RUB per share)	17	0.6	(3.3)

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 7 to 28.

Condensed Consolidated Interim Statement of Changes in Equity for the six months ended 30 June 2021

'000 RUB	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							
Loss for the period	-	-	-	-	(899,929)	-	(899,929)
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 income	-	-	-	25,565	-	-	25,565
Total other comprehensive income	-	-	-	(102,260)	-	343,026	240,766
Total comprehensive loss 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 Changes in Equity for the six months ended 30 June 2021

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

Condensed Consolidated Interim Statement of Cash Flows for the six months ended 30 June 2021

'000 RUB	Note	Six months ended 30 June 2021	Six months ended 30 June 2020
Cash flows from operating activities			
Cash receipts from customers		102,074,566	97,702,337
Other cash receipts		378,267	224,010
Interest received		29,875	37,443
Cash paid to suppliers and employees		(99,361,904)	(96,404,979)
Taxes other than on income		(309,297)	(358,989)
Other cash payments		(22,113)	(62,708)
VAT paid		(1,742,531)	(1,496,473)
Income tax paid		(242,487)	(108,989)
Net cash from /(used in) operating activities		804,376	(468,348)
Cash flows from investing activities			
Purchase of property, plant and equipment (excluding VAT)		(1,757,522)	(1,413,964)
Purchase of intangible assets (excluding VAT)		(209,676)	(166,946)
Proceeds from sale of subsidiary	6	180,000	-
Proceeds from sale of property, plant and equipment and intangible assets (excluding VAT)		1,013	(32,961)
Net cash used in investing activities		(1,786,185)	(1,613,871)
Cash flows from financing activities			
Proceeds from loans and borrowings		2,500,000	3,450,000
Repayment of loans and borrowings		(2,148,027)	(215,726)
Interest paid on loans and borrowings		(1,367,787)	(1,471,889)
Repayment of principal amount of lease liabilities		(2,230,474)	(1,871,850)
Interest paid on lease liabilities		(964,382)	(1,027,110)
Other financial payments		(133,630)	(97,159)
Net cash used in financing activities		(4,344,300)	(1,233,734)
Net decrease in cash and cash equivalents		(5,326,109)	(3,315,953)
Cash and cash equivalents at the beginning of the period		7,713,568	5,507,079
Effect of exchange rate fluctuations on cash and cash equivalents		(7,325)	(9,700)
Cash and cash equivalents at the end of the period		2,380,134	2,181,426

1 Background

(a) The Group and its operations

These condensed consolidated interim financial statements as at and for the six months ended 30 June 2021 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 2021 and 31 December 2020, the Company's major indirect shareholders are Mr. Troitskii, Mr. Volchek and Mr. Korzhev.

As at 30 June 2021 and 31 December 2020, 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). Starting 14 December 2020, the Company's GDRs are also traded on Moscow Exchange.

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 2021, the Group operated 199 stores including 122 discounter stores (31 December 2020: 195 stores including 118 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.

Regarding the COVID-19 pandemic, the Group continued undertaking 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 in response of COVID-19 pandemic 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 during 2020, and even on the contrary for certain types of goods. During the six-month period ended 30 June 2021, customers returned to the normal shopping pattern with higher frequency of visits and lower average ticket compared to the prior year.

1 Background (continued)

(b) Business environment (continued)

As a result of the pandemic, the Group continues to incur certain additional expenses related to COVID-19 (purchase of sanitisers, masks and gloves, plastic screens at cash desks) to protect customers and employees. Meanwhile rental income of the Group in its turn demonstrated recovery to almost the pre-pandemic level on the back of return of the tenants to the normal operational activities and absence of lockdowns in most of the regions.

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 possible way. However, the future effects of the current situation are difficult to predict and management's current expectations and estimates could differ from actual results.

