Report on Review of Interim Financial Information
PJSC Magnit and its subsidiaries
for the six-month period ended 30 June 2023

August 2023

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Report on Review of Interim Financial Information

To the Shareholders of PJSC Magnit

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of PJSC Magnit and its subsidiaries, which comprise of the interim condensed consolidated statement of financial position as at 30 June 2023, the interim condensed consolidated statement of profit and loss and other comprehensive income, interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity for the six-month period then ended, and selected explanatory notes (interim consolidated financial information).

Management of PJSC Magnit is responsible for the preparation and presentation of this interim consolidated financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

NEW CHALLENGES
NEW SOLUTIONS

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

I.Y. Ananyev
Partner
TSATR – Audit Services Limited Liability Company

28 August 2023

Details of the auditor

Name: TSATR – Audit Services Limited Liability Company
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
TSATR – Audit Services Limited Liability Company is a member of Self-regulatory organization of auditors Association "Sodruzhestvo". TSATR – Audit Services Limited Liability Company is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

Details of the entity

Name: PJSC Magnit
Record made in the State Register of Legal Entities on 12 November 2003, certificate series 23 No. 001807969, State Registration Number 1032304945947.
Address: Russia 350072, Krasnodar, Solnechnaya street, 15/5.

PJSC Magnit and its subsidiaries

Statement of management's responsibilities for the preparation and approval of the interim condensed consolidated financial statements for the six-month period ended 30 June 2023

The following statement is made with a view to the respective responsibilities of management in relation to the interim condensed consolidated financial statements of PJSC Magnit and its subsidiaries ("the Group").

Management is responsible for the preparation of these interim condensed consolidated financial statements that present fairly the financial position of the Group as at 30 June 2023 and the results of its operations, cash flows and changes in shareholders' equity for the six months then ended, in compliance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* ("IAS 34").

In preparing the interim condensed consolidated financial statements, management is responsible for:

- selecting and applying appropriate accounting policies;
- maintaining appropriate accounting records to ensure compliance of the interim condensed consolidated financial statements of the Group with IFRS, local legislation and local GAAP;
- making judgments and estimates that are reasonable and prudent;
- providing additional disclosures when compliance with the specific requirements of IAS 34 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- making an assessment of the Group's ability to continue as a going concern;
- designing, implementing and maintaining an effective and sound system of internal controls;
- preventing and detecting material misstatements due to fraud or error.

The interim condensed consolidated financial statements of the Group for the six-month period ended 30 June 2023 were approved by management on 28 August 2023.

On behalf of the management in accordance with authority:

Member of the Management Board of PJSC Magnit,
Power of attorney no. DKU/23-13 dated May 30, 2023

28 August 2023

PJSC Magnit

Interim condensed consolidated statement of financial position

as at 30 June 2023

(in thousands of Russian rubles)

	Notes	30 June 2023 (unaudited)	31 December 2022 (audited)
Assets			
Non-current assets			
Property, plant and equipment	7	355,702,424	361,751,315
Advances paid for the purchase and construction of property, plant and equipment		593,040	302,955
Right-of-use assets	8	391,739,561	383,268,776
Intangible assets	9	10,403,983	11,905,489
Goodwill		67,029,310	67,029,310
Long-term receivables	12	294,262	353,774
Long-term financial assets	10	812,799	779,946
Deferred tax assets		2,682,252	1,985,035
		829,257,631	**827,376,600**
Current assets			
Inventories	11	218,715,746	219,435,679
Trade and other receivables	12	12,233,071	20,197,184
Advances paid	13	38,113,860	12,728,588
Taxes receivable, excluding income tax		282,606	83,529
Short-term net investments in sublease		3,717	2,001
Short-term financial assets	10	1,352,086	1,162,698
Advances on income tax		727,287	100,037
Cash and cash equivalents	14	299,454,165	314,912,124
		570,882,538	**568,621,840**
Total assets		**1,400,140,169**	**1,395,998,440**
Equity and liabilities			
Equity attributable to the shareholders of the parent			
Share capital	15	1,020	1,020
Share premium	15	87,230,416	87,230,416
Treasury shares	15	(14,403,941)	(14,403,941)
Share-based payments reserve	31	1,044,880	1,807,119
Foreign currency translation reserve		52,883	47,390
Retained earnings		166,472,145	132,700,300
Total equity		**240,397,403**	**207,382,304**
Non-current liabilities			
Long-term loans and borrowings	19	282,216,431	273,270,870
Long-term lease liabilities	8	397,829,476	385,528,033
Long-term government grants	20	2,146,965	2,358,034
Deferred tax liabilities		3,121,965	4,436,236
		685,314,837	**665,593,173**
Current liabilities			
Trade and other payables	17	232,543,213	273,971,842
Taxes payable, excluding income tax	18	37,660,734	32,304,140
Income tax payable		638,883	1,921,025
Short-term advances received		719,651	710,118
Contract liabilities	21	7,290,220	5,421,418
Short-term government grants	20	438,064	389,323
Short-term loans and borrowings	19	134,059,038	147,021,644
Short-term lease liabilities	8	61,078,126	61,283,453
		474,427,929	**523,022,963**
Total liabilities		**1,159,742,766**	**1,188,616,136**
Total equity and liabilities		**1,400,140,169**	**1,395,998,440**

PJSC Magnit

Interim condensed consolidated statement of profit and loss and other comprehensive income

for the six months ended 30 June 2023

(in thousands of Russian rubles)

	Notes	For the six months ended 30 June 2023 (unaudited)	2022 (unaudited)
Revenue	22	1,229,455,981	1,136,265,794
Cost of sales	23	(948,934,910)	(871,919,096)
Gross profit		**280,521,071**	**264,346,698**
Rental and sublease income		2,481,896	2,383,586
Selling, general and administrative expenses	24	(227,167,640)	(209,158,007)
Other income	25	12,174,408	13,683,016
Other expenses	26	(913,717)	(5,141,623)
Operating profit		**67,096,018**	**66,113,670**
Interest income	27	11,110,233	5,246,651
Finance costs	28	(41,371,266)	(31,945,743)
Foreign exchange gain/(loss)		6,136,934	(1,906,419)
Profit before income tax		**42,971,919**	**37,508,159**
Income tax expense	29	(8,955,998)	(8,165,582)
Profit for the period		**34,015,921**	**29,342,577**
Profit for the period			
Attributable to:			
Shareholders of the parent		34,015,921	29,342,577
		34,015,921	**29,342,577**
Earnings per share (in RUB per share)			
- basic profit for the period attributable to the shareholders of the parent	30	346.77	299.56
- diluted profit for the period attributable to the shareholders of the parent	30	344.78	297.59
Other comprehensive income			
Amounts of other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of taxes)			
Exchange differences on translation functional currency in presentation currency		5,493	19,146
Other comprehensive income, net of tax		**5,493**	**19,146**
Total comprehensive income, net of tax		**34,021,414**	**29,361,723**
Attributable to:			
Shareholders of the parent		34,021,414	29,361,723
		34,021,414	**29,361,723**

The accompanying notes on pages 10-37 are an integral part of these interim condensed consolidated financial statements.

