Delivering great customer service

O'KEY GROUP OF COMPANIES

Annual Report 2022

CONTENTS

Overview

O'KEY Group is one of the leading Russian food retailers. The Group's unique business model combines two modern complementary retail formats (hypermarkets and discounters) and a fast growing omnichannel e-commerce platform in regions of presence.

20+

YEARS ON THE MARKET

202 BN

GROUP REVENUE IN 2022

10 TOP

FOOD RETAILER IN RUSSIA

1

2022 at a Glance

273

+43 YoY

TOTAL NUMBER OF STORES

RUB 202.2 bn

+8.1% YoY

GROUP REVENUE

RUB 148.8 bn

O'KEY REVENUE

RUB 53.3 bn

DISCOUNTERS REVENUE

+53.1%

DISCOUNTERS REVENUE GROWTH YOY

+26.8% YoY

DISCOUNTERS LFL REVENUE

RUB 6.2 bn

+32.6% YoY

TOTAL ONLINE SALES

TOP 10

GROCERY AND E-GROCERY RETAILER IN RUSSIA[1]

[1] The market position provided by Infoline, 2022.

ABOUT THE REPORT

The Annual Report 2022 ("the Report") has been prepared by O'KEY GROUP S.A. ("O'KEY Group", "the Group", or "the Company").

This Report discloses information on the implementation of the Group's strategy in 2022, presents the Group's operating and financial results, describes the Group's corporate governance framework and corporate social responsibility activities. The Report has been prepared based on consolidated IFRS financial statements for 2022.

The Report has been prepared based on the information available to the Group as of the time of producing this Report, including information obtained from third parties. The Company reasonably believes that this information is complete and accurate as of the publication date of this Report. However, it does not constitute any representation or warranty that this information will not be updated, revised, or otherwise amended in the future.

This Report includes estimates or forward-looking statements related to operating, financial, economic, social and other measures that can be used to assess the performance of O'KEY GROUP S.A. The Company does not make any representation or warranty that the results anticipated by such forward-looking statements will be achieved. The Company shall not be liable to any individual or legal entity for any loss or damage which may arise from their reliance on such forward-looking statements.

Further information

Further information regarding O'KEY Group's strategy, our businesses and performance, and our approach to governance and risk management can be found at our corporate website okeygroup.lu.

An archive of annual and strategic reports as well as a full suite of additional information materials is available at okeygroup.lu.

DISCLAIMER

The existing global economic environment, including the current geopolitical climate and market fluctuations in currency and stock markets, as well as significant currency exchange rate variations are probably having an impact on companies in all sectors of the economy. We are closely observing the potential effects of these evolving macroeconomic circumstances and shifts in the retail market on O'KEY Group's financial and operational performance in the medium to long term.

Nonetheless, we acknowledge that the grocery retail industry is among the most resilient sectors of the economy and is continually sought after by consumers. Furthermore, we have confidence in the Group's efficient business strategy, which utilizes two complementary retail formats and a robust online platform that caters to all customer requirements and demographics. This approach establishes a strong foothold in the market and provides a considerable buffer against macroeconomic instability.

Our Company is well-equipped to handle any potential alterations in the supply chain due to the fact that nearly 80% of our procurement is obtained from nearby suppliers and manufacturers. By actively fostering our proprietary brands, maintaining our long-standing and productive partnerships with a significant number of inventive, advanced, and rapidly expanding farms and producers, and participating in regional and national quality initiatives and programmes that support local suppliers, we can successfully navigate any market challenges and uncertainties.

Therefore, O'KEY Group, with its well-established and well-integrated corporate governance and management structure, is securely positioned in the market and poised to withstand macroeconomic turbulence and market volatility, while effectively serving the needs of its stakeholders.

About O'KEY Group

O'KEY Group is one of the leading Russian food retailers. Since the opening of our first hypermarket in St. Petersburg in 2002, we have continued to strive for excellence.

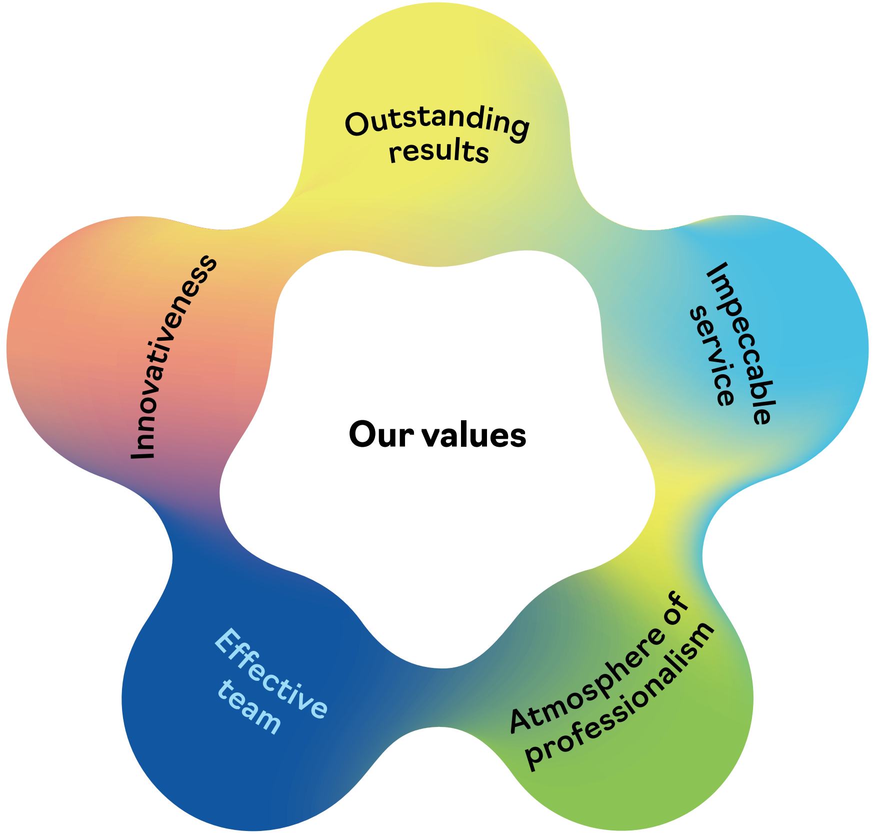
O'KEY Group develops two clearly positioned and complementary retail formats: O'KEY hypermarkets and DA! discounters. The Company also operates a fast-growing e-commerce platform for O'KEY hypermarkets. This well-balanced combination of formats allows us to meet different customer needs and purchasing models in all regions of presence and in all sales channels.

OUR VISION

The new hypermarket for the new era

The best value for money discounter

OUR PURPOSE/MISSION



We strive for excellence

We offer fresh and high-quality products to each family

We aim to create an effective working environment

We provide a simple and easy shopping experience

We take our social responsibility seriously and act accordingly

Our Key Strengths

A flexible business model based on two competitive shopping formats and an e-commerce platform, covering all customer segments and needs

Focus on cutting-edge IT solutions and a progressive infrastructure

Exceptional **expertise in private labels and own production**, empowering us to build an appealing customer value proposition

Highly centralised logistics: five distribution centres in Moscow and St. Petersburg

High standards of corporate governance: a transparent ownership structure, LSE, AIX and MOEX listings

A proficient management team with extensive experience in Russian and international retail

O'KEY HYPERMARKETS

A well-recognised brand and market positioning in major Russian cities

DA! DISCOUNTERS

One of the fastest growing grocery chains in the market

Our ESG Approach in Volatile Environment

In the volatile macroeconomic and geopolitical context we faced in early 2022, ESG is becoming even more relevant and important. O'KEY Group sees itself as a socially responsible company and acts respectively in the interests of all our stakeholders: employees, customers, suppliers, partners, and shareholders.

Customers

Satisfying customer needs across all market segments, delivering top-notch services and creating the value proposition of each Group format remains the key priority of O'KEY's interaction with customers.

Though the economic environment is unstable, we make every effort to ensure uninterrupted deliveries, redirect logistics flows where necessary, fill the shelves with goods and meet the demand of our customers.

In the face of growing inflation, we were one of the first to fix a minimum markup on a number of essentials. The Company has introduced a minimum markup policy to a number of SKUs of socially important food products (including dairy, vegetables, and sugar) in 23 cities where O'KEY is present.

We find it important to pay attention to the most recent changes in consumption patterns and needs, including the rush in demand for certain product categories and price sensitivity. The Company is committed to meeting the current rate of demand and maintaining a minimum markup on socially important goods as well as reasonable prices for the entire product range, while providing a consistently high level of quality and service.
We are developing new routes and searching for new efficient ways of working with suppliers in order to keep the wide assortment of our products.

A thorough cost control in all areas of the Group's business enables us to ensure a decent price level and competitiveness of all retail formats in general. The Company works closely with the Association of Retail Companies, the Russian Ministry of Industry and Trade, and other market regulators and structures to execute this approach.

Suppliers

When communicating with suppliers, the utmost attention is given to the formation of mutually beneficial partnerships. This will ensure timely and stable supply of high-quality items as well as presence of various products on the shelves no matter what.

Since its foundation, O'KEY Group has been actively engaging local producers: around 80% of the Company's purchases are accounted for by products made by Russian producers. As such, the share of imported goods in the Company is small.

For years, the Group has been cooperating with a substantial number of innovative, sophisticated and fast-growing farms and producers. This is specifically relevant in terms of evolving the Group's own brands: the private label range of O'KEY hypermarkets and DA! discounters totals 1,883 SKUs and 1,322 SKUs respectively.
The Company is also involved in developing programmes to support local producers and therefore takes part in regional and national quality initiatives, namely "Made in Don Land", as well as initiatives for fair certification in the North-West and Central regions of Russia. Amid economic volatility, O'KEY Group further cooperates with them while ensuring regular purchases and mutual benefits. Changes in the market environment may lead to changes in supply chains which are nevertheless quite stable due to a high proportion of Russian-made products. The Company makes efforts to optimise logistical costs and provide effective inventory management.

Investors and shareholders

O'KEY is responsible to its investors and shareholders and strives to maintain and increase the Company's shareholder value.

Considering current volatility of the rouble and a number of macroeconomic factors that create great uncertainty, the Company refrains from short-term and long-term forecasts for both operating and financial performance. At present, the O'KEY management team is analysing the potential impact of micro- and macroeconomic conditions on subsequent operating and financial results of the Group.

Along with that, we believe that the Group's effective business model, which is based on two complementary retail chains with clear positioning (hypermarkets and discounters) as well as on strong e-commerce, will help respond to all the headwinds and satisfy customer needs in various market segments.

Hypermarkets are most suitable for the new consumer behaviour since they offer a wide range of products and customers often stock up. Our discounters build a solid medium-term basis by using the EDLP pricing model to meet the trend for conscious consumption and offer consistently high-quality products at the lowest market prices.

We will be doing our best to achieve our medium-term goals by means of supply chain optimisation and strict cost control.

The Group's Global Depositary Receipts (GDRs) are listed on the London Stock Exchange since November 2010. The GDRs are also trading on the Moscow Exchange (MOEX) since December 2020. In March 2023, O'KEY Group also conducted a cross-listing of its GDRs on the Astana International Exchange. The Group aims to maintain all its listings and keep its GDRs available to all market participants, including those of individual investors.

Employees

O'KEY Group's first priority is its people. The Company employs over 20 thousand people. We take responsibility for providing residents of regions of the Company's presence with jobs as well as for creating safe, favourable and decent working conditions for our employees. Besides, we steadfastly follow the Labour Code of the Russian Federation.