(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. This trend was distorted in 2020 due to the pandemic, however in 2021 tended to return to the normal pattern. 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 2021, the Group's current liabilities exceeded its current assets by RUB 11,733,651 thousand (31 December 2020 : RUB 7,011,501 thousand). An excess of current liabilities over current assets is usual for the retail industry. The Group uses excess of trade and other payables over inventory to finance its operating and investing activities. The Group has reviewed its cash flow forecasts in the context of current and projected market conditions, as well as available undrawn credit facilities disclosed in Note 18, 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 2020 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 23 August 2021.

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 2020 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 2021 and 30 June 2020 is as follows:

'000 RUB	O'Key		Da!		Total	
For six months ended 30 June	2021	2020	2021	2020	2021	2020
External revenue						
- Sales of trading stock	69,250,427	69,261,540	15,636,803	12,616,787	84,887,230	81,878,327
- Sales of self-produced catering products	2,810,836	2,456,886	-	-	2,810,836	2,456,886
Revenue from contracts with customers	72,061,263	71,718,426	15,636,803	12,616,787	87,698,066	84,335,213
Rental income	939,992	698,142	24,343	25,325	964,335	723,467
Total revenue	73,001,255	72,416,568	15,661,146	12,642,112	88,662,401	85,058,680
Inter-segment revenue	88,325	95,470	1,036,325	1,152,648	1,124,650	1,248,118
EBITDA	5,903,761	6,238,607	671,039	459,158	6,574,800	6,697,765

4 Segment information (continued)

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

'000 RUB	Note	Six months ended 30 June 2021	Six months ended 30 June 2020
EBITDA		6,574,800	6,697,765
Revaluation of investment property	6	121,967	-
Gain/(loss) from disposal of non-current assets	6	3,421	(360,402)
Impairment of receivables	6	(34,895)	(58,148)
Impairment of non-current assets	6	(372,484)	-
Depreciation and amortisation	5	(4,346,969)	(4,016,782)
Finance income	7	28,160	53,459
Finance costs	7	(2,371,303)	(2,459,521)
Foreign exchange gain/(loss)	8	538,923	(1,082,191)
Profit/(loss) before income tax		141,620	(1,225,820)
Income tax benefit	9	10,836	325,891
Profit/(loss) for the period		152,456	(899,929)

5 General, selling and administrative expenses

'000 RUB	Note	Six months ended 30 June 2021	Six months ended 30 June 2020
	25		Revised
Personnel costs		7,429,712	7,041,591
Depreciation and amortisation	11 – 13	4,346,969	4,016,782
Communication and utilities		1,983,847	1,812,400
Advertising and marketing		899,296	954,730
Repairs and maintenance costs		648,429	614,126
Insurance and bank commissions		523,920	503,202
Legal and professional expenses		355,037	335,211
Security expenses		348,823	358,531
Operating taxes		344,522	431,172
Variable lease expenses and expenses relating to short-term and low value leases		184,938	15,480
Materials and supplies		182,074	211,718
Other costs		27,253	22,169
Total general, selling and administrative expenses		17,274,820	16,317,112

5 General, selling and administrative expenses (continued)

Total employee benefits expense for the six months ended 30 June 2021 included in the cost of goods sold and general, selling and administrative expenses is RUB 8,914,533 thousand (six months ended 30 June 2020: 8,230,218 thousand).

6 Other operating income and expenses, net

'000 RUB	Six months ended 30 June 2021	Six months ended 30 June 2020
Revaluation of investment property (Note 10)	121,967	-
Gain from modification of leases	18,072	56,090
Net gain/(loss) from disposal of non-current assets	3,421	(360,402)
Impairment of receivables	(34,895)	(58,148)
Impairment of non-current assets (Note 11)	(372,484)	-
Sundry income and expenses, net	(1,849)	(50,657)
Total other operating income and expenses, net	(265,768)	(413,117)

In April 2021 the Group signed an agreement with a third party for sale of the Group's subsidiary holding rights for lease of a land plot in Moscow. Total proceeds according to the agreement comprised RUB 180,000 thousand with the net gain on the sale recognised within net gain from disposal on non-current assets. As of 30 June 2021, the deal was closed and the amount due from the buyer under the agreement was received in cash in full.