PJSC Magnit

Interim condensed consolidated statement of cash flows

for the six months ended 30 June 2023

(in thousands of Russian rubles)

	Notes	For the six months ended 30 June 2023 (unaudited)	2022 (unaudited)
Cash flows from operating activities			
Profit before income tax		**42,971,919**	**37,508,159**
Adjustments for:			
Depreciation and impairment of property, plant and equipment and right-of-use assets	7, 8, 24	62,474,416	59,459,373
Amortization and impairment of intangible assets	9, 24	2,853,731	2,866,062
Loss from disposal of property, plant and equipment	26	86,147	337,875
Loss from disposal of intangible assets	26	68,620	3,576,726
Income from the write-off of accounts payable	25	–	(1,615,970)
Changes in expected credit losses for receivables	12, 24	5,807	216,255
Impairment and write-offs of advances paid	13, 24	266,394	444,064
Reversal of expected credit losses on financial assets	10	(6,817)	–
Expenses for inventories carried at net realizable value	11	3,672,408	4,444,208
Share-based payments reserve	31	291,334	356,762
Gain from cancellation of lease contracts	8, 25	(233,751)	(981,762)
Gain from Covid-19 related rent concessions	8, 25	–	(223,417)
Income from government grants	20	(211,795)	(122,782)
Foreign exchange (gain)/loss		(6,136,934)	1,906,419
Finance costs	28	41,371,266	31,945,743
Interest income	27	(11,110,233)	(5,246,651)
Cash flow used in operating activities before working capital changes		**136,362,512**	**134,871,064**
Decrease in trade and other receivables		8,279,342	646,621
(Increase)/decrease in advances paid		(25,651,666)	154,699
Increase/(decrease) in advances received		9,533	(342,227)
(Increase)/decrease in taxes receivable		(199,077)	61,223
(Increase)/decrease in inventories		(2,952,475)	7,594,276
Decrease in trade and other payables		(42,891,699)	(14,824,178)
Increase in taxes payable, excluding income tax		5,356,594	18,059,651
Increase/(decrease) in contract liabilities		1,868,802	(391,504)
Cash generated from operations		**80,181,866**	**145,829,625**
Income tax paid		(12,876,878)	(8,448,739)
Interest paid		(41,305,383)	(32,212,891)
Interest received		10,863,039	2,718,977
Net cash from operating activities		**36,862,644**	**107,886,972**
Cash flows from investing activities			
Purchase of property, plant and equipment		(24,298,788)	(26,509,794)
Purchase of intangible assets		(2,394,886)	(5,118,592)
Proceeds from sale of property, plant and equipment		181,347	300,348
Loans provided*		–	(15,021,000)
Loans repaid		13,422	7,990
Proceeds from government grants	20	49,467	149,033
Net cash used in investing activities		**(26,449,438)**	**(46,192,015)**
Cash flows from financing activities			
Proceeds from loans and borrowings		128,307,685	68,776,437
Repayment of loans and borrowings		(132,331,075)	(46,116,973)
Dividends paid	16	–	(28,829,503)
Repayment of lease liabilities	8	(29,150,852)	(29,559,606)
Net cash used in financing activities		**(33,174,242)**	**(35,729,645)**
Effect of foreign exchange differences on cash and cash equivalents		7,303,077	(5,541,885)
Net (decrease)/increase in cash and cash equivalents		**(15,457,959)**	**20,423,427**
Cash and cash equivalents at the beginning of the period	14	314,912,124	73,398,608
Cash and cash equivalents at the end of the period	14	**299,454,165**	**93,822,035**

* *The interim condensed consolidated statement of cash flows line "loans receivable" for the six months ended 30 June 2022 includes amounts of long-term deposits with maturities greater than 90 calendar days classified as financial assets that were placed during the period.*

PJSC Magnit

Interim condensed consolidated statement of changes in equity

for the six months ended 30 June 2023

(in thousands of Russian rubles)

		Attributable to shareholders of the parent						
	Notes	**Share capital**	**Share premium**	**Treasury shares**	**Provision for share-based payments**	**Foreign currency translation reserve**	**Retained earnings**	**Equity attributable to shareholders of the parent**
Balance at 1 January 2022 (audited)		**1,020**	**87,326,641**	**(15,028,071)**	**1,877,419**	**–**	**104,820,462**	**178,997,471**
Profit for the period		–	–	–	–	–	29,342,577	**29,342,577**
Other comprehensive income, net of taxes		–	–	–	–	19,146	–	**19,146**
Total comprehensive income for the period, net of taxes		**–**	**–**	**–**	**–**	**19,146**	**29,342,577**	**29,361,723**
Share-based payment expenses	31	–	–	–	356,762	–	–	**356,762**
Transfer of rights to equity instruments for share-based payments	31	–	(96,225)	624,130	(527,905)	–	–	**–**
Cash payments	31	–	–	–	(307,078)	–	(52,680)	**(359,758)**
Balance at 30 June 2022 (unaudited)		**1,020**	**87,230,416**	**(14,403,941)**	**1,399,198**	**19,146**	**134,110,359**	**208,356,198**
Balance at 1 January 2023 (audited)		**1,020**	**87,230,416**	**(14,403,941)**	**1,807,119**	**47,390**	**132,700,300**	**207,382,304**
Profit for the period		–	–	–	–	–	34,015,921	**34,015,921**
Other comprehensive income, net of taxes		–	–	–	–	5,493	–	**5,493**
Total comprehensive income for the period, net of taxes		**–**	**–**	**–**	**–**	**5,493**	**34,015,921**	**34,021,414**
Share-based payment expenses	31	–	–	–	291,334	–	–	**291,334**
Cash payments	31	–	–	–	(1,053,573)	–	(244,076)	**(1,297,649)**
Balance at 30 June 2023 (unaudited)		**1,020**	**87,230,416**	**(14,403,941)**	**1,044,880**	**52,883**	**166,472,145**	**240,397,403**

The accompanying notes on pages 10-37 are an integral part of these interim condensed consolidated financial statements.

(in thousands of Russian rubles)

1. Corporate information

Closed Joint Stock Company Magnit was incorporated in Krasnodar, the Russian Federation, in November 2003.

In January 2006, Magnit changed its legal form to Open Joint Stock Company Magnit.

There was no change in the principal activities or shareholders as a result of the change to an Open Joint Stock Company. In 2014 Magnit changed its legal name to Public Joint Stock Company (the Company or PJSC Magnit) in accordance with changes in legislation.

PJSC Magnit and its subsidiaries (the "Group") operate in the retail and distribution of consumer goods under the Magnit and the DIXY names. The Group's retail operations are operated through convenience stores, cosmetic stores, supermarkets and other formats.

The majority of the Group's operational activities are conducted in the Russian Federation. The principal operating office of the Group is situated at 15/5 Solnechnaya str., 350072, Krasnodar, the Russian Federation.

The principal activities, residency, and the effective ownership percentages of the Group's main subsidiaries are as follows:

Company name	**Principal activity**	**Residency**	**Ownership interest as at 30 June 2023**	**Ownership interest as at 31 December 2022**
JSC Tander	Food and non-food retail and wholesale	Russian Federation	100%	100%
LLC Retail Import	Import operations	Russian Federation	100%	100%
LLC BestTorg	Food retail in Moscow and the Moscow region	Russian Federation	100%	100%
LLC Selta	Transportation services for the Group	Russian Federation	100%	100%
LLC TK Zelenaya Liniya	Greenhouse complex	Russian Federation	100%	100%
LLC Alkotrading	Other operations	Russian Federation	100%	100%
LLC ITM	IT services	Russian Federation	100%	100%
LLC Logistika Alternativa	Import operations	Russian Federation	100%	100%
LLC TD-holding	Production and processing of food for the Group	Russian Federation	100%	100%
LLC MagnitEnergo	Buyer of electric power for the Group	Russian Federation	100%	100%
LLC Kuban Confectioner	Production of food for the Group	Russian Federation	100%	100%
LLC Kuban Factory of Bakery Products	Production of food for the Group	Russian Federation	100%	100%
LLC Volshebnaya svezhest	Production of household chemicals for the Group	Russian Federation	100%	100%
LLC Zelen Yuga	Production of agricultural products for the Group	Russian Federation	100%	100%
LLC Moskva na Donu	Production of agricultural products for the Group	Russian Federation	100%	100%
LLC Magnit Pharma	Pharmaceutical license holder	Russian Federation	100%	100%

1. Corporate information (continued)

Company name	Principal activity	Residency	Ownership interest as at 30 June 2023	Ownership interest as at 31 December 2022
LLC Magnit IT Lab	Innovative software product development	Russian Federation	100%	100%
LLC Gastronom Media	Marketing services	Russian Federation	100%	100%
JSC DIXY Ug	Food and non-food retail and wholesale	Russian Federation	100%	100%
IE LLC Magnit Srednyaya Aziya	Non-food retail	Republic of Uzbekistan	100%	100%
LLC Greenhouse	Cultivating vegetales	Russian Federation	100%	100%
LLC MK Online	Internet retail	Russian Federation	100%	100%

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023 were authorised for release by the Management of PJSC Magnit on 28 August 2023.

2. Basis of preparation of the financial statements

Statement of compliance

The interim condensed consolidated financial statements for the six-month period ended 30 June 2023 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. Management of the Group considers that there are no material uncertainties that may cast significant doubt over this assumption. There is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2022.