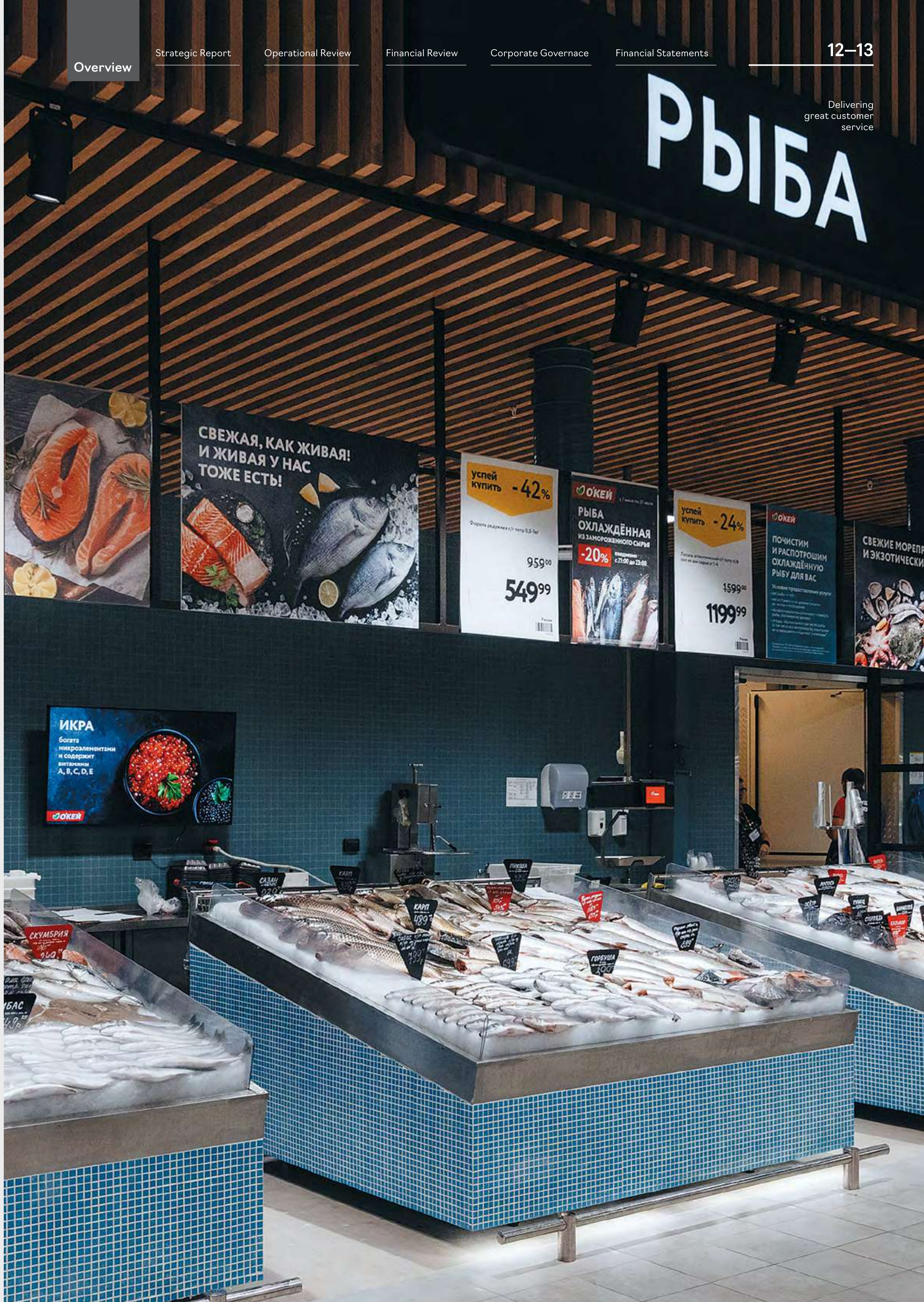
Over the years, the Company has been committed to delivering high-standard corporate governance, personnel management and training, and, therefore, gained a high position in the market.

In 2022, O'KEY Group put much effort into ensuring labour safety for its employees, improved its corporate voluntary health insurance and target KPIs under the current premium programme, continued staff training as part of O'KEY Academy, and launched professional skills competitions and incentive programmes.

In the context of volatility, the Company continues being committed to its policy aimed at preserving jobs, providing decent wages and social benefits, developing personnel training and motivation programmes.

Operational & Financial Highlights

Figures	2019	2020	2021	**2022**	2022/2021, %
Group net retail revenue, RUB bn	163.1	172.7	185.2	**200.2**	8.1%
O'KEY net retail revenue, RUB bn	145.3	146.8	150.4	**146.9**	(2.3%)
DA! net retail revenue, RUB bn	17.9	26.0	34.8	**53.3**	53.2%
Group LFL net retail revenue	+0.9%	+5.4%	+3.7%	**+2.1%**	
O'KEY LFL net retail revenue	(0.4%)	+2.5%	+1.4%	**(3.6%)**	
DA! LFL net retail revenue	+14.9%	+27.8%	+16.3%	**+26.8%**	
Total selling space, k m^2	598.3	599.5	625.6	**656.2**	4.9%
O'KEY selling space, k m^2	529.1	519.4	522.7	**525.8**	0.6%
DA! selling space, k m^2	69.3	80.2	102.9	**130.4**	26.7%
Total revenue, RUB bn	165.1	174.3	187.1	**202.2**	8.1%
OKEY revenue, RUB bn	147.1	148.3	152.3	**148.8**	(2.3%)
DA! revenue, RUB bn	17.9	26.0	34.8	**53.3**	53.1%
Group EBITDA, RUB bn	14.1	14.8	15.5	**17.0**	9.8%
O'KEY EBITDA, RUB bn	14.3	14.0	13.8	**13.4**	(3.3%)
DA! EBITDA, RUB bn	(0.2)	0.8	1.7	**3.6**	2.2x



Our Geography

100%

ONLINE COVERAGE IN CITIES OF O'KEY PRESENCE

273

TOTAL STORES

79 HYPERMARKETS

194 DISCOUNTERS

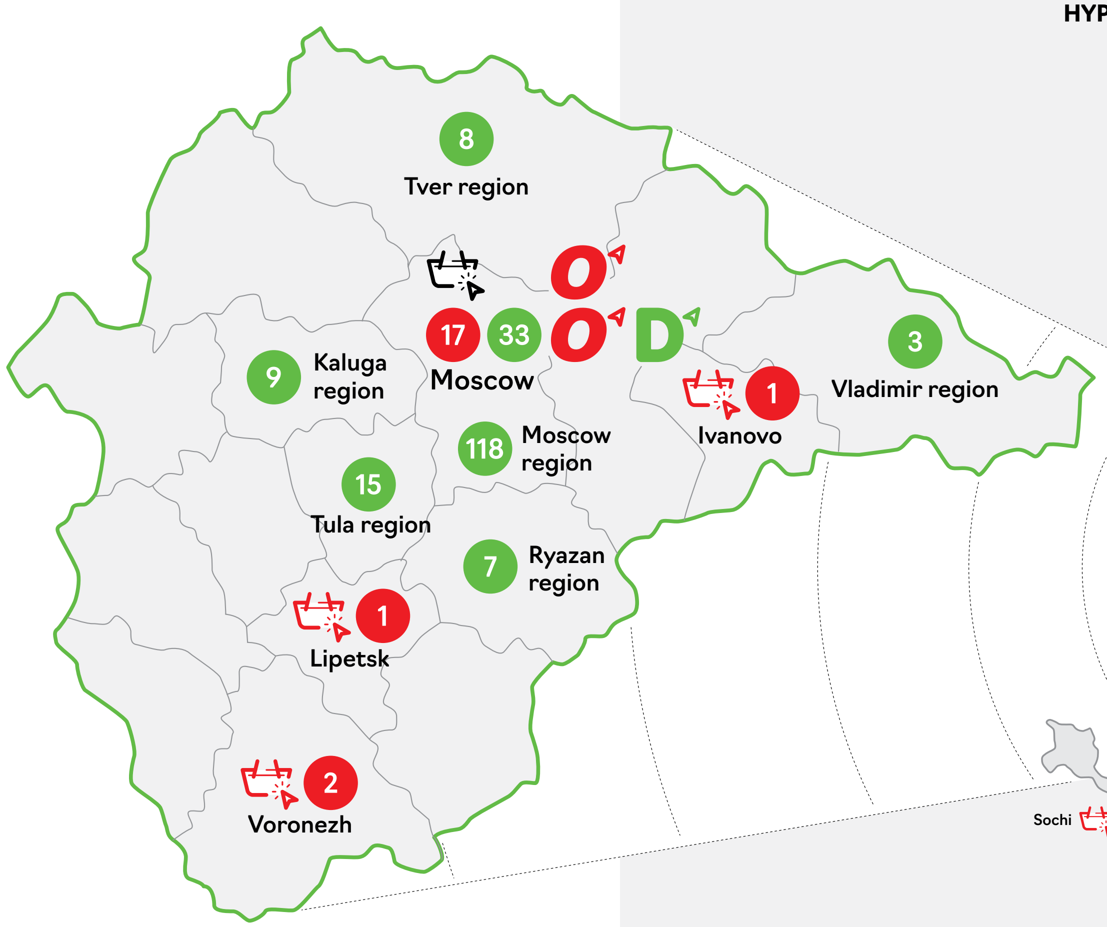
5

TOTAL DCs

4 DCs HYPERMARKETS 63.4% CENTRALISATION RATE

1 DC DISCOUNTERS 100% CENTRALISATION RATE

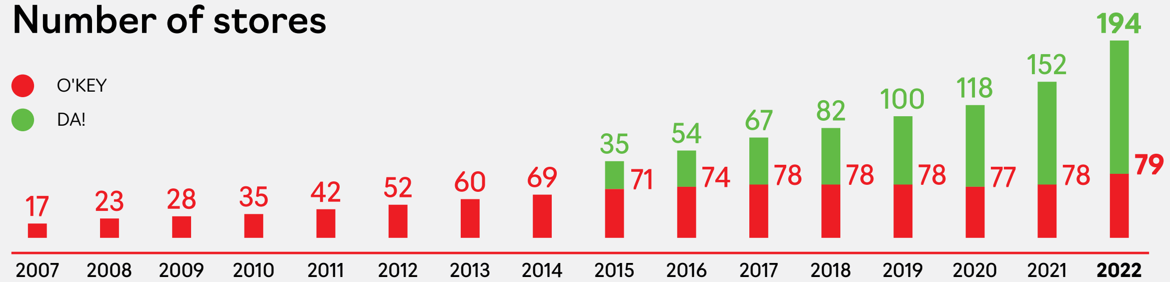
- O'KEY online delivery
- Online delivery via partners
- O'KEY hypermarket
- DA! discounter
- O'KEY distribution centre
- DA! distribution centre



O'KEY Group retail space in 2022, k m^2

	North-West	East	South	Central	Total
Hypermarkets	184.0	114.8	74.7	152.3	**525.8**
Discounter stores	–	–	–	130.4	**130.4**
Total	**184.0**	**114.8**	**74.7**	**282.7**	**656.2**

Number of stores



Milestones of 2022

February

The Group acquires four hypermarkets from X5 Group in the Moscow metropolitan area

April

The Group re-opens four hypermarkets in the Moscow metropolitan area under the updated O'KEY concept

June

The Expert RA rating agency confirms the "ruA-" credit rating for O'KEY

July

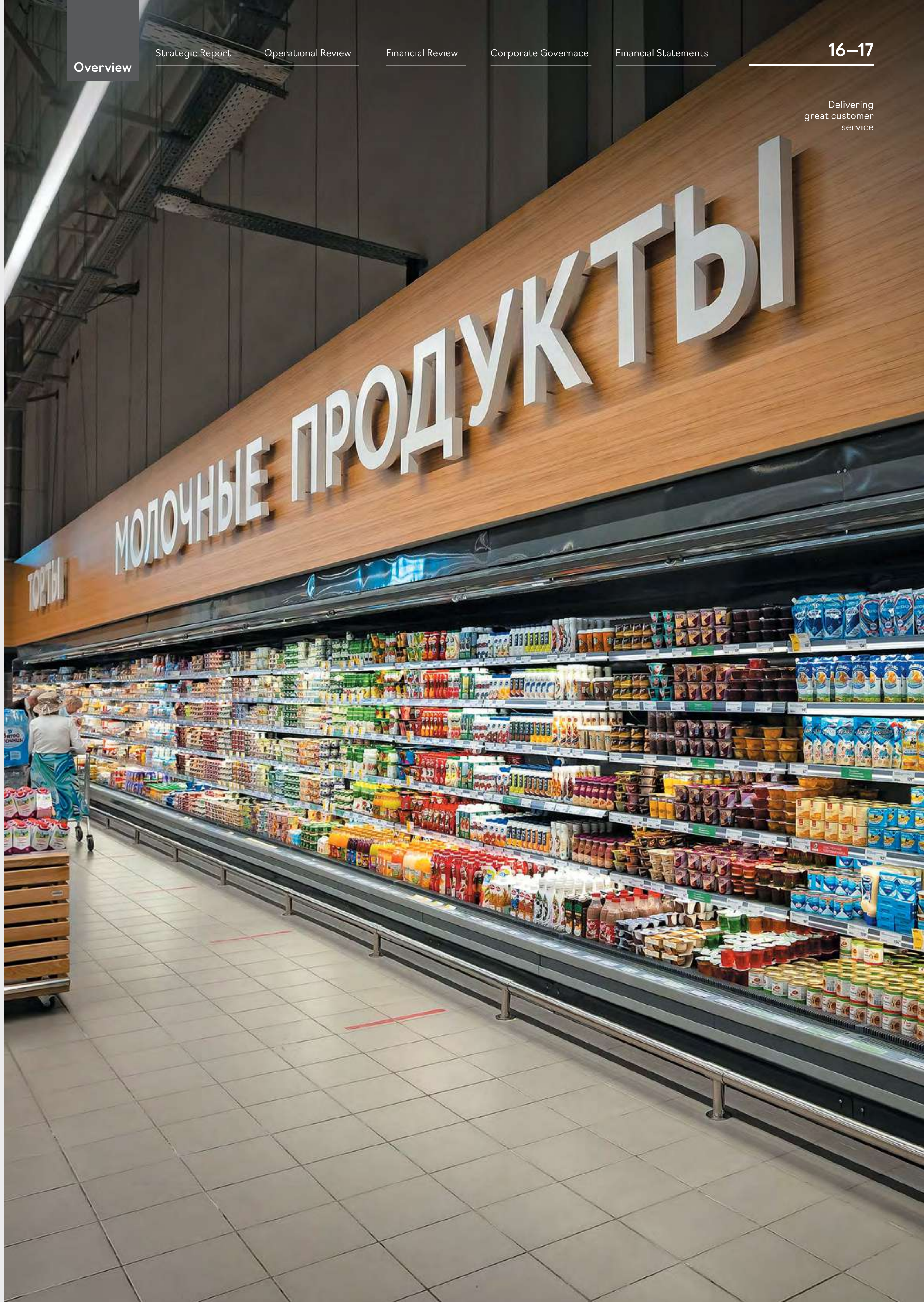
The Group announces an interim dividend of EUR 8.5 mln.
The DA! chain signs a contract with the ADG Group to open discount stores in three Meeting Place neighborhood centres