7 Finance income and finance costs

'000 RUB	Six months ended 30 June 2021	Six months ended 30 June 2020
Recognised in profit or loss		
Interest income on bank deposits	20,499	37,091
Other finance income	7,661	16,368
Total finance income	28,160	53,459
Interest expense on loans and borrowings	(1,429,060)	(1,463,211)
Interest expense on lease liabilities	(942,243)	(996,310)
Total finance costs	(2,371,303)	(2,459,521)
Net finance costs recognised in profit or loss	(2,343,143)	(2,406,062)

8 Foreign exchange gain/(loss)

'000 RUB	Six months ended 30 June 2021	Six months ended 30 June 2020
Foreign exchange loss on financial items	(170,854)	(1,566,332)
Foreign exchange gain on financial items	622,989	743,732
Net foreign exchange gain/(loss) on financial items	452,135	(822,600)
Foreign exchange gain/(loss) on operating items	86,788	(259,591)
Total foreign exchange gain/(loss)	538,923	(1,082,191)

Substantial amount of the net foreign exchange gain on financial items for the six-month period ended 30 June 2021 relates to intercompany loans which are eliminated on consolidation, as well as lease contracts in foreign currencies. Foreign exchange gain 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 2021	Six months ended 30 June 2020
Current tax (expense)/benefit	(39,289)	43,293
Deferred tax benefit	50,125	282,598
Total income tax benefit	10,836	325,891

10 Investment property

a) Reconciliation of carrying amount

'000 RUB	Note	
Investment properties at fair value as at 1 January 2020		1,249,969
Expenditure on subsequent improvements		1,895
Investment properties at fair value as at 30 June 2020		1,251,864
 Investment properties at fair value as at 1 January 2021		 1,897,449
Transfers from property, plant and equipment, construction in progress and right-of-use assets	11, 12	1,338,812
Expenditure on subsequent improvements		7,845
Fair value gains less losses	6	121,967
Reclassification to non-current assets held for sale		(129,000)
Investment properties at fair value as at 30 June 2021		3,237,073

10 Investment property (continued)

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

As at 30 June 2021 the Group's investment property comprises three buildings and eight land plots (31 December 2020: three buildings and six land plots).

During the six-month period ended 30 June 2021 the Group revised its plans in respect of three land plots and concluded that these land plots will not be used for construction of new stores in the future. As a result, the associated property, plant and equipment, construction in progress and right-of-use assets were transferred to investment property and fair valued at the date of the transfer, with net gain on revaluation included in other operating income and expenses (Note 6).

Further, in the reporting period the Group entered into active negotiations with a third party in respect of a sale of one of the Group's investment properties represented by another land plot and concluded that as at 30 June 2021, it was highly probable that the sale would be shortly completed. The underlying land plot was therefore reclassified to assets held for sale and remeasured at its current fair value less costs to sell with reference to its expected selling price. The sale was completed in July 2021 (Note 26).

b) Measurement of fair value

Assets that have been transferred to investment property are valued on 30 June 2021 at fair value by an independent, professionally qualified valuator who has recent experience in valuing similar properties in the Russian Federation.

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 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
Balance at 1 January 2021	4,135,395	41,148,072	9,157,029	17,120,544	71,561,040	3,034,268	74,595,308
Additions	349,120	416,402	-	389,258	1,154,780	846,309	2,001,089
Transfers	-	53,946	443,046	62,584	559,576	(559,576)	-
Transfers to investment property (Note 10)	(583,790)	-	-	(2,708)	(586,498)	(521,691)	(1,108,189)
Reclassification to non-current assets held for sale	(204,175)	-	-	-	(204,175)	(15,825)	(220,000)
Disposals	-	(18,872)	(418)	(297,018)	(316,308)	(11,510)	(327,818)
Balance at 30 June 2021	3,696,550	41,599,548	9,599,657	17,272,660	72,168,415	2,771,975	74,940,390

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

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

Depreciation expense of RUB 1,938,467 thousand has been charged to general, selling and administrative expenses (six months ended 30 June 2020: RUB 1,734,962 thousand).