Basis of accounting

The Group’s entities maintain their accounting records in Russian rubles (“RUB”) and prepare their statutory financial statements in accordance with the Regulations on Accounting and Reporting of the Russian Federation, except Magnit Srednyaya Aziya LLC, that maintains its accounting records in Uzbek soums and prepares its statutory financial statements in accordance with the regulations on accounting and reporting of the Republic of Uzbekistan.

The financial statements of the Group’s entities prepared in accordance with legislation of the Russian Federation and the Republic of Uzbekistan have been adjusted to present these interim condensed consolidated financial statements in accordance with IFRS.

The interim condensed financial statements have been prepared on a historical cost basis except for the use of fair value as deemed cost for certain property, plant and equipment as of the date of transition to IFRS.

2. Basis of preparation of the financial statements (continued)

Basis of accounting (continued)

The functional currency of main of the Group's entities is Russian rubles (RUB). The functional currency of Magnit Srednyaya Aziya LLC is Uzbek soum (UZS). The presentation currency of the interim condensed consolidated financial statements is the Russian rubles (RUB).

All amounts in the interim condensed consolidated financial statements are rounded to the nearest thousand, except where otherwise indicated.

3. Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards and operations effective from 1 January 2023.

3.1 New standards effective as of 1 January 2023

In 2023, the Group first applied the amendments listed below but they did not have any impact on its interim condensed consolidated financial statements.

IFRS 17 Insurance Contracts, including amendments

IFRS 17 *Insurance Contracts* covers recognition and measurement, presentation and disclosure of insurance contracts and replaces IFRS 4 *Insurance Contracts*. IFRS 17 applies to all types of insurance contracts regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. However, the standard provides a number of scope exceptions. In particular, it does not apply to the following transactions entered into by the Group:

- warranties provided by a manufacturer, dealer or retailer in connection with the sale of its goods or services to a customer;
- employers' assets and liabilities from employee benefit plans;
- contractual rights or contractual obligations contingent on the future use of, or the right to use, a non-financial item (for example, some licence fees, royalties, variable and other contingent lease payments and similar items);
- residual value guarantees provided by a manufacturer, dealer or retailer and a lessee's residual value guarantees when they are embedded in a lease;
- financial guarantee contracts, unless the issuer has previously asserted explicitly that it regards such contracts as insurance contracts and has used accounting applicable to insurance contracts. The issuer shall choose to apply either IFRS 17 or IAS 32 *Financial Instruments: Presentation*, IFRS 7 *Financial Instruments: Disclosures* and IFRS 9 *Financial Instruments* to such financial guarantee contracts. The issuer may make that choice contract by contract, but the choice for each contract is irrevocable. The Group issued no financial guarantee contracts;
- contingent consideration payable or receivable in a business combination;
- insurance contracts in which the entity is the policyholder, unless those contracts are reinsurance contracts held.

Thus, the standard is not applicable to the Group.

3. Changes in accounting policies (continued)

3.1 New standards effective as of 1 January 2023 (continued)

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments provide guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments replace the requirement for entities to disclose their “significant accounting policies” with a requirement to disclose “material information” about their accounting policies and add guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The Group has concluded that the amendments are not applicable to its interim condensed consolidated financial statements as its accounting policies are disclosed in its annual consolidated financial statements. The Group expects that the amendments will result in insignificant changes in disclosures of accounting policies in the annual consolidated financial statements since the Group’s current practice is in line with the new requirements.

Amendments to IAS 8 – Definition of Accounting Estimates

These amendments introduce the definition of “accounting estimates” and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no significant impact on the Group’s financial statements.

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

According to these amendments, the initial recognition exception no longer applies to transactions that give rise to equal taxable and deductible differences on their initial recognition. According to the amendments, the exception applies only when the initial recognition of the right-of-use asset and lease liabilities or the decommissioning obligation and the corresponding increase in the asset’s value result in unequal amounts of taxable and deductible differences. In this case, even if the transaction results in the recognition of equal taxable and deductible differences, unequal amounts of deferred tax liabilities and deferred tax assets can be recognized with any resulting difference taken to profit or loss for the period. In particular, it can follow from the non-recoverability of the deferred tax asset or different tax rates applied to the deductible and taxable differences. Since the Group’s existing accounting policies comply with these amendments, their first application had no impact on its financial statements.

Amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules

The Amendments issued on 23 May 2023 introduce:

- a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- disclosure requirements for affected entities to help users of the financial statements better understand an entity’s exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023. These amendments had no impact on the interim condensed consolidated financial statements of the Group.

3. Changes in accounting policies (continued)

3.1 New standards effective as of 1 January 2023 (continued)

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3.2 New types of transactions and accounting policies applied to them for the first time

Sale of securities with repurchase and purchase securities under reverse repurchase

Securities sold under sale and repurchase ("repo") agreements and securities purchased under reverse repurchase ("reverse repo") agreements do not, in most cases, in practice involve the sale of securities for accounting purposes and are accounted for as secured financing. Interest paid on repo agreements or received on reverse repo agreements is recognized as finance costs or interest income, as appropriate, using the effective interest method.

4. Significant accounting judgments and estimates

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

Lease term for contracts with a renewal option

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Under some of its leases, the Group has the option to lease the assets for an additional term, generally of one to ten years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

4. Significant accounting judgments and estimates (continued)

Estimates and assumptions (continued)

The Group's assumptions and estimates are based on the inputs available at the time of preparing the interim condensed consolidated financial statements. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Valuation of inventory

Management reviews inventory balances to determine if the inventories can be sold at a price equal to or greater than their carrying amount plus costs to sell. The review also identifies slow-moving inventories that are written-off due to obsolence or during physical inventory counts.

Impairment of non-current assets

The Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets are impaired. Impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

Management necessarily applies judgment in allocating assets that do not generate independent cash flows to appropriate cash-generating units and also in estimating the timing and value of underlying cash flows within the value in use calculation. In determining the value in use, future cash flows are estimated for each store based on cash flow projections using the latest forecast information available.

The discounted cash flow model requires numerous estimates and assumptions regarding the future rates of market growth, market demand for the products and future return on sales. Due to their subjective nature, these estimates will likely differ from actual future results of operations and cash flows, and it is possible that these differences could be material.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

Useful lives of property, plant and equipment and intangible assets

The Group's property, plant and equipment and intangible assets are depreciated using the straight-line method over their estimated useful lives, which are determined based on the Group management's business plans and estimates related to those assets.

The Group's leasehold improvements in convenience stores used under leases are depreciated using the straight-line method over their estimated useful life beyond the legal expiry dates of lease agreements assuming leases will be renewed.

4. Significant accounting judgments and estimates (continued)

Estimates and assumptions (continued)

The Group's management periodically reviews the appropriateness of the useful economic lives. The review is based on the current condition of the assets, the estimated period during which they will continue to bring economic benefits to the Group, historical information on similar assets and industry tendencies and changes in the Group's development strategy.

Impairment testing of goodwill

Goodwill is tested for impairment annually in December and when circumstances indicate that its carrying amount may be impaired. According to the Group's management, an increase in the discount rate will not result in impairment at 30 June 2023, as there is multiple safety margin with regards to the coverage of carrying value of assets (incl. goodwill) of CGU groups, which the Group's goodwill is allocated to, by recoverable amount.

Taxation

The Group is subject to income tax and other taxes. Significant judgment is required in determining the provision for income tax and other taxes due to the complexity of the Russian Federation tax legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether it is probable that additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the amount of tax and tax provisions in the period in which such determination is made.

Provision for expected credit losses (hereinafter "ECLs") of trade and other receivables, contract assets and financial assets

The Group uses a provision matrix to calculate expected credit losses for long-term, trade and other receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates.

The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year, which can lead to an increased number of defaults in the food manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and to forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

4. Significant accounting judgments and estimates (continued)

Incremental borrowing rate

The Group determines lease liabilities by discounting lease payments and applying interest rate implicit in lease contracts. If the rate cannot be readily determined, the Group applies its incremental borrowing rate, adjusted to take into account the specific terms and conditions of a lease and to reflect the interest rate that the Group would pay to borrow:

- over a similar term to the lease term;
- the amount needed to obtain an asset of a similar value to the right-of-use asset;
- in a similar economic environment.

5. Balances and transactions with related parties

The Group enters into transactions with related parties in the ordinary course of business.

Related parties of the Group are represented by the shareholders that have significant influence over the Group, and companies, which are the members of the same Group with shareholders (other related parties).