August

The Group opens a branded flagship hypermarket after a large-scale renovation in Sochi

March 2023

The Group's GDRs are admitted to the quotation list in the main market segment on the Astana International Exchange (AIX)



Delivering great customer service

Strategic Report

We strive to build an appealing value preposition and provide our customers with the best quality goods and superior service. We understand the importance of a socially responsible business and implement the best principles and approaches toward sustainable development.

273 STORES

IN 6 FEDERAL DISTRICTS IN 2022

21,900

EMPLOYEES

206 MLN

PURCHASES WITH US IN 2022

2

Strategic Review

O'KEY Group was able to achieve sound financial and operational results despite the turbulent and, at times, adverse market environment during the year. This encompasses the continued inflationary pressure, supply chain disruptions, significant shifts in consumer behaviour, and so forth. Despite facing these challenges, we were able to maintain a strong and stable performance in our hypermarket format and continued to grow across our discounters and e-commerce business.

In 2022, we were again ranked within the top Russian food and e-grocery retailers based on the annual revenue and market share.

Overall, over 2022, we were able to achieve our operational and financial targets for the year. Our retail revenue rose by 8.1% to RUB 202.2 bn, led by the expansion of the two chains and the growing DA! discounters' LFL revenue and O'KEY's online revenue. Our profitability remained stable, with the Group's EBITDA margin comprising 8.4%.

Our ability to weather all headwinds and maintain effectiveness is facilitated by our well-balanced business model and advanced strategy. On the one hand, O'KEY hypermarkets benefited by obtaining access to DA! discounters' expertise in private labelling and their efficient procurement and direct import system of fresh products. On the other hand, DA! discounters take advantage of O'KEY's purchasing benefits by obtaining better prices from private label suppliers due to larger orders.

Moreover, by leveraging the combined strengths of our e-commerce and hypermarket formats, we can offer an exceptional customer service through the implementation of an omnichannel approach. This also enables us to enhance the efficiency of the delivery process and minimise expenses associated with logistics. Therefore, our business model allows us to maintain a 100% coverage in all regions where our hypermarkets are present and align our activities with the evolving preferences and behaviour of our clients.

O'KEY HYPERMARKETS

Our largest business unit, the O'KEY hypermarkets, continued to be the foundation of our business, contributing to 74% of our overall revenue. Amid a challenging market backdrop and unprecedented economic turbulence, the right focus and a developed customer value proposition (CVP) enabled us to deliver steady operational and financial results. Our hypermarkets experienced a moderate decline in retail revenue of 2.3% compared to the previous year, due to a LFL revenue decrease. Nonetheless, revenue from newly opened O'KEY stores helped mitigate the decline. The results are attributed to multiple factors, including the overall market volatility, a reduction in the population's real disposable income, and a falling footfall of shopping centres where a part of our hypermarkets is located.

It is crucial to emphasise that our exceptional teamwork and efficient cost control enabled us to maintain the profitability of our hypermarkets over this challenging year. The hypermarkets' EBITDA margin remained steady at around 9%.

The year of 2022 was crucial both in terms of further hypermarket network growth and adapting to the ever-evolving market landscape. Specifically, to facilitate the expansion of our business, we acquired four hypermarkets from X5 Group in the Moscow metropolitan area and reopened them under the O'KEY concept. The procurement of 15 k m^2 of recently launched stores aligns with our strategic objective of enhancing operational efficiency in our hypermarket format, and this is to prioritise development in the key regions of operations.

Over the course of the year, O'KEY continued to explore its sourcing opportunities with new local and foreign partners and carried out a great scope of work to ensure the smooth operation of its logistic and supply chain. Throughout 2022, with the ultimate goal of offering a variety of high-grade products at attractive prices to customers, we managed to support an extensive and steady product range on our shelves with 30 k SKUs in O'KEY hypermarkets on average.

Over the course of 2022, the hypermarket business effectively modified its operational strategy to accommodate the ongoing price inflation of raw materials, the decreased foot traffic, and the more cautious and rational purchasing habits of consumers. We substantially enhanced our product assortment and introduced a variety of marketing activities to ensure an excellent value for money for our customers and to entice them into visiting our hypermarkets. For instance, we developed and launched 450 new SKUs, modified a range of non-food items in compliance with the latest trends in demand, rolled out two large-scale promotions dedicated to the Company's anniversary and the New Year, etc.

We believe that our hypermarkets will continue to thrive in the current and future market landscape thanks to our vast sourcing opportunities, our agile response to the constantly changing market conditions, the synergy effect with our discounters and the e-commerce business as well as the smart management and the prudent cost control.

DA! DISCOUNTERS

As cost-cautious consumption is increasingly popular in the current economic volatility, we saw another strong year of growth in the DA! discounters format in 2022. The DA! network underwent an impressive expansion to become a prominent market player within the Russian grocery industry with 194 stores in Moscow, as well as in the Tver, Tula, Kaluga, Ryazan and Moscow regions.

Consequently, in 2022, the retail revenue for the format surged by 53.2% YoY to RUB 53.3 bn, boosted by a 26.8% increase in LFL revenue and a 26.7% expansion in the selling space. Moreover, our discounters' share in the Group's net retail revenue grew by 7.8 pps YoY to 26.6%. Our discounters' EBITDA margin continued to grow rapidly and reached 6.8% in 2022. The significant increase in the earnings and profitability of the format is achieved through boosting brand awareness and customer loyalty, maintaining a consistently superior price-to-quality ratio, offering fresh and diverse, diverse products of superior quality, and a focus on the "every day low price" (EDLP) approach that keeps our products accessible to all customers.

A key element contributing to the DA! success is the prudent selection of our own brands, comprising approximately 50% of the discounter's net retail revenue. We carefully choose manufacturers and give preference to the innovative, sophisticated, and fast-growing local producers. Our goal is to establish enduring and mutually beneficial relationships that promote impeccable product quality and a packaging design that mirrors or aligns with our offerings.

Throughout 2022, we maintained a long-term and fruitful partnership with local suppliers, enabling us to introduce new SKUs into our offerings. Additionally, we successfully phased out necessary imports, ensuring a diverse selection of products at reasonable prices without sacrificing our margins.

We suppose that DA! is ideally positioned to grow in today's challenging environment and will remain the key growth driver for the whole Group, being a unique international format specially tailored to the needs and desires of Russian customers.

E-COMMERCE

We consider online shopping a significant catalyst for transformation in the highly competitive retail sector both in the way it affects conventional offline formats and simultaneously emerging as a promising sales channel in its own right. The online grocery market in Russia witnessed a significant growth in 2022, with a YoY increase of 63% to reach RUB 625 bn. Furthermore, the proportion of online sales in the overall food and beverage retail sales increased by 3% in the same period.

As one of the pioneers of online retail in Russia, O'KEY Group is in a favourable position to capitalise on these progressing trends. Therefore, in 2022, we fortified the synergy of our hypermarket format with the online and discounter formats by applying an omnichannel approach, acquiring private label expertise, and an efficient procurement system within a significantly changed environment. This strategy proved its efficiency with O'KEY's total online sales rising by 32.6% YoY to RUB 6.2 bn in 2022. Our e-commerce customer base increased by 32% to 601,000 active customers with 1,306,000 online orders fulfilled. We utilised both our own services and partner capacities to deliver 28,000 tonnes of products in 2022, which marks a 40% increase from the previous year.

Therefore, we believe online shopping will continue to expand and, consequently, we intend to develop the e-commerce platform in 2023 and beyond.

COMMITMENT TO THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE AND SUSTAINABLE DEVELOPMENT

Throughout the year, we strived to maintain the high level of our corporate governance system, which is based on the principles of professionalism, accountability, equality, and transparency in compliance with the best international and Russian practices. Furthermore, the year of 2022 saw the recognition of our unwavering commitment to exemplary corporate governance, efficient risk management, strategic oversight, and openness coupled with a well-established operational and financial position, as Expert RA awarded our principal operating subsidiary, O'KEY Group S.A., a "ruA-" rating with a stable outlook.

Despite the current market fluctuations, we are dedicated to actively communicating and accommodating the interests of all our investors and shareholders. To further solidify our position, we arranged a listing of our GDRs on the Astana International Exchange in early 2023. This strategic move is intended to increase the liquidity of our stock and provide access to a wider range of individual and institutional investors.

Our dedication to sustainable development, a fundamental aspect of our values, persevered in 2022. Throughout the year, we endeavoured to deliver exceptional results in our routine activities, delivering families fresh and high-quality products, along with a convenient and hassle-free shopping experience.

In the reporting year, the Group placed particular emphasis on employee education, with more than 13,000 employees receiving training.

In the social sector, we entered into another long-term partnership with the "Dari Edu" charitable foundation. In the environmental area, the YoY energy consumption trend has shown a reduction by 4%.

Outlook

Despite the challenges faced by various sectors of the economy, we recognise that the grocery retail industry remains highly resilient and is continually sought after by customers. Additionally, we believe in the Group's efficient business approach, which includes two complementary retail formats and an omnichannel online platform that addresses the needs of all customer segments. With the integration of this approach and a proven corporate governance structure alongside the streamlined operational management, our ability to maintain a sound foothold in the market and minimise the impact of any economic fluctuations are assured.

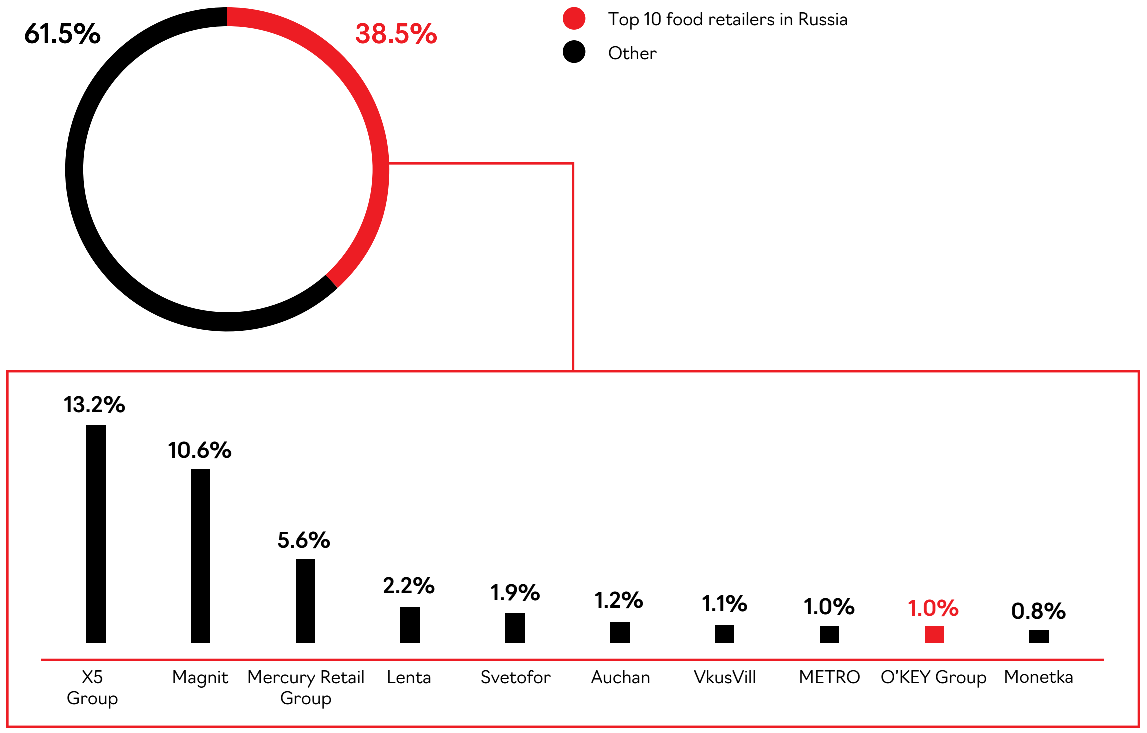
Russia's Food Retail Market Overview

The Russian food retail market grew to RUB 21.0 tn in 2022 or by 13.4% YoY compared to RUB 18.6 tn in 2021, according to Infoline.