During the six-month period ended 30 June 2021, the Group revised its plans in respect of a land plot and associated construction in progress and considered them for future sale. Further, the Group entered into active negotiations with a potential buyer of the assets and as at 30 June 2021 the sale was highly probable. As a result, this group of assets was reclassified to non-current assets held for sale and remeasured at its current fair value less costs to sell on the basis of the expected selling price.

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 either value-in-use or fair value less costs of disposal approach, depending on characteristics of particular CGUs.

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 2021, the Group recognised an impairment loss in the amount of RUB 372,484 thousand in respect of certain land plots and construction in progress, all of which belonging to O'Key segment.

The total recoverable amount of the impaired assets determined based on the value in use approach as of 30 June 2021 amounted to RUB 1,382,924 thousand.

The total recoverable amount of the impaired assets determined based on the fair value less cost of disposal approach as of 30 June 2021 amounted to RUB 220,000 thousand.

The post-tax discount rate used in the assessment under the value-in-use approach as at 30 June 2021 was 11.4%. If the revised estimated post-tax discount rate applied to the discounted cash flows of the CGUs had been 100 basis points higher than management's estimates, the Group would need to reduce the carrying value of property, plant and equipment by RUB 247,000 thousand.

12 Right-of-use assets

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

'000 RUB	Trade premises	Land	Other	Total
Balance at 1 January 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
Balance at 1 January 2021	14,335,276	4,388,776	1,877,939	20,601,991
Additions	328,474	-	137,217	465,691
Modifications and reassessments	1,641,529	(148,670)	274,628	1,767,487
Depreciation	(1,678,603)	(99,462)	(363,550)	(2,141,615)
Transfers to investment property (Note 10)	-	(249,109)	-	(249,109)
Disposals	-	(158,407)	-	(158,407)
Balance at 30 June 2021	14,626,676	3,733,128	1,926,234	20,286,038

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

Depreciation expense of RUB 2,087,812 thousand has been charged to general, selling and administrative expenses (six months ended 30 June 2020: RUB 1,974,186 thousand).

Modifications and reassessments for the period ended 30 June 2021 were driven by the reassessment of extension options for some of the Group's leases of trade premises under the discounter stores, as well as by the modification and reassessment of a number of other leases, primarily attributable to the Group's trade premises, that changed either the consideration of the lease, contractual terms, or both, with no change in the scope of the leases.

During the six-month period ended 30 June 2021 the Group revised its plans in respect of a leased land plot and concluded that the land plot will not be used for construction of the Group's new stores in the future. As a result, the right-of-use assets associated with the leased land plot were transferred to investment property.

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 2021. 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 2021.

13 Intangible assets

'000 RUB	Software	Other intangible assets	Total
<i>Cost</i>			
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
Balance at 1 January 2021	1,966,667	267,105	2,233,772
Additions	234,540	32,987	267,527
Disposals	(186,039)	(8,981)	(195,020)
Balance at 30 June 2021	2,015,168	291,111	2,306,279
<i>Amortisation and impairment losses</i>			
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)
Balance at 1 January 2021	(837,381)	(126,587)	(963,968)
Amortisation for the period	(309,690)	(11,000)	(320,690)
Disposals	186,030	6,643	192,673
Balance at 30 June 2021	(961,041)	(130,944)	(1,091,985)
<i>Carrying amounts</i>			
At 1 January 2020	1,200,240	91,945	1,292,185
At 30 June 2020	1,119,534	91,286	1,210,820
At 1 January 2021	1,129,286	140,518	1,269,804
At 30 June 2021	1,054,127	160,167	1,214,294

Amortisation of RUB 320,690 thousand has been charged to general, selling and administrative expenses (six months ended 30 June 2020: RUB 307,634 thousand).

No indicators of impairment were identified for the Group's intangible assets as at 30 June 2021.