Marathon Retail LLC is a shareholder with a significant influence on the Group. Marathon Group companies are part of other related parties of the Group.

As of 30 June 2023 and 31 December 2022, more than 50% of the Group's shares are free float.

Transactions with related parties can be carried out on terms different to transactions with third parties.

Related party balances as at 30 June 2023 and 31 December 2022 are presented as follows:

	Shareholders		**Other related parties**	
	30 June 2023	**31 December 2022**	**30 June 2023**	**31 December 2022**
Long-term financial assets (Note 10)	–	–	812,747	779,894
Short-term financial assets (Note 10)	–	–	310,146	288,754

The Group's transactions with related parties for the six months ended 30 June 2023 and 30 June 2022 are presented as follows:

	Shareholders		**Other related parties**	
	For the six months ended 30 June		**For the six months ended 30 June**	
	2023	**2022**	**2023**	**2022**
Interest income (Notes 10, 27)	–	–	54,246	40,519

No guarantees have been given to or received from related parties.

No significant expenses had been recognized in the period for expected credit losses on amounts due from related parties.

5. Balances and transactions with related parties (continued)

Short-term remuneration of the key management for the six months ended 30 June 2023 amounted to RUB 726,253 thousand (for the six months ended 30 June 2022, including remuneration of members of the Board of Directors of the Group: RUB 965,826 thousand). Payments to the Group's management include remuneration under employment contracts, social contributions. The Group also accrued share-based payments to its key management personnel for the six months ended 30 June 2023, information on these accruals is disclosed in the Note 31.

6. Business combination

Acquisition of Greenhouse LLC

On 5 August 2022, the Group acquired control over Greenhouse LLC (hereinafter, "Greenhouse") by purchasing a 100% stake in its share capital. Greenhouse is registered in the Russian Federation and is primarily engaged in cultivating vegetables.

Assets and liabilities of Greenhouse recognized in the consolidated financial statements as at 31 December 2022 were based on a provisional assessment of their fair value. During the six months ended 30 June 2023, the Group finalized an assessment of the Greenhouse's assets and liabilities. The Group concluded that the provisional assessment of Greenhouse's assets and liabilities recorded in the consolidated financial statements as of 31 December 2022 is consistent with their fair values.

7. Property, plant and equipment

Property, plant and equipment as at 30 June 2023 consisted of the following:

	Land	Buildings	Machinery and equipment	Vehicles	Assets under construction	Total
Cost						
At 1 January 2023	**15,655,020**	**389,865,126**	**189,556,610**	**38,823,949**	**7,490,585**	**641,391,290**
Additions	11,840	–	11,870,475	1,717,802	10,192,247	**23,792,364**
Transfers	–	11,687,203	–	–	(11,687,203)	**–**
Disposals	(7,742)	(4,054,895)	(3,280,262)	(1,541,920)	(7,261)	**(8,892,080)**
Foreign currency translation reserve	–	15,182	11,968	–	3,011	**30,161**
At 30 June 2023	**15,659,118**	**397,512,616**	**198,158,791**	**38,999,831**	**5,991,379**	**656,321,735**
Accumulated depreciation and impairment						
At 1 January 2023	**(165,099)**	**(121,869,711)**	**(131,834,886)**	**(24,939,915)**	**(830,364)**	**(279,639,975)**
Depreciation for the period	–	(12,182,798)	(11,390,483)	(2,755,149)	–	**(26,328,430)**
Impairment for the period	(1,570)	(1,849,307)	(146,451)	(1,234,155)	(73,479)	**(3,304,962)**
Reversal of impairment losses	–	–	–	–	33,190	**33,190**
Disposals	–	4,016,093	3,067,494	1,539,677	17	**8,623,281**
Foreign currency translation reserve	–	(883)	(1,532)	–	–	**(2,415)**
At 30 June 2023	**(166,669)**	**(131,886,606)**	**(140,305,858)**	**(27,389,542)**	**(870,636)**	**(300,619,311)**
Net book value						
At 1 January 2023	**15,489,921**	**267,995,415**	**57,721,724**	**13,884,034**	**6,660,221**	**361,751,315**
At 30 June 2023	**15,492,449**	**265,626,010**	**57,852,933**	**11,610,289**	**5,120,743**	**355,702,424**

7. Property, plant and equipment (continued)

Property, plant and equipment as at 30 June 2022 consisted of the following:

	Land	Buildings	Machinery and equipment	Vehicles	Assets under construction	Total
Cost						
At 1 January 2022	**15,765,295**	**376,282,323**	**172,086,205**	**38,826,199**	**10,159,661**	**613,119,683**
Additions	3,121	–	14,521,835	931,848	3,772,415	**19,229,219**
Transfers	–	7,165,669	–	–	(7,165,669)	**–**
Disposals	(103,522)	(2,574,216)	(4,382,525)	(934,197)	(17,212)	**(8,011,672)**
At 30 June 2022	**15,664,894**	**380,873,776**	**182,225,515**	**38,823,850**	**6,749,195**	**624,337,230**
Accumulated depreciation and impairment						
At 1 January 2022	**(95,059)**	**(98,291,437)**	**(114,706,396)**	**(21,621,411)**	**(1,102,810)**	**(235,817,113)**
Depreciation for the period	–	(11,204,538)	(12,489,910)	(2,665,913)	–	**(26,360,361)**
Impairment for the period	(219,027)	(612,178)	(16,936)	–	(73,618)	**(921,759)**
Reversal of impairment losses	74,529	–	–	–	115,486	**190,015**
Disposals	58,622	2,555,754	3,931,393	873,596	–	**7,419,365**
At 30 June 2022	**(180,935)**	**(107,552,399)**	**(123,281,849)**	**(23,413,728)**	**(1,060,942)**	**(255,489,853)**
Net book value						
At 1 January 2022	**15,670,236**	**277,990,886**	**57,379,809**	**17,204,788**	**9,056,851**	**377,302,570**
At 30 June 2022	**15,483,959**	**273,321,377**	**58,943,666**	**15,410,122**	**5,688,253**	**368,847,377**

The Group performed an annual impairment testing of its assets as at 31 December 2022 and recorded a respective impairment. As at 30 June 2023, the Group's management analyzed the effect of the increased discount rate and other external indicators and concluded that the recoverable amount of property, plant and equipment, intangible assets and right-of-use assets exceeds their carrying amount (except for those assets that were individually impaired) as a consequence of significant operating reserves resulting from significant headroom identified during the latest impairment testing of these assets.

The rate used to determine the amount of borrowing costs eligible for capitalization was approximate to weighted average effective interest rate for the period.

8. Right-of-use assets and lease liabilities

As at 30 June 2023, right-of-use assets consisted of the following:

	Buildings	Land	Others	Total
Cost				
As at 1 January 2023	**701,437,007**	**5,063,213**	**201,865**	**706,702,085**
Additions	21,119,242	145,847	18,854	**21,283,943**
Modification	18,977,860	(47,535)	1,710	**18,932,035**
Indexation*	1,977,887	43,189	–	**2,021,076**
Derecognition	(3,071,849)	(94,219)	(10,111)	**(3,176,179)**
Foreign currency translation reserve	35,144	–	–	**35,144**
As at 30 June 2023	**740,475,291**	**5,110,495**	**212,318**	**745,798,104**
Accumulated depreciation and impairment				
As at 1 January 2023 (before adjustment)	**(322,138,960)**	**(1,221,165)**	**(73,184)**	**(323,433,309)**
Depreciation for the period	(33,015,643)	(26,491)	(24,729)	**(33,066,863)**
Derecognition	2,345,265	90,145	9,141	**2,444,551**
Foreign currency translation reserve	(2,922)	–	–	**(2,922)**
As at 30 June 2023	**(352,812,260)**	**(1,157,511)**	**(88,772)**	**(354,058,543)**
Net book value				
As at 1 January 2023	**379,298,047**	**3,842,048**	**128,681**	**383,268,776**
As at 30 June 2023	**387,663,031**	**3,952,984**	**123,546**	**391,739,561**

* *Revaluation of rental payments that depend on the index (linked to inflation).*

For the six months ended 30 June 2023, depreciation of right-of-use assets in the amount of RUB 192,649 thousand were capitalized to the value of property, plant and equipment.