The overall number of food stores in various formats exceeded 91.2 k (plus 7.8 k stores YoY), and their total space comprised 33.2 mln m² (plus 2.3 mln m² YoY) by the end of 2022.

According to Infoline, discounters and convenience stores continued to to grow the footprint of the sector. The aggregate share of discounters and convenience stores increased by 2.1 pps to 73.8%, while their total selling space grew by 10.5% YoY and reached 24.5 mln m² in 2022.

Top 10 food retailers in Russia (by net retail revenue)



Source: Infoline.

ONLINE GROCERY MARKET IN RUSSIA

2022, according to Infoline, the Russian e-grocery market continued its rapid growth having increased by 63% YoY. The total size of the online food retail market exceeded RUB 625 bn and reached approximately 3% of the Russian food retail market (plus 0.9 pps YoY) in 2022.

Food delivery has already become part of daily life in cities with a population of over a million. However, nowadays more and more customers in the regions of Russia switch to online shopping for the first time and form the habit for buying food and general FMCG merchandise via online.

According to Infoline, the Russian online food market has huge growth potential and may reach RUB 925 bn in 2023.

During 2022, according to Infoline, O'KEY was ranked the 8th largest grocery retailer online. This statistics excludes the food delivery operators from the calculation base to avoid double counting.

RUB 625 bn

RUSSIAN E-GROCERY MARKET VALUE[1]

Top grocery retailers by online sales in Russia

Retailer	RUB bn
VkusVill	79.0
METRO	66.6
X5 Group	65.4
Lenta & Utkonos	41.2
Magnit	29.1
Auchan	20.9
Azbuka Vkusa	7.6
O'KEY Group	**6.2**
Globus	5.7
Myasnov	3.2

Source: Infoline research 2022, net of VAT, including own delivery and via grocery aggregators/food delivery operators.

[1] Infoline research 2022.

Delivering on Our Strategy

O'KEY Group's operational activity pivots around two shopping formats, namely hypermarkets and discounters, and a sound e-commerce platform with an omnichannel approach. The strategic priorities depend on the format. However, all formats are focused on building a tempting value proposition and providing our customers with the best quality products and superior service.

O'KEY hypermarkets	DA! discounters	E-commerce
BUSINESS DEVELOPMENT:		
• Novel concept stores aim to offer the most convenient and up-to-date shopping experience along with a well-balanced product assortment with a focus on fresh and ultra-fresh categories • Carry on the format development keeping up with the most innovative market trends • Look for the best opportunities to expand the business: developing new enhanced hypermarkets; make use of the latest technologies and solutions in retail, supply, and logistics; extend the network in high-priority regions and optimise the store portfolio	• Growth and expansion in all of the Central Federal District and the surrounding regions • Introducing and evolving DA! discounters as a key growth trigger for the Group's top- and bottom-line by steadily transforming and adapting its range to diverse consumer demands	• Further advancement of the omnichannel approach, which makes it possible to raise sales volumes by covering all customers segments and needs • Developing a partnership with specialised delivery operators to seek for operational efficiencies
DELIVER THE BEST VALUE PROPOSITION:		
• Raise the operational efficiency • Increase the share of private label products and own products in total sales	• Focus on the "every day low price" approach • Offer the most competitive pricing on the market without compromising the quality • Taking the lead in developing the PLs portfolio for the whole Group	• Integrate IT solutions with partners to synergise on additional operational and cost efficiency • Enhance the productivity of e-commerce operations
BENEFIT FROM SYNERGIES BETWEEN THE FORMATS:		
• Develop synergies with the discounter business in joint procurement and direct import of fresh products, as well as benefiting from the private label insight • Evolve synergies with e-commerce by using an omnichannel approach. Benefit from the increased number of orders placed through the website and the mobile app	• Benefit from synergies with O'KEY hypermarkets by leveraging their advantages when purchasing a branded assortment, and when gaining price benefits by purchasing additional volumes in private labels	• A more efficacious business organisation and logistics system with O'KEY hypermarkets serving as pick-up points and an omnichannel delivery platform for online orders. It helps to maximise the efficiency of the delivery model and lower logistics costs

Business Model

O'KEY Group has devised a unique business model pivoting around two straightforwardly positioned and complementary retail formats (hypermarkets and discounters) and a rapid-growing e-commerce platform with an omnichannel approach.

Such a combination of formats empowers us to meet the needs of various customer segments and to keep up to date with the most recent market trends. Within the Group, all formats are instrumental parts of the business model. Consequently, such a business approach proved its efficiency and is fundamental for our prospective success.

O'KEY hypermarkets

- One of the leaders in its segment with over a 20-year expertise in the market enhanced by the innovative store concept
- A sound base for e-commerce growth

Among the retail market leaders in St. Petersburg, commanding a substantial market share in key Russian cities

A novel hypermarket approach is being executed to follow the market tendencies

- A balanced range of goods with a focus on fresh and ultra-fresh
- A reduced number of non-food products
- Superior customer service
- A modern shopping environment

Operating in **23** cities in **6** federal districts of Russia

30 k SKUs

DA! discounters

- A discount model unique for the Russian market and based on the world's best practices, tailored to local consumers
- The main driver of growth for the Group

A discount concept with a hinge on premium

A fast-developing chain of stores in the best locations, offering superior-quality products at the best possible prices

Advanced insight into fresh supply and own brands

A pivot on centralisation and cost efficiency

- Top-of-the-range private label expertise (own brands account for circa 50% of the assortment)
- Every day low price policy, which is mostly supported by own brands, offers a 20–30% cost saving to our clients
- Comfortable and reasonably spacious layouts and interiors

Operating in **6** regions of the Central Federal District of Russia

4 k SKUs

E-commerce platform

- A high growth potential segment adhering to a profitable growth strategy driven by changes in the consumer behaviour

One of the top 10 online grocery retailers in Russia

A state-of-art omnichannel mobile application

- Online orders are processed by the closest hypermarkets in Moscow and St. Petersburg and in partnership with delivery operators in all cities of operation
- 9 specially dedicated zones for online orders fulfilment in hypermarkets in Moscow and 10 zones in St-Petersburg
- An omnichannel approach: a mobile app, a unified bonus system and a product range, and delivery and pick-up options

100% coverage in all regions of O'KEY hypermarkets presence

>35 k available SKUs

KEY RESULTS IN 2022

79 O'KEY hypermarkets across Russia

RUB **148.8** bn revenue

4 new O'KEY stores opened in the Moscow region

and **1** store reformatted in Sochi

194 discounters

+42 stores net in 2022

+53.1% YoY revenue growth in 2022

DA! discounters' share in the Group's revenue grew to **26.4%**

DA! will carry on being the key growth driver for the Group's top- and bottom-line

+32.6% YoY total online sales growth in 2022

601 k active customers (+34.6% YoY) in 2022

Online sales amounted to **4.2%** of O'KEY retail revenue in 2022

Sustainable Development

SUSTAINABILITY APPROACH

O'KEY Group is a retail company that has established a widespread presence in various regions of Russia. Since its inception, the Company has been catering to a diverse array of stakeholders, including customers, employees, shareholders, investors, suppliers, and local community representatives. As a company, we consistently develop strategies for engaging with regulatory and government authorities, the media, and NGOs, as we believe that fostering partnerships is essential for the continuous growth and development of our business as a whole. Our commitment to sustainable development is embedded in our core values. We strive for excellence in our daily operations by providing families with fresh and high-quality products, along with a convenient and hassle-free shopping experience.

21,900
TOTAL NUMBER OF EMPLOYEES

13,044
EMPLOYEES TRAINED IN 2022

RUB 293.3 mln
PROCEEDS FROM SALES OF RECYCLABLE MATERIALS IN 2022

RUB 147 mln
SOCIAL SPENDING

Recognising the significance of socially responsible businesses, we endeavour to create customised methods, incorporate global standards of accountability and community assistance, and adhere to regulations regarding labour relations and environmental safety.

At O'KEY Group, we prioritise creating an effective and positive work environment for our employees. We believe that our employees are the backbone of our business, and we are committed to ensuring their well-being and career growth. We provide our employees with opportunities to develop their skills and knowledge through training and development programmes, and we strive to create a culture of innovation and collaboration.

In addition to our commitment to our employees, we take our social responsibility seriously by acting accordingly. We believe that businesses have a crucial role to play in society and we strive to make a positive impact through our operations. We are committed to sustainable development and we take steps to minimise our environmental impact. We also believe that it is important to give back to the community, and hence we support various charitable initiatives and organisations that align with our values.

Overall, we remain committed to delivering the best possible experience to our customers, employees, shareholders, investors, suppliers, and local community representatives. We believe that by continuing to prioritise sustainability and innovation, we can continue to grow and develop our business in a responsible way.

Benefits for our key stakeholders

Investors and shareholders

In 2022, we continued to strengthen all pillars of O'KEY Group's business model, developing both modern O'KEY hypermarkets and fast-growing DA! discounters. We are committed to maintaining our focus on creating value for shareholders, prioritising loyalty and convenience for our customers, and ensuring rigorous capital discipline. O'KEY Group has been listed on the London Stock Exchange since 2010 and, as of December 2020, our global depositary receipts are available to a broader range of investors on the Moscow Exchange. Our longstanding practice of regularly returning cash to our shareholders is a testament to our dedication to their interests.

In March 2023, O'KEY Group's GDRs started trading on the Astana International Exchange. We expect that the listing of O'KEY Group GDRs on the Astana International Exchange will provide access to the capital of a fast-growing grocery retailer to a wider range of investors and will allow us to share our sustainable and long-term success with the shareholders.

Customers and local communities

O'KEY has been providing high-quality products at competitive prices under our own brand. Our sound product selection process allows us to ensure that our customers receive the best value. We support the communities where we operate by working with non-profit organisations to provide food aid and financial assistance to those in need due to natural disasters or medical emergencies. As we expand, we remain committed to reinvesting in our competitiveness to offer the best prices to our customers while maintaining the highest standards of quality. We are also a socially responsible company, spearheading campaigns to support low-income members of the public and children with disabilities, and raise consumer awareness for vulnerable groups. Our goal is to make a positive impact on the communities we serve and create a better future for all.

Suppliers

O'KEY Group sources more than 80% of its products from local suppliers based in Russia. This strategy enables us to maintain a stable supply of essential products. We prioritise supporting local enterprises and innovative manufacturers throughout all regions where we operate. Additionally, the Group is an active participant in various regional and national quality initiatives, particularly in the South and Central regions of Russia.

To further streamline our operations, we have implemented a unified method of processing and approving direct import supplies. We have also established new terms and conditions of collaboration with the State Veterinary Authority, which has resulted in substantial cost savings. These cost savings have allowed us to invest in new and improved systems to enhance our supply chain and improve the quality of our products. By continuing to work closely with local suppliers and regulatory bodies, we are confident in our ability to maintain high standards of quality and efficiency in all our operations.