14 Prepayments

'000 RUB	30 June 2021	31 December 2020
Prepayments for goods	577,440	363,358
Prepayments for variable lease payments – third parties	59,992	65,320
Prepayments for services	136,612	245,045
VAT on prepayments	173,731	156,333
Other prepayments	130,820	262,094
Total prepayments	1,078,595	1,092,150

15 Inventories

'000 RUB	30 June 2021	31 December 2020
Goods for resale	16,128,559	16,176,223
Raw materials and consumables	798,411	818,322
Write-down to net realisable value	(602,249)	(534,420)
Total inventories	16,324,721	16,460,125

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.

16 Trade and other receivables

'000 RUB	30 June 2021	31 December 2020
Financial assets within trade and other receivables		
Trade receivables	393,807	256,780
Bonuses receivable from suppliers	2,082,615	1,953,121
Other financial receivables	267,181	311,961
Total financial assets within trade and other receivables	2,743,603	2,521,862
Other receivables		
VAT receivable	295,899	465,439
Prepaid taxes other than income tax	62,250	54,907
Total trade and other receivables	3,101,752	3,042,208

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

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

'000 RUB	Six months ended 30 June 2021	Six months ended 30 June 2020
Profit/(loss) for the period	152,456	(899,929)
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)	0.6	(3.3)

18 Loans and borrowings

'000 RUB	30 June 2021	31 December 2020
<i>Non-current loans and borrowings</i>		
Secured bank loans	3,441,176	3,970,588
Unsecured bank facilities	13,453,847	12,837,829
Unsecured bonds	10,000,000	15,000,000
Total non-current loans and borrowings	26,895,023	31,808,417
<i>Current loans and borrowings</i>		
Secured bank loans	1,058,824	529,412
Unsecured bank facilities	2,489,744	1,578,594
Unsecured bonds	5,000,000	1,175,155
Unsecured loans from related parties (Note 24)	1,109,574	1,132,624
Unsecured loans from third parties	2,850	2,888
Total current loans and borrowings	9,660,992	4,418,673
Unsecured bonds interest	180,368	203,426
Interest accrued on loans	1,046	1,041
Interest accrued on loans and borrowings	181,414	204,467
Total current loans and borrowings, including interest accrued	9,842,406	4,623,140
Total loans and borrowings	36,737,429	36,431,557

18 Loans and borrowings (continued)

As at 30 June 2021 loans and borrowings with carrying value of RUB 4,500,000 thousand (31 December 2020: RUB 4,500,000 thousand) were secured by property, plant and equipment with carrying value of RUB 2,283,056 thousand (31 December 2020: RUB 2,305,513 thousand).

As at 30 June 2021 the Group had RUB 17,400,000 thousand (31 December 2020: RUB 12,400,000 thousand) of undrawn committed borrowing facilities available in RUB on fixed and floating rate basis until July 2021-February 2026, out of which RUB 9,300,000 thousand are available in periods beyond twelve months after the reporting date, in respect of which all conditions have been met. Proceeds from these facilities may be used to finance operating and investing activities, if necessary.

Compliance with loan covenants

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

At 30 June 2021 and during the six-month period then ended the Group complied with all of its loan covenants.

19 Lease liabilities

'000 RUB	2021	2020
Balance at 1 January	24,639,106	25,122,343
Additions	465,691	219,923
Modifications and reassessments	1,749,415	(199,022)
Repayment	(3,194,856)	(2,898,960)
Interest expense	964,382	1,027,110
Foreign exchange (gain)/loss	(383,065)	368,907
Balance at 30 June	24,240,673	23,640,301
Non-current lease liabilities	19,511,638	19,219,078
Current lease liabilities	4,729,035	4,421,223

Interest expense in the amount of RUB 942,243 thousand has been charged to finance costs (six months ended 30 June 2020: RUB 996,310 thousand).

Total cash outflow for leases in the reporting period amounted to RUB 3,360,847 thousand (six months ended 30 June 2020: RUB 3,121,954 thousand).