As at 30 June 2022, right-of-use assets consisted of the following:

	Buildings	Land	Others	Total
Cost				
As at 1 January 2022	**653,932,883**	**5,308,149**	**210,111**	**659,451,143**
Additions	14,037,766	38,643	–	**14,076,409**
Modification	3,610,409	(216,600)	(4,861)	**3,388,948**
Indexation*	2,650,416	30,143	–	**2,680,559**
Derecognition	(3,012,803)	(18,936)	–	**(3,031,739)**
As at 30 June 2022	**671,218,671**	**5,141,399**	**205,250**	**676,565,320**
Accumulated depreciation and impairment				
As at 1 January 2022	**(260,514,733)**	**(1,009,067)**	**(25,321)**	**(261,549,121)**
Depreciation for the period	(32,351,414)	(113,303)	(25,680)	**(32,490,397)**
Derecognition	1,874,301	1,006	–	**1,875,307**
As at 30 June 2022	**(290,991,846)**	**(1,121,364)**	**(51,001)**	**(292,164,211)**
Net book value				
As 1 January 2022	**393,418,150**	**4,299,082**	**184,790**	**397,902,022**
As at 30 June 2022	**380,226,825**	**4,020,035**	**154,249**	**384,401,109**

* *Revaluation of rental payments that depend on the index (linked to inflation).*

For the six months ended 30 June 2022, depreciation of right-of-use assets in the amount of RUB 123,129 thousand were capitalized to the value of property, plant and equipment.

8. Right-of-use assets and lease liabilities (continued)

Lease liabilities

Set out below are the carrying amounts of Group's lease liabilities and their movements during the period:

	For the six months ended 30 June	
	2023	**2022**
At 1 January	**446,811,486**	**456,306,020**
Additions and other increase	21,319,087	14,076,409
Modification	18,932,035	3,388,948
Indexation*	2,021,076	2,680,559
Payments	(29,150,852)	(29,559,606)
Interest accrued (Note 27)	22,285,727	20,111,199
Interest paid	(22,285,727)	(20,111,199)
Derecognition	(965,379)	(2,138,194)
Rent concessions due to Covid-19 pandemic (Note 25)	–	(223,417)
Foreign exchange gain	(59,851)	(204,995)
At 30 June	**458,907,602**	**444,325,724**

* *Revaluation of rental payments that depend on the index (linked to inflation).*

Set out below are the amounts recognized in the interim condensed consolidated statement of profit and loss and other comprehensive income ((income)/expenses):

	For the six months ended 30 June	
	2023	**2022**
Depreciation of right-of-use assets (Note 24)	32,874,214	32,367,268
Interest expenses on the lease (Note 28)	22,285,727	20,111,199
Foreign exchange gain	(59,851)	(204,995)
Gain from cancelation of lease contracts (Note 25)	(233,751)	(981,762)
Gain from Covid-19 related rent concessions (Note 25)	–	(223,417)
Lease expenses related to short-term lease (Note 24)	251,857	390,918
Lease expenses related to lease of low-value assets (Note 24)	24,591	43,303
Variable lease payments (Note 24)	2,817,808	1,983,345
	57,960,595	**53,485,859**

9. Intangible assets

Intangible assets as at 30 June 2023 consisted of the following:

	Licenses	Software	Trade marks	Other	Total
Cost					
At 1 January 2023	**642,655**	**16,855,153**	**5,639,358**	**142,953**	**23,280,119**
Additions	71,058	1,318,693	755	25,439	**1,415,945**
Disposals	(35,992)	(1,276,626)	(1,979)	(16,169)	**(1,330,766)**
Foreign currency translation reserve	–	5,247	–	–	**5,247**
At 30 June 2023	**677,721**	**16,902,467**	**5,638,134**	**152,223**	**23,370,545**
Accumulated amortization and impairment					
At 1 January 2023	**(267,080)**	**(8,389,511)**	**(2,662,179)**	**(55,860)**	**(11,374,630)**
Amortization for the period	(77,292)	(1,174,636)	(917,840)	(19,177)	**(2,188,945)**
Impairment for the period	–	(664,786)	–	–	**(664,786)**
Disposals	35,301	1,209,789	887	16,169	**1,262,146**
Foreign currency translation reserve	–	(347)	–	–	**(347)**
At 30 June 2023	**(309,071)**	**(9,019,491)**	**(3,579,132)**	**(58,868)**	**(12,966,562)**
Net book value					
At 1 January 2023	**375,575**	**8,465,642**	**2,977,179**	**87,093**	**11,905,489**
At 30 June 2023	**368,650**	**7,882,976**	**2,059,002**	**93,355**	**10,403,983**

Part of the Group's software is under development and integration as at 30 June 2023.

Intangible assets as at 30 June 2022 consisted of the following:

	Licenses	Software	Trade marks	Other	Total
Cost					
At 1 January 2022	**548,814**	**16,672,283**	**5,581,848**	**149,114**	**22,952,059**
Additions	128,080	2,241,477	38,294	10,034	**2,417,885**
Disposals	(30,177)	(4,413,548)	(45)	(16,795)	**(4,460,565)**
At 30 June 2022	**646,717**	**14,500,212**	**5,620,097**	**142,353**	**20,909,379**
Accumulated amortization and impairment					
At 1 January 2022	**(173,796)**	**(2,649,572)**	**(827,580)**	**(51,832)**	**(3,702,780)**
Amortization for the period	(81,841)	(1,455,452)	(915,631)	(20,487)	**(2,473,411)**
Impairment for the period	–	(392,651)	–	–	**(392,651)**
Disposals	28,096	838,903	45	16,795	**883,839**
At 30 June 2022	**(227,541)**	**(3,658,772)**	**(1,743,166)**	**(55,524)**	**(5,685,003)**
Net book value					
At 1 January 2022	**375,018**	**14,022,711**	**4,754,268**	**97,282**	**19,249,279**
At 30 June 2022	**419,176**	**10,841,440**	**3,876,931**	**86,829**	**15,224,376**

Amortization expense is included in selling, general and administrative expenses (Note 24).

10. Short-term and long-term financial assets

As at 30 June 2023 long-term financial assets comprise the long-term loan issued amounted to RUB 812,747 thousand (31 December 2022: RUB 779,894 thousand) and other financial assets in the amount RUB 52 thousand (31 December 2022: RUB 52 thousand). As at 30 June 2023 and 31 December 2022 the amount of loan issued is classified as a loan issued to a related party (Note 5).

10. Short-term and long-term financial assets (continued)

As at 30 June 2023 the current portion of the long-term loan amounted to RUB 310,146 thousand (31 December 2022: RUB 288,754 thousand) (Note 5).

Interest income recognized with respect to the loan issued for the six months ended 30 June 2023 were RUB 54,246 thousand (six months ended 30 June 2022: RUB 40,519 thousand).

Short-term financial assets as at 30 June 2023 and 31 December 2022 were as follows:

	30 June 2023	**31 December 2022**
Interest receivable on placed deposits (Note 14)	872,413	708,979
Loans issued to third parties	456,629	458,884
Loans issued to related parties (Note 5)	310,146	288,754
Expected credit losses	(287,102)	(293,919)
	1,352,086	**1,162,698**

11. Inventories

Inventory as at 30 June 2023 and 31 December 2022 consisted of the following:

	30 June 2023	**31 December 2022**
Goods for resale (at lower of cost and net realisable value)	207,819,480	208,448,248
Materials and supplies (at cost)	10,896,266	10,987,431
	218,715,746	**219,435,679**

Materials and supplies are represented by spare parts, packaging materials and other materials used in supermarkets, stores and warehouses, as well as by semi-finished goods of own production.

During six months ended 30 June 2023 the Group wrote down inventories to their net releasable value, which resulted in recognition of expenses within "Cost of sales" in the interim condensed consolidated statement of profit and loss and other comprehensive income in the amount of RUB 3,672,408 thousand (for the six months ended 30 June 2022: RUB 4,444,208 thousand).

12. Long-term receivables, and short-term trade and other receivables

As at 30 June 2023 and 31 December 2022, non-current receivables and a part of current receivables of the Group comprised a grant receivable:

	30 June 2023	**31 December 2022**
Grant receivables		
Long-term part	294,262	353,774
Short-term part	106,548	67,831
Total grant receivables	**400,810**	**421,605**

12. Long-term receivables, and short-term trade and other receivables (continued)

Short-term trade and other receivables as at 30 June 2023 and 31 December 2022 consisted of the following:

	30 June 2023	31 December 2022
Other receivables – third parties	10,001,091	9,897,756
Trade receivables – third parties	5,777,910	13,878,268
Short-term part of grant receivables	106,548	67,831
Expected credit losses	(3,652,478)	(3,646,671)
Total trade and other receivables	**12,233,071**	**20,197,184**

Other receivables mainly relate to vendor allowances.