O'KEY's mission is to develop and maintain sound relationships with local suppliers and producers. This partnership ensures that we offer our customers a wide range of high-quality products in important categories such as poultry meat, dairy products, sausages, bakery goods, and confectionery. To further enhance our product assortment, we have added unique local products with exceptional quality and organoleptic properties. In order to achieve this, we conduct specialised trading and purchasing sessions in all the cities we operate in, which allows us to set up direct communication and interaction with potential suppliers. We take great care in selecting our partner suppliers, and our main criteria include the quality of production facilities, a well-implemented quality control system, and the highest quality characteristics of the products. Our focus on these criteria ensures a steady supply of high-quality products for our customers, which in turn promotes a mutually beneficial partnership with our suppliers and local producers.

Employees

The experience and expertise of our employees are fundamental components of our business model, and we believe that they are the backbone of our success. For this reason, we invest in our employees' personal and professional growth and provide them with ample opportunities to develop their skills and knowledge, so that they can continue to provide exceptional customer service to both internal and external customers. We want to ensure that every employee in our business understands the crucial role they play in creating a positive and welcoming environment for our customers. By doing this, we believe that we can create a strong service culture that is not just beneficial for our customers but also for our employees' job satisfaction and overall well-being.

OUR EMPLOYEES

O'KEY Group's HR Policy is poised to steadily improve onboarding, learning, development, and acknowledgement of Company employees. We aspire to create a productive work environment and empower professional and personal potential in accordance with the Company's HR strategy. Systems-level and holistic HR management and sensitivity to people and their needs make O'KEY an attractive employer.

O'KEY Group's HR strategy pillars are:

- creating a culture of engagement and effectiveness;
- introducing modern technologies and automating HR services;
- building an effective organisational structure and management team;
- building a positive employer brand in the Russian labour market;
- providing systemic turnover management;
- introducing the best HR practices.

Major HR and staff management events in 2022

- Successful staff development helped the Company amid labour market restructuring and increasing competition for top talent. We used the most efficacious recruitment sources: employee recommendations, the websites of Headhunter and Avito.
- More in-depth and automated HR analytics and transfer of most HR reports to Power BI allowed more and more managers to access analytical tools. To that end, retail managers make more consistent and efficient decisions since they have real-time data on the department performance and key HR metrics.
- We restructured the project to partially automate recruitment using the Skillaz platform and adapted it to higher workload. This enabled us to leverage internal processes and fill store vacancies faster.
- We launched a mobile version of the O'KEY Academy corporate learning portal, so that employees have access to convenient digital training.
- We automated trainings for managers to learn occupational health and safety (OHS) disciplines.
- The Company provided OHS procedures as part of HR practices.
- To improve safety, we conducted a test run of an e-workplace — Occupational Health and Safety Control System (OHSCS).

We moved to a new office in St. Petersburg to provide a more comfortable work environment. The office features corporate colours, ergonomic furniture, recreational areas, coffee points, and lunch rooms.

Given 2022, our 2023 focus will be on programmes to further develop a service culture, enhance our performance, protect the health of our employees, and strengthen our employer's brand.

In 2023, we will focus on:

- automating recruitment and ensuring better onboarding;
- automating the OHS procedures;
- making online training more available for all employees and developing the O`KEY Academy distance learning platform;
- elevating mentorships and enhancing knowledge transfer from experts to performers;
- developing the talent pool and upskilling.

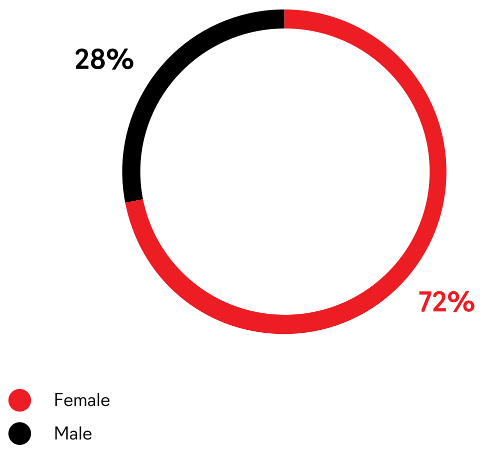
21,900

O'KEY GROUP TOTAL HEADCOUNT IN 2022 (AS OF THE YEAR-END 2022)

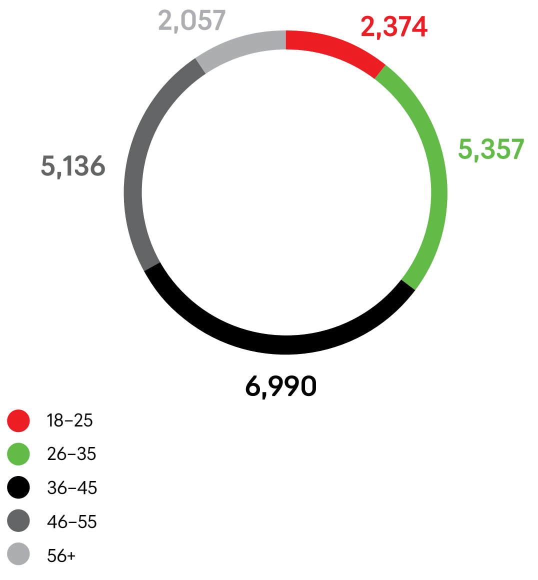
Key indicators

Below are O'KEY Group's key personnel metrics.

Gender distribution, people



Age distribution, people



Staff training and development

The Company's success hinges on its people. In the reporting year, we proceeded with the personal and professional growth of our employees. Throughout 2022, we received 354 training applications from employees; 18% of those trained at talent pool faculties took a higher position.

2022 staff training and development highlights

- Over 7,600 newcomers completed an introductory course on the O'KEY Academy portal.
- Over 122,000 e-learning courses were taken by all Company employees.
- Over 2,700 electronic knowledge checks were successfully passed by employees.
- 20 new online courses and training videos were launched.
- We managed to simplify employee access to the external learning platform for wine merchants as well as the external platform for online trainings using new mechanisms.

Talent Pool Academy

Over the year of 2022, O'KEY Group launched its Talent Pool Academy in a new format. The Company restructured the learning portal, developed new training programmes, and added new sections with a sophisticated architecture.

The new-format Talent Pool Academy has three faculties:
- ROST'OK department head faculty for line manager positions;
- Leadership School deputy head faculty for middle manager positions;
- School with Meaning store manager faculty for the hypermarket manager position.

13,044
EMPLOYEES TRAINED

125
O'KEY ACADEMY COURSES AVAILABLE

7,531
EMPLOYEES TRAINED FACE-TO-FACE

35
O'KEY ACADEMY TESTS AVAILABLE

3,893
EMPLOYEES PARTICIPATED IN WEBINARS

16,353
O'KEY ACADEMY LEARNING PORTAL USERS

> 120 k
E-COURSES COMPLETED

The year of 2022 marked the annual assessment of the Regional Centre management team followed by projects to drive up the centre's performance.

Throughout 2023, we are to further better cooperation with staff from federal offices. Namely, we will launch a face-to-face training system involving internal experts, assess personnel in key departments, ameliorate and automate the adaptation system for external and internal employees, launch an onboarding chat bot for future employees before they actually come to work, and enhance the reporting system.

We create an environment for every employee to elevate their skills and competencies as well as gain knowledge and experience. Consequently, major learning growth vectors for 2023 will be:
- creating and rolling out a new-format mentorship system;
- developing, launching, and automating new training programmes for the O'KEY Talent Pool Academy faculties;
- widening the O'KEY Academy knowledge base and updating its design;
- releasing a mobile app.

Corporate culture

O'KEY values

- **Effective team**
- **Outstanding results**
- **Professional environment**
- **Excellent service**
- **Innovation**

Starting from 2018, O'KEY has regularly held the "100% Professional" skills competition. Since 2021, it has been covering e-commerce employees, namely, pickers, and providing team competitions for pick points. We summed up "100% Professional" results in the first quarter of 2022. In light of COVID-19 risks, the competition was mainly online.

The year of 2022 saw a number of events to champion the corporate culture. For example, in May 2022 the Company awarded employees who had spent 20 years in the Company since the first store opening in St. Petersburg. We made commemorative gold badges for them. The ceremony took place in December 2022 with Honor Ilavsky, Regional Sales Director (North-West and Centre), where a total of 28 employees were awarded.

In late 2022, we kicked off a motivational contest for F&V[1] teams from all stores, poised to hike category sales. Employees from the F&V Department received a bonus.

To build our HR brand, we work hard on the Company's social media dedicated to our employees and their work. This enables O'KEY Group to consistently digitalise a number of operations with the brand and recruitment.

The Group's corporate culture fosters a healthy lifestyle. In 2022, O'KEY's team partnered with ZSD Fontanka Fest in St. Petersburg for the third time, involved the staff and encouraged a healthy lifestyle and the ethos of sport. ZSD is a race and a bike ride along the central part of the Western High-Speed Diameter (WHSD). O'KEY's staff took part in the 10.5-kilometre and half-marathon races, while 38 employees joined the bike ride.

In 2023, the department will mainly prioritise:
- devising and starting off successful non-financial incentive programmes ("100% Professional" and seasonal competitions among store teams);
- building the Company's digital brand to recruit the most productive IT specialists;
- promoting the corporate online sports programme and competitions between stores.

[1] Fruit and vegetables.

Staff retention and motivation

To retain the best specialists, the Company fruitfully combines financial and non-financial incentives and strives to provide a competitive pay.

The Company's KPI system takes into account both individual and corporate goals. The performance defines the amounts of bonuses, which are a certain percentage of the pay. Non-financial incentives encompass a talent pool programme and career growth based on a comprehensive performance assessment.

Over the course of 2022, we updated the bonus system for earning departments. Under the current bonus programme in alignment with the Company's financial development plan, a list of target KPIs for better efficiency was also updated. The system changes mostly affected store employees.

In addition to improving the incentive system for retail positions, we conducted a large-scale analysis of the remuneration market. To comply with the internal policy, the Company undertook measures to align the remuneration level with the market pay.

In 2023, we plan to further adapt the motivation system to the external economic climate and the Company's goals at hand. Furthermore, we will introduce a new software product — an automated time tracker — and revise internal processes to boost productivity.

Compensation and benefits

O'KEY Group provides social support to its employees in compliance with applicable laws and implements additional programmes to create the most comfortable working environment:

- voluntary health insurance (VHI) policies co-financed at 80%;
- discounts in Group stores and accumulation of points;
- free meals for some departments;
- New Year gifts to employees' children;
- financial assistance to employees experiencing hardship in life;
- financial support towards fitness club memberships.

In the year under review, the Company's expenditures on social benefits, including VHI policies, children's New Year holidays, financial assistance, and meals totalled RUB 142 mln. O'KEY Group employees receive bonuses in all Company stores: spending on bonus points and discounts through the employees' cards amounted to RUB 33 mln.

In 2022, our VHI service package and quality avoided a significant cost increase. The Company also expanded the list of reasons for providing financial assistance to employees.

The year of 2023 will mark the same fringe benefits and more partner programmes.

Reporting violations

The Group's employees feel free to call the compliance hotline or use other feedback channels to make good-faith reports of violations.

O'KEY Group is focused on resolving ethics and labour law violations as well as cases of misunderstanding between employees and the management. Since 2019, the Company has had a Whistleblowing Policy in place.

We operate several whistleblowing channels: a call centre, dedicated manager-employee meeting hours, and morning meetings.

189 reports

RECEIVED IN 2022 COMPARED TO 242 IN 2021

100%

OF REPORTS ADDRESSED AND FOLLOWED UP BY FEEDBACK

HEALTH AND SAFETY

O'KEY Group is committed to reducing work-related hazards as well as providing safe workplace and comfortable customer experience.

We crave zero injuries at all production facilities and constantly improve our occupational health and safety management system. The Group's approach hinges on full compliance with Russian laws. In the meantime, our core regulatory document is the Labour Protection and Occupational Health, Environmental, Industrial and Fire Safety Policy.