20 Trade and other payables

'000 RUB	30 June 2021	31 December 2020
Financial liabilities at amortised cost		
Trade payables	17,726,371	23,252,925
Other financial payables	198,843	265,984
Total financial liabilities at amortised cost	17,925,214	23,518,909
Financial liabilities at fair value		
Interest rate swap liability	32,301	193,821
Total financial liabilities at fair value	32,301	193,821
Payables to staff	1,155,363	1,116,824
Taxes payable other than income tax	759,504	710,438
Advances received from lessees	296,434	283,339
Contract liability related to gift cards	72,282	104,696
Total trade and other payables	20,241,098	25,928,027

21 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 824,903 thousand as at 30 June 2021 (31 December 2020: RUB 742,609 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.

22 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.

22 Contingencies (continued)

(b) Tax 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 2021, the Group has other possible obligations of approximately RUB 2,400,000 thousand (31 December 2020: 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.

23 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.

23 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. The assets transferred by the Group to investment property in the reporting period were remeasured at fair value by an independent professionally qualified valuator. This fair value measurement is a Level 3 fair value based on inputs to valuation technique used. Carrying values of the Group's other investment properties approximated their fair values as of 31 December 2020, so no fair value adjustment was required.

(b) Non-recurring fair value measurements

As at 30 June 2021, recoverable amount of some of the Group's non-current assets tested for impairment was determined on the basis of the fair value less costs of disposal approach. Refer to Note 11.

(c) 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 2021.

24 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.

24 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 2021	Six months ended 30 June 2020
<i>Short-term employee benefits:</i>		
Salaries and short-term bonuses	192,467	177,753
Social security contributions	7,965	6,385
<i>Long-term employee benefits:</i>		
Long-term service bonus	19,000	19,000
Total	219,432	203,138

In addition, members of the Company's Board of Directors received remuneration in the amount of RUB 30,408 thousand for the six-month period ended 30 June 2021 (six months ended 30 June 2020: RUB 37,141 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 2021	Six months ended 30 June 2020	30 June 2021	31 December 2020
Sale of services	914	1,174	3,321	35
Total	914	1,174	3,321	35

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 2021	Six months ended 30 June 2020
Interest expense on lease liabilities	35,244	52,016
Variable lease expenses and expenses relating to short-term and low value leases	41,917	46,445
Interest expense on loans and borrowings	42,134	42,925
Total	119,295	141,386

24 Related party transactions (continued)

(b) Transactions with other related parties (continued)

(iii) Leases with other related parties

Lease liabilities under related party arrangements were as follows:

'000 RUB	30 June 2021	31 December 2020
Lease liabilities due to other related parties, including:	720,935	934,736
Current lease liabilities	455,295	436,924
Non-current lease liabilities	265,640	497,812

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

(iv) Loans and borrowings

'000 RUB	30 June 2021	31 December 2020
Loans and borrowings	1,109,574	1,132,624

The loans from other related parties are denominated in USD, bear interest at 7.4 % per annum and are payable on demand but not later than 2026. There were no movements in the loans received from related parties during the six-month period ended 30 June 2021, except for the foreign exchange gain in the amount of RUB 23,050 thousand (six months ended 30 June 2020: foreign exchange loss amounted to RUB 123,351 thousand).

25 Change in presentation

As disclosed in the Group's most recent annual consolidated financial statements, during the year ended 31 December 2020 the Group has reconsidered its approach to classification of certain expenses relating to sales of self-produced catering products in the consolidated statement of profit or loss and other comprehensive income. Such expenses previously presented within selling, general and administrative expenses are now presented within cost of goods sold. The comparative amounts presented in these condensed consolidated interim financial statements have been restated accordingly, as outlined below:

'000 RUB	Six months ended 30 June 2020 – as originally presented	Reclassifications	Six months ended 30 June 2020 – as revised
Cost of goods sold	(65,405,129)	(660,889)	(66,066,018)
Gross profit	19,653,551	(660,889)	18,992,662
General, selling and administrative expenses	(16,978,001)	660,889	(16,317,112)

The change in presentation did not affect the Group's profit or loss for six months ended 30 June 2020.

26 Events subsequent to the reporting date

In July 2021, the Group completed the sale of one of its land plots classified as non-current assets held for sale at the selling price equal to the asset's carrying amount as at 30 June 2021.