Trade receivables are mainly represented by accounts receivables from the Group's wholesale customers.

13. Advances paid

Advances paid consisted of the following as at 30 June 2023 and 31 December 2022:

	30 June 2023	31 December 2022
Advances to third party suppliers	38,654,410	12,622,178
Other advances paid	879,109	1,099,542
Advances for customs duties	162,288	322,421
Impairment of advances paid	(1,581,947)	(1,315,553)
	38,113,860	**12,728,588**

14. Cash and cash equivalents

Cash and cash equivalents as at 30 June 2023 and 31 December 2022 consisted of the following:

	30 June 2023	31 December 2022
Cash on hand, in RUB	2,352,320	2,807,215
Cash on hand, in other currency	2,852	–
Cash in banks, in RUB	3,529,763	3,237,086
Cash in banks, in foreign currency	15,696,144	788,823
Cash in transit, in RUB	1,825,382	5,480,261
Cash in transit, in foreign currency	39,064,230	–
Cash placed on accounts with minimum account balance, in RUB	2,840,000	22,820,000
Deposits, in RUB	214,726,801	253,060,381
Deposits, in foreign currency	11,991,673	26,718,358
Loans issued under reverse repurchase agreements	7,425,000	–
	299,454,165	**314,912,124**

Cash in transit represents cash collected by banks from the Group's stores and not deposited in bank accounts and by processed bank card payments as at 30 June 2023 and 31 December 2022.

14. Cash and cash equivalents (continued)

As at 30 June 2023, cash of RUB 214,726,801 thousand was placed in rubles deposits, and cash of RUB 2,840,000 thousand was placed on accounts with minimum account balance, maturing mostly in July 2023.

As at 31 December 2022, cash of RUB 253,060,381 thousand was placed in rubles deposits, and cash of RUB 22,820,000 thousand was placed on accounts with minimum account balance maturing in January 2023.

As at 30 June 2023 loans issued under reverse repurchase agreements are represented by MOEX money market instruments, the carrying amount of which corresponds to their fair value at the reporting date.

Interest accrued but not received as at 30 June 2023 and 31 December 2022 is included in current financial assets (Note 10).

As at 30 June 2023 and 31 December 2022, cash and cash equivalents denominated in foreign currencies are as follows:

	30 June 2023	**31 December 2022**
Chinese yuan	27,587,332	27,327,558
US dollars	41,327	148,928
Euros	37,912	15,162
Uzbek sums	21,150	13,192
Swiss franc	2,948	2,341
	27,690,669	**27,507,181**

15. Share capital, share premium and treasury shares

Share capital as at 30 June 2023 amounted to RUB 1,020 thousand. There were no changes in share capital compared to 31 December 2022.

	For the six month ended 30 June	
	2023	**2022**
Share premium at 1 January	**87,230,416**	**87,326,641**
Transfer of rights to equity instruments under share-based payments program (Note 31)	–	(96,225)
Share premium at 30 June	**87,230,416**	**87,230,416**

	For the six month ended 30 June	
	2023	**2022**
	No. (‘000)	**No. (‘000)**
Balance of shares outstanding at beginning of financial period	**98,094**	**97,928**
Transfer of treasury shares for share-based payments (Note 31)	–	166
Balance of shares outstanding at the end of financial period	**98,094**	**98,094**

For the six months ended 30 June 2023, the Group did not transfer any treasury shares (for the six months ended 30 June 2022, the Group transferred 165,622 treasury shares to key management personnel under the long-term incentive program for key management personnel (Note 31)).

15. Share capital, share premium and treasury shares (continued)

For the six months ended 30 June 2022, the fair value of the compensation was RUB 527,905 thousand. The difference between the carrying amount of the treasury shares and the fair value of compensation transferred during the six months ended 30 June 2022 in the amount of RUB 96,225 thousand was recognized as a reduction of share premium.

On 16 June 2023, PJSC Magnit announced that its subsidiary, LLC Magnit Alliance, proposed tender offer to purchase for cash up to 10,191,135 of the Company's ordinary shares, or up to 10% of all issued and outstanding shares ("Tender offer"). On 28 June 2023, PJSC Magnit reported that LLC Magnit Alliance had extended its Tender offer to up to 30,370,000 shares, or up to 29.8% of all issued and outstanding shares.

The Tender offer addresses (i) a broad spectrum of international investors wishing to dispose of their shares (including eligible GDR holders who have exchanged their GDRs to shares), including those who are currently restricted in exercising their rights in a normal fashion, (ii) and, with respect to shares held on the depositary receipt program custody account, JPMorgan Chase Bank N.A.

On 11 July 2023, PJSC Magnit announced that LLC Magnit Alliance had announced the extension of the Tender offer to shares held via Euroclear.

The transaction was approved by the Government Commission on Control for Effectuation of Foreign Investments in the Russian Federation (the "Government Commission").

The purchase price was set in accordance with the approval of the Government Commission and amounts to RUB 2,215 per a share.

As at 30 June 2023, potential sellers were holding consultations and preparing bids and documents necessary for the Tender. According to the Tender offer, LLC Magnit Alliance reserves the right to call off the Tender offer and not to accept any shares at its sole discretion for any reason and at any time prior to or after the bid submission deadline.

16. Dividends declared

During the six months ended 30 June 2023 and 30 June 2022, the Group did not declare any dividends to shareholders for 2022 and for 2021.

During the six months ended 30 June 2023, the Group did not pay any dividends (during the six months ended 30 June 2022: RUB 28,829,503 thousand).

As at 30 June 2023 and 31 December 2022 there are no dividends payable.

17. Short-term trade and other payables

Short-term trade and other payables consisted of the following:

	30 June 2023	**31 December 2022**
Trade payables to third parties	176,750,868	212,404,600
Accrued expenses and other payables to third parties	28,174,444	32,880,966
Accrued staff costs	27,617,901	28,686,276
	232,543,213	**273,971,842**

17. Short-term trade and other payables (continued)

Trade and other payables, denominated in foreign currency is:

	30 June 2023	31 December 2022
US dollars	2,479,030	7,758,518
Euros	330,764	632,210
Uzbek sums	157,784	–
Chinese yuan	141,191	132,311
	3,108,769	**8,523,039**

18. Taxes payable, excluded income tax

Taxes payable, excluded income tax consisted of the following:

	30 June 2023	31 December 2022
Value added tax	17,111,236	11,443,383
Social insurance contributions	18,164,646	18,268,135
Personal income tax	1,603,774	1,728,354
Property tax	694,045	745,147
Other taxes	87,033	119,121
	37,660,734	**32,304,140**

19. Loans and borrowings

Long-term and short-term loans and borrowings consisted of the following:

	Year of maturity 2023	30 June 2023	Year of maturity 2022	31 December 2022
Long-term loans and borrowings				
Unsecured bonds	2025-2028	50,379,815	2024-2025	40,174,880
Unsecured bank loans	2025-2028	235,434,518	2024-2028	236,353,108
Less: current portion of long-term loans and borrowings		(3,597,902)		(3,257,118)
Total long-term loans and borrowings		**282,216,431**		**273,270,870**
Short-term loans and borrowings				
Unsecured bonds	2024	20,099,982	2023	40,517,682
Unsecured bank loans	2023-2024	102,963,096	2023	103,246,844
Loans received under repurchase agreements	2023	7,398,058	–	–
Current portion of long-term loans and borrowings		3,597,902		3,257,118
Total short-term loans and borrowings		**134,059,038**		**147,021,644**

The Group’s loans and borrowings as at 30 June 2023 and 31 December 2022 bear market interest rates. All loans, borrowings and bonds are denominated in Russian rubles. Loans and borrowings were received at fixed rates.

19. Loans and borrowings (continued)

In June 2023, the Group entered into short-term financing transactions in the form of repurchase agreements. As at 30 June 2023, the total amount of financing transactions in the form of repurchase agreements amounted to RUB 7,398,058 thousand. Treasury shares in the total number of 3,817,249 shares with the fair value amounted to RUB 19,579,390 thousand as at 30 June 2023, were used as an instrument under these transactions.