What we do

- **Monitoring the workplace**
- **Monitoring employee health**
- **Training employees in workplace safety**
- **Investigating injuries**
- **Taking preventive measures**
- **Supporting labour inspections conducted by governmental supervisory authorities**

2022 highlights

Dedicated assessment of working conditions and occupational risks in every workplace

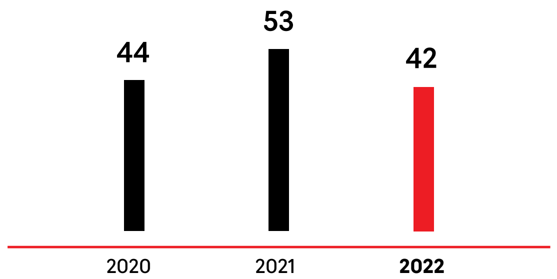
34 occupational injuries, including two severe ones

0 fatalities

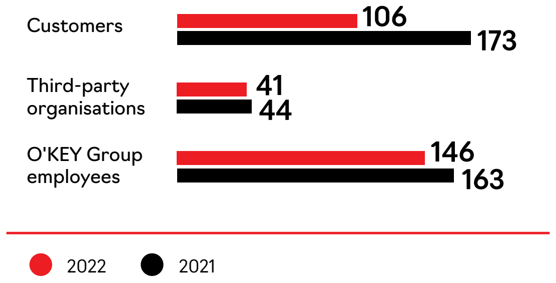
We track and rigorously investigate all occupational injuries that involve our employees and customers. 2022 marked 42 occupational injuries across the Group, 21% less against 2021 (53 occupational injuries), including:

- 39 minor injuries (the investigation classified 5 of them as non-occupational);
- 3 severe injuries (the investigation classified 1 of them as non-occupational).

Number of occupational injuries



Number of incidents



Most common causes in 2022:
- negligence and haste — 20 cases;
- violated OHS requirements — 10 cases;
- ill health — 7 cases.

The Company also monitors and investigates all customer and contractor incidents. We updated related procedures to receive earlier warnings and prevent similar incidents going forward. Total number of incidents involving O'KEY employees, customers and third-party organisations went down by 23%. Moreover, our Lost Time Injury Frequency Rate (LTIFR) reduced from 1.76 in 2021 to 1.48 in 2022.

Advanced approaches to monitoring working conditions and health, identifying causes during the investigation, training employees in workplace safety as well as taking preventive measures mainly generated such a decline.

We regularly audit occupational health and safety in our stores and distribution centres for compliance with Russian health and safety laws. In 2022, governmental supervisory authorities (State Labour Inspectorate, prosecution service, Investigative Committee, administrations in cities of presence) conducted off-site inspections of Group stores, most of which passed with flying colours.

Supporting inspections of governmental supervisory authorities

Indicator	2020	2021	2022
Number of supported inspections	11	7	**6**
Number of violations	7	2	**2**
including OHS violations	5	1	**1**

Indicator	2020	2021	2022
Penalties (RUB)	576,000	362,000	**210,000**
including OHS penalties (RUB)	346,000	130,000	**50,000**

2,649

EMPLOYEES TRAINED IN OCCUPATIONAL HEALTH AND SAFETY

1,053

EMPLOYEES TRAINED IN FIRE SAFETY

1,704

EMPLOYEES TRAINED IN FIRST AID IN CASE OF OCCUPATIONAL INJURIES

Dedicated assessment of working conditions and occupational risks took place throughout O'KEY.

O'KEY Group 2023 plans:
- beefing up the OHS management system;
- making a dedicated assessment of working conditions and occupational risks in new workplaces;
- proceeding with workplace safety and first aid trainings;
- implementing the Occupational Health and Safety Control System (OHSCS), an automated toolkit for our OHS management system efficacy. It helps to plan, establish responsibility, identify resources, take measures and analyse the entire occupational health and safety management system.

ENVIRONMENTAL RESPONSIBILITY

Our clients are increasingly conscious of environmental issues. The retail industry is impacted by shifts in environmental regulations and investor evaluations that are based on environmental, social, and governance (ESG) criteria. Consequently, it has become necessary for businesses to adopt environmentally responsible practices in order to secure their position in the market sustainably. At O'KEY Group, we prioritise resource conservation and minimising our carbon footprint, and thus we implement various strategies to achieve this.

Since 2019, our Company has been implementing the Live Green corporate policy, which serves as a guiding force for our operations. This policy motivates us to initiate projects that align with our core values. We are constantly seeking out innovative methods to reduce resource consumption and we are advocating for ESG principles amongst our customers to improve our sustainability initiatives. Working with environmental and social NGOs provides us with a platform to launch awareness campaigns that serve this purpose.

Reducing the use of disposable plastic packaging

O'KEY Group has launched various initiatives to reduce the use of disposable plastic packaging across its operations. The Company has been gradually introducing eco-friendly alternatives to replace traditional plastic packaging. For instance, O'KEY Group has launched an initiative to replace plastic bags with paper or reusable bags. The Company has also introduced eco-friendly packaging for fruits and vegetables, such as using biodegradable mesh bags or cardboard trays. We offer this type of packaging not only at the cash desk, but also in the department of loose-weight products, thereby accustoming customers to the new social norm.

At our stores, we offer bio bags that are fully biodegradable within a year. These bio bags are just as strong and high-quality as traditional plastic bags, and they are safe to use with food items. By introducing this initiative, O'KEY Group continues to lead the way in the Russian food retail by offering a unique biodegradable solution.

The Group started partnering with NGOs and suppliers. O'KEY Group collaborates with non-governmental organisations and suppliers to launch initiatives aimed at reducing plastic waste. For instance, the Company works with NGOs to raise awareness about the negative impact of plastic waste and encourages customers to use eco-friendly alternatives.

O'KEY is also working on reducing the amount of packaging used for products. This includes exploring ways to optimise product packaging to reduce the use of plastic and other materials. The Company has implemented waste segregation and recycling programmes to ensure that waste is disposed of responsibly. This includes setting up separate waste collection bins for recyclable materials such as plastic, paper, and glass.

Overall, O'KEY Group's initiatives to reduce the use of disposable plastic packaging are aligned with its commitment to environmental responsibility and sustainability.

To demonstrate our commitment to responsible consumption and retail practices, we conduct regular internal audits to ensure strict compliance with the Russian environmental regulations. Additionally, we perform a quarterly monitoring of atmospheric and noise pollution in the intermediate zone to guarantee that our stores do not negatively impact the local community's living conditions.

Energy efficiency

At O'KEY, we prioritise the energy efficiency of our operations and continuously work towards reducing our overall energy consumption. We closely monitor environmental data, including energy use in our supermarkets, and undertake measures to minimise energy usage. To achieve this, we have implemented various initiatives such as replacing outdated luminescent lighting with modern recuperators and energy-efficient LED lights and LED signboards. We have also replaced outdated refrigeration elements and HVAC systems with state-of-the-art, energy-saving devices. Furthermore, we have adopted energy-efficient building management systems (BMS) to maximise energy efficiency.

The energy-saving measures we implemented have yielded impressive results. By installing LED lamps in parking lots and replacing some of the interior lighting with LED fixtures, as well as implementing a "Smart House" system that automatically controls the interior lighting and disconnects part of the ventilation systems at night, we were able to reduce energy consumption by nearly 15% in the stores where these measures were implemented.

The YoY trend has shown a reduction in consumption by 4 %.

	2020	2021	2022
Total amount of consumed energy, kWh	382,930	387,849	**374,289**
LFL	377,670	380,726	**364,612**

Waste management

The Waste Management Policy is applied across all of our stores at O'KEY Group to regulate our waste management processes.

	2020	2021	2022
Proceeds from sales of recyclable materials, RUB mln	241.7	389.4	**293.3**

At our Company, we prioritise reducing the amount of waste that ends up in landfills by implementing separate waste collection. We take additional steps by transporting biological waste and lamps to specialised facilities, while recyclable waste such as polythene film, plastic boxes, and wastepaper is compressed and sold for further recycling. Additionally, we collect and sell banana boxes, waste oil, pallets, and metal scrap for recycling purposes.

To ensure responsible waste management, our main operational sites feature water treatment facilities that include petrol and sand catchers to filter stormwater from parking areas. Before being discharged into public sewers, we employ grease catchers that filter wastewater from our production facilities.

OUR COMMUNITIES

O'KEY extends support to disadvantaged communities within its operational regions. This includes individuals and families who face financial hardship, single mothers, those belonging to large families, elderly individuals who require assistance, and children with disabilities. Our aid efforts in 2022 were carried out independently and in collaboration with various stakeholders, including non-profit organisations, volunteers, and charitable foundations. These partnerships allowed us to distribute funds and food to those in need more effectively.

Supporting vulnerable groups

Being a socially responsible corporation, our aim is to assist disadvantaged communities and hike consumer awareness regarding the significance of caring for those who require the most help. We donated RUB 6,862 k to charities in 2022.

The high inflation rate and unstable economic conditions had adverse effects on various social groups. In collaboration with charitable foundations and customers, O'KEY hypermarkets conducted initiatives to gather essential items for economically disadvantaged communities. The campaigns were aimed at aiding low-income families with children, the elderly, disabled individuals, and those facing the difficult choice between purchasing food or medicine.

Several "Basket of Kindness" campaigns were conducted in various regions of the country with the aim of assisting individuals in need.

As part of this initiative, designated boxes were placed in supermarkets where patrons could donate food. The groceries were made available in a straightforward and uncomplicated manner. Such assistance has been and will continue to be crucial for individuals facing difficult circumstances. Foodbank Rus is a Russian charitable organisation that provides direct support to local communities and serves as an exemplary model for transparent and effective social outreach efforts.

We also entered into a long-term partnership with the "Dari Edu" charitable foundation to instal boxes in our stores on a permanent basis to collect food products with an extra shelf life. On a regular basis, volunteers from the foundation empty the boxes and donate food to those in need. In 2022, we installed 10 boxes, while in 2023 the partnership will be expanded to many regions of the network's presence.

Support for children

Supporting children is a top priority for O'KEY Group. Our objective is to foster creative abilities of children with disabilities.

Throughout 2022, we provided charitable aid to the "Step Forward" International Art Festival for such children in line with our primary objective. The festival is a sustainable platform that showcases the artistic potential of children with disabilities. Renowned artists, academic symphony orchestras, and conductors participated in the concert programmes alongside these children. O'KEY donated RUB 1 mln to the festival to assist these children in realising their full potential, building self-assurance, and fulfilling their cherished aspirations.

Support with treatment

Since 2016, O'KEY Group has been dedicated to providing financial assistance for medical treatment for children and adults with cancer. O'KEY Group is a long-time partner of AdVita, a St. Petersburg-based charitable foundation that specialises in helping and has been one of its loyal charity partners for a long time. We have installed donation boxes next to our counters in our hypermarkets in St. Petersburg, so that our customers can aid those in need.

For several years now, the funds collected through these donation boxes have been utilised primarily for diagnosis and treatment. Various medications and laboratory supplies are purchased, especially for the laboratory of the Raisa Gorbacheva Memorial Research Institute of Children Oncology, Hematology, and Transplantation, which is a participant in the programme.

Priorities of O'KEY charity programmes

- Help people in hardship
- Help veterans of the Great Patriotic War
- Support children's artistic endeavours

Major charity partners in 2022

- AdVita
- "Step Forward" festival
- Local charity foundations
- Various humanitarian organisations that help people in need

Directions of help

- Providing financial assistance
- Collaborating with foundations and non-profit organisations to feature fundraising activities and grocery donations
- Providing assistance with food supplies

40

DONATION BOXES PLACED IN HYPERMARKETS

Over RUB 1.7 mln

RAISED THROUGH DONATION BOXES IN 2022

RUB 15.8 mln

RAISED SINCE 2016

Support for veterans

Since 2002, O'KEY has been showing its support for veterans of the Great Patriotic War through an annual campaign. This initiative aims to honor and provide aid to those who fought for the country's freedom and peace.

Throughout the years, we have extended our assistance to the veterans in all the regions where we operate. As part of our efforts, we distribute gift cards to them ahead of this significant holiday. This gesture allows them to make purchases in our stores, which we hope would make their lives more comfortable. In 2022, we were able to provide around 3,300 veterans with such gifts, a testament to our unwavering commitment to serving those who have served our country.

PREVENTING CORRUPTION

O'KEY Group remains committed to honesty, openness, and integrity. The Group's ever-improving anti-corruption system combines organisational, economic, legal, and informational measures. We have zero tolerance to corruption: the Company and all of its employees must comply with the relevant laws and ethical business practices.

The Anti-Corruption Policy policy enshrines applicable law enforcement procedures as per Federal Law No. 273-FZ "On Combating Corruption". Adhering to our rules and policies, we audited various focus areas of the Company in the reporting year. We investigated every report received from our employees or partners, identified the causes, developed corrective measures or undertook actions.

In addition, the Company operates various risk management and business data privacy tools to avoid breaking the law and incurring financial and reputational losses. We use a dedicated Red Flag Report system in which we can track and identify unlawful affiliation as well as any anomalies or violations of the Company's Anti-Corruption Policy. Thanks to this tool, we can respond to confirmed corruption cases much faster.

Over the course of 2022, we proceeded with the procurement transparency methods developed in 2021. Our Anti-Corruption Department staff regularly analyses purchases in chain stores using loyalty programmes to identify internal and external fraud based on partner reports prepared in accordance with the Company's requirements. These staff monitor the commercial procurements and electronic bidding on CisLin and Tender.pro e-commerce platforms. Thus, we rule out possible fake competition for counterparties taking part in the bidding.

In the reporting year, we also undertook routine measures to instill confidence of employees and contractors. The Company actively joined general meetings and negotiations with suppliers to promote a culture of zero tolerance to corruption in any form.

The Group has an ever-improving anti-corruption portal in line with the strategy to simplify and expedite investigations related to anonymous warnings, disputes, or legal requests.

Throughout 2022, we completely moved the ultra fresh (meat/fish) commercial procurements to an automated trading platform. We also automated the analysis of in-store purchases under the loyalty programmes for internal and external fraud.

We keep a close eye on all logistical and financial transactions. The year of 2022 saw the implementation of a Remote Acceptance programme to remotely monitor the goods accepted in distribution centres (DCs) and involve an independent expert to recheck any suspicious actions.

The Company aspires to partner with those counterparties who follow the principles of legality and anti-corruption laws. Every contract with a counterparty includes a binding anti-corruption clause; otherwise, it will not be negotiated.

The Company consistently trains its employees in anti-corruption, advocating zero tolerance in accordance with the Company's Anti-Corruption Policy. To ensure transparency, employees of the Economic Security Department regularly join procurement commissions. All potential conflicts of interest are reported to the internal audit and security departments of hypermarkets and supermarkets which assess corruption risks.

All employees of O'KEY Group can go through the Anti-Corruption Policy policy and relevant procedures when being hired. If specific procedures change, new versions of documents are sent to employees for review. The Company's staff undertakes to respond to all corruption cases without delay. We guarantee confidentiality of persons who report corruption. Anonymous hotline numbers are available to all employees and suppliers in every branch and on the Group's website.

Information posters about zero-tolerance behaviour in our offices remind employees to report any suspicious actions or incidents to the relevant hotline.

Internal measures	External measures
• New employees are checked for corruption risks prior to employment. • All employees sign a pledge to follow the Anti-Corruption Policy. • Employees from the Procurement and Real Estate departments as well as in our stores take anti-corruption courses and attend briefings. • Employees exposed to higher corruption risk, for example, from the Procurement and Real Estate departments, fill out declarations. • Contracts are monitored every six months. • Critical business processes (e.g., receipts, write-offs and returns) are subject to oversight procedures using IT monitoring software. • Appeals are addressed via feedback channels.	We thoroughly inspect all potential suppliers and service providers prior to contracting, namely: • documentation; • financial health (balance sheets, assets, turnover, debts, credits, and court proceedings); • absence of affiliation to our other suppliers or employees; • the customer base and turnover should match the declared tax history; • local suppliers are additionally monitored; • our suppliers sign a binding agreement in which they accept all Anti-Corruption Policy clauses; • if suppliers and contractors violate the Anti-Corruption Policy, O'KEY is entitled to terminate their contracts immediately.

These measures imply compliance tests for employees and suppliers to make transactions more transparent and better detect violations.

The year of 2022 marked six violations of the Company's rules and standards, with four of them reported via the hotline. The Anti-Corruption Unit of the Risk Department promptly investigated all the facts and reports. We did not identify violations in three cases, confirmed one other case, and fired the employee liable.

The reporting period saw two confirmed cases of violating the Anti-Corruption Policy by the Company's employees, and one case by a counterparty. We fired our employees and took internal measures against the counterparty.

In 2022, we updated a number of anti-corruption procedures to obtain earlier warnings and prevent such incidents. In 2023, we plan to further implement and enhance our action plans to develop a culture of zero tolerance of the Company's employees and suppliers to corruption in any form.

In addition, next year O'KEY Group will go on moving commercial procurement procedures for the remaining areas to an automated trading platform. In doing so, we will accomplish the completion of our Remote Acceptance programme.

The Group also prearranges a DLP Systems programme to automatically respond to violations of anti-corruption policies and procedures as well as better protect the Company from internal and external economic threats.

Operational Review

3

Our three complementary formats, O'KEY hypermarkets, DA! discounters, and the e-commerce platform, ensure the fulfilment of all customers' needs. We aspire to maintain a high operational efficiency and the best service in every store. We have online delivery in all cities of our presence.

RUB **147** BN

74% O'KEY SHARE IN GROUP REVENUE

RUB **53** BN

26% DA! DISCOUNTERS REACHED OF GROUP REVENUE

RUB **6.2** BN

4.2% E-COMMERCE SHARE IN O'KEY REVENUE

O'KEY Hypermarket Format

PERFORMANCE OVERVIEW

At the heart of our business are the O'KEY hypermarkets that provide our customers with a well-curated and extensive selection of products aimed at creating a compelling value proposition. By focusing on our customers' requirements, we have positioned ourselves as major players in the Russian food retail industry. We firmly believe that hypermarkets will continue to be a competitive and potentially lucrative format, and we have made notable strides in revamping the chain and implementing our innovative hypermarket model in recent years. Our approach incorporates the best practices from the food retail sector and upholds quality standards across the spectrum, ranging from assortment strategies to customer service and store layout design.

As part of the strategic programme to enhance the competitiveness of its hypermarkets, the Company is upgrading its O'KEY stores. The newly transformed stores show good progress in terms of traffic growth and sales density. We intend to gradually upgrade stores in key regions and locations depending on the competitive environment.

Apart from the new design, this means implementing a new approach towards the product range, the customer service, and the experience. We focused on the fresh and ultra-fresh categories, own brands and own production, and the wine and deli selection.

The Group believes that hypermarkets will remain competitive in the future on the basis of intelligent management of this format.

Over 2022, we were able to respond effectively and adapt our business to the new conditions together with a focus on delivering an enhanced customer experience, maintaining high operational efficiency, an impeccable quality of our goods, and the best service in every store of our chain. The right focus and a developed customer value proposition (CVP) enabled us to deliver steady operational and financial results.

In the reporting year, we continued to evolve our unique value proposition by the following efforts:

- we fortified the synergy of our hypermarket format with online and discounter formats by applying an omnichannel approach, acquiring private label expertise and an efficient procurement system within a significantly changed environment;
- we modified the range of non-food items in our assortment due to the trends in demand;
- in our own production business, we optimised our assortment of products and made a shift towards regular matrix adoption;
- we managed to deliver high operational and financial standards across our hypermarkets business despite the impact of external challenges.

As of 31 December 2022, the total number of hypermarkets was 79, with a total selling space of 526 k m². In 2022, we solidified our position in the Central Federal District of Russia by acquiring four Karusel hypermarkets in Moscow and the Moscow region from X5 Group.

The acquisition of 15 k m² of stores newly opened in April 2022 is part of the strategy to ameliorate the efficiency of our hypermarket business and to prioritise development in key regions of operations.

O'KEY is proceeding with the hypermarket transformation programme as a part of the Group's strategy related to strengthening its market position and supporting its sustainable long-term growth. The programme aims at rebalancing the assortment with a specific focus on the fresh and ultra-fresh categories, enhancing the quality and range of our food and non-food products under our own brands, maintaining an impeccable quality of the assortment and the best service, and renovating hypermarkets.

Our newly transformed hypermarkets are showing reasonably good progress in terms of customer traffic and sales density. In 2023 and further, we will rollout gradually the reformatting programme across all our hypermarket chain.

Hypermarkets business in 2022 at a glance

123 mln
CLIENTS SHOPPED WITH US

RUB 146.9 bn
NET RETAIL REVENUE

79
HYPERMARKETS

526 k m²
SELLING SPACE

2023 priorities

Throughout 2023, we will continuously boost the operational efficiency of our hypermarkets and contribute to the enhanced product range and shopping experience. We strive to meet all customer needs, ensure the stable presence of goods on our shelves, and see to the highest quality and freshness both in the offline and online channels, which implies a multichannel approach to our business.

We believe that this is the model for hypermarkets to follow going forward, which will remain the basis of the Group's business model in 2023 and in the medium term.

In 2023, we are to update our loyalty programme for customers, offer keen prices, maintain impeccable product quality, and introduce advanced digital solutions.

The year of 2023 is also distinguished by the desire to further improve our operational efficiency under the current conditions.

We will continue to upgrade our stores in a variety of cities, and plan to roll out a new concept in our hypermarkets based in the Central and Siberia regions.

SUPPLY CHAIN

O'KEY operates a well-balanced supply chain which allows us to serve our customers' needs in all our regions of operation. In 2022, we continued to enhance our supply chain via upgrading our existing distribution centres, improving our logistic operations, implementing cutting-edge digital solutions, and building transparent relationships with suppliers.

The O'KEY logistics system encompasses four distribution centres: two federal centres in Moscow and two regional centres in St. Petersburg. A total floor space is 101.3 square m² as of December 2022. The federal distribution centres are based in Moscow and distribute fresh products, fruits, and vegetables, FMCG, non-food, and alcohol products to all stores across the country. The regional distribution centres are located in St. Petersburg, one of them specialising in FMCG and non-food, and the other in fruits and vegetables and fresh products. This supply chain organisation enables O'KEY Group to balance between logistical costs, stock management, and a high level of service.

Location and Service Areas of O'KEY Distribution Centres (DCs)

OVERALL NUMBER OF DCs: 4

Moscow: 2

(53.8 k m² and 18.1 k m²)

Categories:

- Fruits and vegetables
- Fresh
- FMCG
- Non-food
- Alcohol

St. Petersburg: 2

(21.8 k m² and 7.6 k m²)

Categories:

- Fruits and vegetables
- Fresh
- Non-food
- FMCG

CENTRALISATION RATE: 63.4% (+2.4%)

In 2022, we made several improvements and optimised our highly customisable WMS system at O'KEY's warehouses, which enables us to respond promptly to rapid changes in the business environment. This project aims to provide storage and warehousing services to third parties.

Plans

Over the course of 2023, we intend to:

- fully launch the 3PL project;
- further develop our WMS system in order to hike the efficiency of internal logistics processes of the DCs;
- automatise our working time management system;
- optimise the process of DCs topology as well as the claims management using video analytics.

PRIVATE LABELS

O'KEY private labels (PLs) have earned an excellent reputation for outstanding quality and a wide selection of goods. Over the years, we have been successful in our strategy of the rapid development of own brands, delivering on a more balanced assortment and offering our clients goods of superior quality at a better price (15–20% cheaper than branded alternatives).

Our variety of private label products has three major brands covering the entry, medium, and premium price segments, as well as several own brands in the pet food and C&D categories.

O'KEY DAILY (That's what you need!)[1]

Entry segment: **359 SKUs**

O'KEY

Medium segment: **1,055 SKUs**

O'KEY Selection

Premium segment: **94 SKUs**

Fantasy Brands (pet food & C&D)

375 SKUs

1,883 private label SKUs available in O'KEY hypermarkets

Throughout 2022, we worked hard to ensure an excellent value for money for our customers. Despite challenges the Company faced in the reporting year, in Q3 2022 we managed to introduce the new Selezione Italiana brand in the premium price segment together with the Fresh market. We are also taking every effort to develop our O'KEY Selection brand originally introduced in 2021 and now recovering after a significant assortment reduction following the geopolitical circumstances.

With the ultimate goal of offering a variety of high-grade products at attractive prices to customers, O'KEY continued to enhance the quality and to update the existing range of its private labels. In 2022, the share of private label products in net retail revenue from respective product categories was flat YoY at 10.5% and amounted to 6.0% of O'KEY's product range. During the year, we developed and launched 450 new SKUs, including such items as hot drinks, variety of snacks, spices, and sweets. At the same time, 400 SKUs were delisted due to raw material issues.

We continued the renewal of packaging for all major private label brands in order to enhance customer loyalty and awareness for our private labels. At the end of 2022, new designs were developed and applied for 99% of SKUs under the brand "O'KEY DAILY," and over 80% for C&D and pet food in Fantasy Brands.

Therefore, during the year we strived to reposition our private labels and roll out a new assortment structure in order to assure the attractiveness of our private labels for customers across all price segments.

In the course of 2022, we worked hard to increase the volumes and profitability of direct imports resulting in the share of import growing to 1.3% of the net retail revenue of O'KEY hypermarkets, together with newly introduced exclusive own brands and products, such as Elvons, Sally, Natur Bravo, etc.