20. Government grants

	For the six months ended 30 June	
	2023	2022
At 1 January	**2,747,357**	**2,617,340**
Received during the period	49,467	149,033
Recognized in profit or loss	(211,795)	(122,782)
At 30 June	**2,585,029**	**2,643,591**

	30 June 2023	31 December 2022
Short-term government grants	438,064	389,323
Long-term government grants	2,146,965	2,358,034

The government grants were received to reimburse a part of the direct costs incurred for the construction and modernization of property, plant and equipment. The government grants were received as benefit from obtaining loans at a below-market interest rate, as well as a grant in cash.

21. Contract liabilities

Contract liabilities as at 30 June 2023 and 31 December 2022 consisted of the following:

	30 June 2023	31 December 2022
Short-term liabilities to the customer loyalty program	5,420,628	4,044,001
Short-term advances received from customers	1,869,592	1,377,417
	7,290,220	**5,421,418**

Changes to the short-term liabilities to the customer loyalty program include the following:

	For the six months ended 30 June	
	2023	2022
At 1 January	**4,044,001**	**2,775,444**
Deferred during the period	10,088,594	7,221,498
Recognized as revenue during the period	(8,711,967)	(7,099,747)
At 30 June	**5,420,628**	**2,897,195**

22. Revenue from contracts with customers

Revenue from contracts with customers consisted of the following:

	For the six months ended 30 June	
	2023	**2022**
Retail	1,203,688,312	1,113,846,914
Wholesale	25,767,669	22,418,880
	1,229,455,981	**1,136,265,794**

Revenue from contracts with customers is represented by the amounts disclosed in the table above and advertising income and income from sales of packing materials (Note 25) and for the six months ended 30 June 2023 amounted to RUB 1,237,937,055 thousand (six months ended 30 June 2022: RUB 1,144,739,802 thousand).

23. Cost of sales

Cost of goods sold is reduced by rebates and promotional bonuses received from suppliers.

Cost of goods sold includes losses due to inventory shortages, as well as transportation costs.

For the six months ended 30 June 2023, payroll and social contributions expenses and related provisions amounted to RUB 24,652,820 thousand (six months ended 30 June 2022: RUB 19,956,309 thousand) were included in the cost of sales.

24. Selling, general and administrative expenses

Selling, general and administrative expenses consisted of the following:

	For the six months ended 30 June	
	2023	**2022**
Staff costs	106,731,456	98,114,881
Depreciation of right-of-use assets (Note 8)	32,874,214	32,367,268
Depreciation and impairment of property, plant and equipment (Note 7)	29,600,202	27,092,105
Utilities and communication services	25,997,991	20,626,489
Bank charges	6,340,174	6,039,193
Advertising	5,278,318	4,407,431
Repair and maintenance	4,889,144	4,356,112
Rent (Note 8)	3,094,256	2,417,566
Amortization and impairment of intangible assets (Note 9)	2,853,731	2,866,062
Material costs	1,854,831	2,792,380
Commission remuneration	1,738,137	1,657,967
Taxes, other than income tax	1,702,313	1,584,482
Security	1,090,228	886,873
Accrual of expected credit losses and impairment of advances paid	272,201	–
Other expenses	2,850,444	3,949,198
	227,167,640	**209,158,007**

25. Other income

Other income consisted of the following:

	For the six months ended 30 June	
	2023	**2022**
Advertising income	5,436,098	3,994,170
Sale of packaging materials	3,044,976	4,479,838
Fines and penalties	3,034,593	2,021,512
Gain from cancellation of lease contracts (Note 8)	233,751	981,762
Income from write-offs of accounts payable	–	1,615,970
Gain from Covid-19 related rent concessions (Note 8)	–	223,417
Other income	424,990	366,347
	12,174,408	**13,683,016**

26. Other expenses

Other expenses consisted of the following:

	For the six months ended 30 June	
	2023	**2022**
Fines and penalties	451,465	291,211
Loss from disposal of property, plant and equipment	86,147	337,875
Loss from disposal of intangible assets (Note 9)	68,620	3,576,726
Other expenses	307,485	935,811
	913,717	**5,141,623**

27. Interest income

Interest income consisted of the following:

	For the six months ended 30 June	
	2023	**2022**
Interest on deposits	11,023,466	5,203,126
Interest on loans issued to related parties (Note 5)	54,246	40,519
Interest on loans issued to third parties	14,173	3,006
Interest on grants receivable	18,348	–
	11,110,233	**5,246,651**

28. Finance costs

Finance costs consisted of the following:

	For the six months ended 30 June	
	2023	**2022**
Interest on loans and borrowings	15,616,810	9,276,240
Interest on bonds	3,409,192	2,601,549
Interest on lease liabilities (Note 8)	22,285,727	20,111,199
Other finance costs	59,537	117,287
Total interest expenses for financial liabilities	**41,371,266**	**32,106,275**
Less amounts included in the cost of qualifying assets	–	(160,532)
	41,371,266	**31,945,743**

29. Income tax

The Group's income tax expense for the six months ended 30 June 2023 and 30 June 2022 was as follows:

	For the six months ended 30 June	
	2023	2022
Interim condensed consolidated statement of profit and loss and other comprehensive income		
Current tax	10,967,486	8,376,467
Deferred tax	(2,011,488)	(210,885)
Income tax expense reported in the interim condensed consolidated statement of profit and loss and other comprehensive income	**8,955,998**	**8,165,582**

30. Earnings per share

Earnings per share have been calculated on the basis of the net profit attributable to shareholders for the period and the weighted average number of common shares outstanding during the period.

Diluted earnings per share is calculated by dividing the profit attributable to shareholders for the period by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the six months ended 30 June	
	2023	2022
Profit for the period attributable to equity holders of the parent	34,015,921	29,342,577
Weighted average number of shares (in thousands)	98,094	97,951
Basic and diluted earnings per share (in RUB)	**346.77**	**299.56**
Effects of dilution from share options on number of shares (in thousands)	565	649
Weighted average number of ordinary shares adjusted for the effect of dilution (in thousands)	98,659	98,600
Diluted earnings per share (in RUB)	**344.78**	**297.59**

31. Share-based payments

For the six months ended 30 June 2023, the Group recognized an expense in respect of share-based payments in the amount of RUB 291,334 thousand in the interim condensed consolidated statement of profit and loss and other comprehensive income (six months ended 30 June 2022: RUB 356,762 thousand).

As at the reporting date, the management of the Group expects that with respect to all tranches the Program targets will be achieved.

During the six months ended 30 June 2023, the Group did not transfer treasury shares under the Group's long-term incentive program for key management personnel due to the fact that the method of repayment of 1/3 tranches of 2020, 2021, 2022 was changed for the participants of the Program.

31. Share-based payments (continued)

As per the revised terms, the respective liability to participants was settled during the six months ended 30 June 2023 in cash.

During the six months ended 30 June 2023, the total amount of the fixed consideration amounted to RUB 1,297,649 thousand, corresponding to the scope of the associated services received, was reclassified from the share-based payments reserve to trade and other payables and paid to these employees.

During the six months ended 30 June 2022, the Group transferred 165,622 treasury shares repurchased from shareholders as compensation to key management personnel under the Long-term remuneration of key employees of the Group. The fair value of the consideration transferred was RUB 527,905 thousand. The difference between the carrying amount of the treasury shares and the fair value of the consideration transferred under the Program in the amount of RUB 96,225 thousand reflected as a decrease in share premium. The weighted average fair value per share at the execution was RUB 3,187 for the six months ended 30 June 2022.

During the six months ended 30 June 2022, the terms of the 1/3 of the 2020, 2021 and 2022 tranches were changed for the limited number of the participants of the Group's long-term incentive program for key management personnel. As per the revised terms, the respective liability to those participants was settled during the six months ended 30 June 2022 in cash. During the six months ended 30 June 2022, the total amount of the fixed consideration amounted to RUB 359,758 thousand, corresponding to the scope of the associated services received, was reclassified from the share-based payments reserve to trade and other payables and paid to these employees.

32. Contingencies, commitments and operating risks

Operating environment

The Group sells products that are sensitive to changes in general economic conditions that impact consumer spending. Future economic conditions and other factors, including sanctions − imposed consumer, confidence, employment levels, interest rates, consumer debt levels and availability of consumer credit could reduce consumer spending or change consumer purchasing behavior.

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and the effectiveness of economic, financial and monetary measures undertaken by the government.

Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

The Group's Management promptly responds to external factors and changing market conditions, conducts effective work on timely risk reduction and leveling potential negative consequences.

32. Contingencies, commitments and operating risks (continued)

Impact of the geopolitical situation

Since February 2022, the aggravation of geopolitical tensions and the conflict related to Ukraine have had a negative impact on the economy of the Russian Federation. Several countries announced new packages of sanctions, as well as restrictions on certain types of transactions, including blocking funds in foreign bank accounts and blocking payments on Eurobonds of the Russian Federation and Russian companies. Some international companies have announced the suspension of activities in Russia or the termination of the supply of products to Russia. This led to the increasing volatility in the stock and currency markets, the short-term increasing in the key rate and certain retaliatory restrictive measures from the Russian Federation.

The Group continues to assess the effect of these events and changing micro- and macroeconomic conditions on its activities, financial position and financial results.

Tax legislation

The Group’s main subsidiaries, from which the Group’s income is derived, operate in Russia. Russian tax, currency and customs legislation is subject to varying interpretations and changes which can occur frequently. Management interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities.

A number of the relevant Russian tax, currency and customs laws and regulations are formulated in a vague and contradictory way, which may lead to different interpretations, which, in particular, may have an effect on the previous tax periods, selective and inconsistent application, as well as frequent and in some cases unpredictable changes. In practice the tax authorities may be taking a more assertive position in their interpretation and application of these laws and regulations and in their approach to tax assessments. It is therefore possible that transactions and activities of the Group that have not been challenged in the past may be challenged at any time in the future. As a result, additional taxes, penalties and interest may be imposed by the relevant authorities. Fiscal periods remain open and subject to review by the tax authorities for a period of three calendar years immediately preceding the year in which the decision to conduct a tax review is taken. Under certain circumstances tax reviews may cover longer periods.

The change in the geopolitical situation causes changes in tax, customs and other types of legislation. In particular, major developments in tax legislation pertained to transfer pricing, controlled foreign companies, the application of tax exemptions, capital amnesty, taxation of intellectual property, investment and other taxation issues.

These changes and recent trends in applying and interpreting certain provisions of Russian tax legislation indicate that the tax authorities may take a more assertive position in interpreting legislation as part of control activities. The tax authorities may thus challenge transactions and approaches to applying legislation that they have not challenged before. It is not possible to determine the amounts of constructive claims or evaluate probability of their negative outcome.

Management believes that as at 30 June 2023 and at 31 December 2022, it had properly construed the relevant legislation, and the probability that the Group will retain its position with regard to tax, currency and customs law is assessed as high. As at 30 June 2023 and 31 December 2022, the Group accrued no provisions for tax positions.

32. Contingencies, commitments and operating risks (continued)

Litigation

The Group has been and continues to be the subject of legal proceedings and adjudications from time to time, neither of which, individually or in aggregate, had a material adverse effect on the Group. Management believes that the resolution of all business matters will not have a material impact on the Group's financial position, operating results and cash flows.

Capital commitments

As at 30 June 2023 and 31 December 2022, the Group entered into a number of agreements related to the acquisition of property, plant and equipment. Capital commitments are presented net of VAT:

	30 June 2023	31 December 2022
Within 1 year	7,649,296	5,786,521
	7,649,296	**5,786,521**

33. Financial risk management objectives and policies

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity ratio.

Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are recorded in the interim condensed consolidated financial statements.

The fair value of the financial liabilities is presented in the amount at which the instrument could be exchanged in a current transaction between willing parties (other than in a forced sale or liquidation).

	Carrying amount		Fair value	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Long-term loans (Note 19)	231,836,616	233,095,990	231,733,242	231,257,474
Long-term bonds (Note 19)	50,379,815	40,174,880	49,997,000	39,885,000

Management estimated that the fair value of cash and short-term deposits, trade receivables, trade payables and other current liabilities, financing transactions in the form of repurchase agreements and loans issued under reverse repurchase agreements approximate their carrying amounts mainly due to the short-term maturity of these instruments.

The following methods and assumptions were used to estimate fair value:

Fixed rate loans are assessed by the Group based on parameters such as interest rates, country specific risk factors, and individual credit risk of the counterparty.

33. Financial risk management objectives and policies (continued)

Fair values (continued)

The fair value of loans from banks is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. Long-term borrowing and loans are categorized as Level 2 within the fair value hierarchy. For quoted bonds (Level 1) the fair value was determined based on quoted market prices. No transfers occurred between levels in the hierarchy during the reporting period.

As at 30 June 2023 and 31 December 2022, the fair value of the Group's financial instruments, except as described above, approximates their carrying value.

Foreign currency risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when purchase is denominated in a different currency from the Group's functional currency).

As at 30 June 2023 and 31 December 2022 the foreign currency balances were presented by trade and other payables, cash and deposits in foreign currency disclosed in Notes 14 and 17.

The Group manages its foreign currency risk by scheduling payments to foreign suppliers close to the date of transfer of ownership of goods to the Group.

Interest rate risk management

The Group is not exposed to interest rate risk as entities of the Group borrow funds with fixed rates.

Credit risk management

Credit risk is the risk that a counterparty will not meet its contract obligations on time, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade and other receivables) and investing activities (cash, long-term and short-term loans).

Trade and other receivables

Customer credit risk is managed by the Group by dealing with creditworthy counterparties, who have a good long-term credit history. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by management.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Cash and cash equivalents

Credit risk from investing activities is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties. Cash is placed in financial institutions, which are considered at time of deposit to have minimal risk of default.

33. Financial risk management objectives and policies (continued)

Credit risk management (continued)

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as presented in the interim condensed consolidated statement of financial position.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of directors, which has built a liquidity risk management framework for management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

34. Subsequent events

On 4 August 2023, Federal Law No. 414-FZ *On Excess Profits Tax* was adopted. The Law establishes the procedure to determine and pay a one-off excess profits tax. The Law is effective from 1 January 2024.

According to the provisions of the Law, Russian entities, permanent establishments of foreign entities and foreign entities that are deemed Russian tax residents (subject to a number of exceptions envisaged by the Law) shall file a corresponding tax return with the tax authorities until 25 January 2024 and pay the excess profits tax calculated at a rate of 10% until 28 January 2024.

The tax base for the excess profits tax is determined as an excess of the arithmetic mean of profits for 2021-2022 over the same indicator for 2018-2019. The Law provides a number of specific procedures for the calculation of the tax base, including specific procedures for companies that were members of the consolidated taxpayer group in these periods, and an opportunity to reduce the effective tax rate to 5% when specific conditions are met.

The Law also provides the option of voluntary payment of the "security deposit" during the period from 1 October through 30 November 2023 and this amount will form a tax credit, which can be used by the taxpayer to reduce the tax amount. The amount of this tax credit cannot exceed ½ of the amount of the calculated tax. The tax credit is assumed to be equal to zero if the security deposit is repaid (in full or in part) over the taxpayer's claim.

The Group's management is evaluating the impact of this tax on the consolidated financial statements of the Group.

On 10 August 2023, following the results of the placed Tender offer, approximately 200 applications from investors from the United States, the United Kingdom, Germany, Italy, Switzerland, Scandinavian countries, Singapore, Japan, Canada, Australia and other jurisdictions were satisfied. JPMorgan Chase Bank N.A., the depositary bank for Magnit's GDR program, and international investors, including long-term active management funds, passive index funds / ETFs, hedge funds, pension and sovereign wealth funds, as well as family funds and individual investors, participated in the transaction.

34. Subsequent events (continued)

In total 16,917,427.8 shares have been purchased from Shareholders who held shares through the Russian depositary and settlement infrastructure as at 21 August 2023, representing approximately 16.6% of all issued and outstanding shares. The total amount of funds distributed under the Tender offer to Shareholders who held shares through the Russian depository and settlement infrastructure is equivalent to approximately RUB 37.4 billion at the purchase price. As part of the settlements through the Russian depositary and settlement infrastructure, the transfer of shares was carried out, among other things, with the involvement of foreign depositories and their Russian subsidiaries.

Settlement procedures with shareholders whose shares are cleared through Euroclear Bank SA/NV are ongoing.