One of O'KEY's core priorities is to provide customers with affordable and high-quality food, while creating a convenient and comfortable shopping experience. Therefore, in 2022, we continuously improved and ensured our private label quality by conducting regular checks both at the production facilities and in independent and accredited laboratories under the "Trademark O'KEY – Customers' Guarantee" programme.

[1] "O'KEY DAILY" is applied for food categories, "That's what you need!" is applied for wine and non-food categories.

Our efforts in this area are regularly recognised by various quality awards received throughout the year. Over the course of 2022, O'KEY and the selection of O'KEY's private label products won 13 gold medals at a prestigious international Quality Guarantee 2022 competition[1] where seven products received silver medals and six products received a diploma.

Gold medals

- Mascarpone 80% O'KEY
- Preserved Calmar O'KEY
- Preserved Seafood Cocktail in oil O'KEY
- Preserved Octopus in oil O'KEY
- Zephyr (Russian marshmallow) with vanilla O'KEY
- Turkey leg O'KEY DAILY (2 suppliers)
- Turkey breast fillet O'KEY DAILY
- Milk UHT 3.2% O'KEY
- Raspberry jam O'KEY
- Chevapchichi Balkan O'KEY
- Barbecue pork belly O'KEY
- Condensed milk 8.5% 380g O'KEY

Silver medals

- Wafer with strawberry O'KEY
- Cheese Litere 50% O'KEY
- Blue Cheese O'KEY
- Cashew fried O'KEY Selection
- Herring fillet in oil O'KEY
- Butter cookies O'KEY
- Turkey wings O'KEY DAILY

Diplomas

- Butter Fermerskaya
- Collection 82.5% DA!
- Smoked fish sliced O'KEY
- Preserved Shrimps O'KEY
- Preserved Mussel in oil O'KEY
- Herring fillet in oil with greens O'KEY
- Turkey breast fillet O'KEY DAILY

Plans

Our strategic priority in our own brands development is ensuring the highest quality of products along with a diverse assortment. In 2023, we will continue to do our utmost to progress the development of private label products in terms of quality, packaging layout and number of SKUs in order to hike profitability. We will further expand new design and packaging to all our brands and will apply the "every day low price" model to all SKUs under our private labels.

We also intend to diversify our private label assortment in the medium and premium segments and offer them at affordable prices.

O'KEY and DA! discounters will continue to collaborate in order to develop common own brands and achieve benefits in mutual negotiations with suppliers.

[1] The contest is held by the V.M Gorbatov Federal Science Centre of Food Systems under the Russian Academy of Sciences and supported by the Committee of the Federation Council on Agricultural and Food Policy and the Ministry of Agriculture of the Russian Federation.

OWN PRODUCTION

In recent years, there has been a significant increase in demand for ready-to-eat and ready-to-cook food products, which has become one of the few segments experiencing such a surge. This category of products has been in high demand due to the fact that many people are working from home, leading to a significant increase in sales. Additionally, the trend of valuing time as a luxury has led to a demand for high-quality, fresh, and ready-to-eat food. O'KEY hypermarkets have responded to these trends by offering an extensive selection of freshly prepared salads, hot meals, pastries, and confectionery.

We provide the best customer experience for products we make ourselves. Inside our stores, there are special departments with ready-to-eat and ready-to-cook food, as well as "sit and eat" facilities where customers can enjoy a hot drink or meal or even charge their phones. Moreover, every day our clients can benefit from evening promotions and discounts.

In 2022, we revised our approach to the assortment management of our own production making a shift towards matrix clustering. Moreover, we introduced a product matrix for our ready-to-eat products and divided our product range across clusters depending on regional product preferences, consumers' buying ability, shelf space, and equipment availability.

During the reporting year, we also managed to optimise the product assortment for our own production, placing a special emphasis on value-added and popular SKUs such as fast-food and fried foods and the "to go" assortment. Our key priority is to further better the excellence of our own production. Therefore, we keep working on developing and launching standardised recipes for our self-manufactured products in all our stores.

Own production highlights

135 SKUs

TOTAL NUMBER OF UNIQUE SKUs IN THE READY-TO-EAT SEGMENT

147 SKUs

TOTAL NUMBER OF UNIQUE SKUs IN THE BAKERY SEGMENT

+2.2 %

LFL NET RETAIL REVENUE IN THE BAKERY SEGMENT

20 SKUs

NEW PRODUCTS INTRODUCED IN THE READY-TO-EAT SEGMENT

26 SKUs

NEW PRODUCTS INTRODUCED IN BAKERY

Among other achievements of O'KEY Group in 2022:

- continuing to boost the production of raw materials and ingredients requiring little preparation;
- proceeding with conducting employee training, introducing the position of regional manager to train and supervise personnel locally;
- standardising the quality and technology process, from raw materials to customer feedback, regular tasting, and quality control.

The quality of our own production has been attested by industry awards. In 2022, O'KEY participated in the Quality Guarantee 2022 contest: our products were awarded two gold and three silver medals, as well as 3 SKUs received special MEAT OSCAR awards.

Freshness approach

We strictly adhere to our "ultra freshness" approach, and implement a quality control system to ensure that only high-quality fresh goods reach our shelves. O'KEY upholds strict product safety and quality standards through all the supply chain, from storage at distribution centres to serving at hypermarkets. Quality control includes daily visual and hygiene checks, and teams of trained experts selectively check the quality and standards of our own produce.

The quality control system for our own production includes:

Control of raw materials from suppliers during delivery to hypermarkets and storage

Staff education, hygiene control, and process control

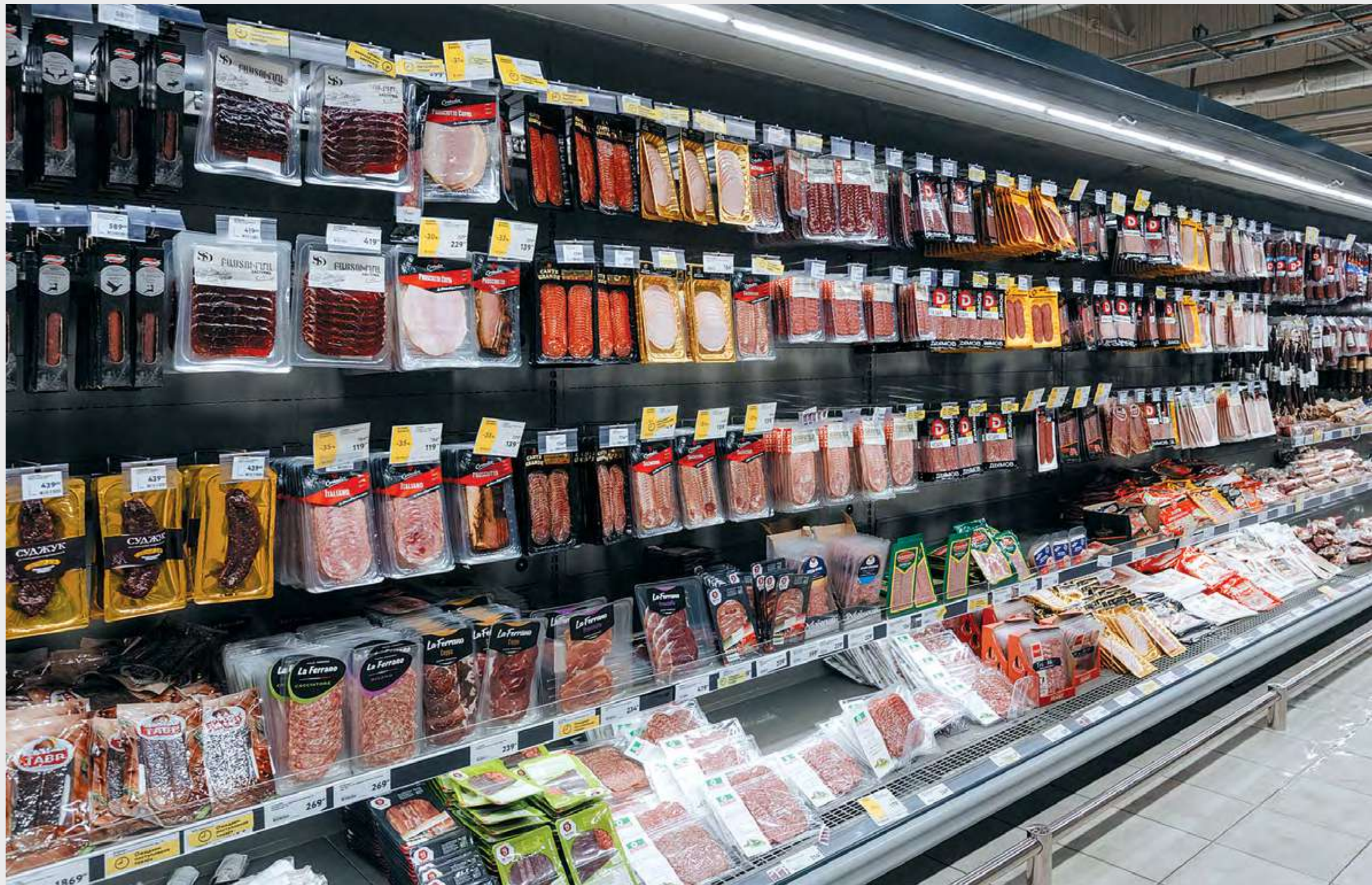
Degustation, visual freshness check, shelf-life control

System of quality checks

Plans

In 2023, we intend to:

- continue to develop the regular product matrix and adopt matrix clustering;
- make a special emphasis on the development of regional assortment;
- develop a special situational approach to promo assortment in different categories such as breakfast, dinner and take and go;
- redesign our product packaging in self service areas.



QUALITY AND SAFETY

At O'KEY, we are committed to maintaining the utmost standards of safety and quality throughout our entire supply chain, with a focus on providing our customers with the freshest and highest-quality products possible. To ensure top-quality goods across all of our stores and to meet the evolving needs of our customers, we implement a risk analysis and critical control points (HACCP) approach. Our quality control system covers every aspect of our operations, from production to consumption, and is complemented by internal standards that often exceed industry requirements. By adhering to these rigorous standards, we strive to deliver unparalleled quality and safety to our customers.

O'KEY maintains quality and safety through a dedicated Quality Control Department, which upholds internal quality standards that align with both Russian Federation legal requirements and global best practices in retail.

O'KEY's Quality Management System (QMS) is built upon the principles of risk analysis and Quality Control Department (HACCP) to ensure the safety of our products. Our QMS adheres to key hygiene control measures at all stages of food production. As legislation and market dynamics evolve, we continuously refine our approaches to quality control, aligning our QMS with cross-functional targets, customer needs, and business objectives. We also regularly update our additional quality standards to align with global retail best practices and the specific requirements of our business.

Standard measures for ensuring quality and safety at O'KEY include conducting preliminary quality control procedures, monitoring product assortment in both stores and warehouses, and conducting external and internal audits of our stores and supply chain. Our own production and private label products undergo laboratory monitoring to confirm their high quality and safety.

One of the key components to guarantee constant product quality is to ensure compliance with the requirements of internal processes; therefore, we conduct internal quality audits of our hypermarkets on the regular basis. In 2022, we worked hard to implement a new approach to store audits and to scale a system of our stores evaluation, which is based on the legal quality requirements, the best practices, and the internal QMS.

During 2022, we checked 11,437 SKUs in different accredited laboratories under the Quality Control Programme aiming to deliver steady quality to our customers.

In the reporting year, we also implemented a brand-new system of customers' feedback based on the products quality. The system is meant to collect comments from customers' across all communication channels, allowing us to be online and thus be reactive to the customers feedback. Taking advantage of firsthand market trends, we are able to efficiently improve and develop our business processes or products lines.

We also run initiatives to improve our employee's quality control system skills. Throughout 2022, a special course Fruit and Vegetable product awareness. Seasonal assortment was provided for all our employees at the stores.

The Company actively participates in regional and national quality initiatives. O'KEY successfully passed the inspection audit and received an "excellent" status as part of the voluntary certification "Made on Don" in the Southern region of Russia. Moreover, the Company took part in ACORT quality committee initiatives, such as communication with authorities on legislative issues, participation in round tables with state control bodies, and contributing to new normative documents developing procedures.

During the recent year, O'KEY stores successfully underwent 18 planned and unscheduled surveillance audits conducted by the authorities.

In the year of 2022, we continued to improve the quality of our own production. Focused on that, we developed and updated the Company's regulatory documents, including seven internal standards and technical instructions regarding the quality of our own baked products, meat, and fish. Together with commercial and operational teams, we implemented 787 technical specifications for dishes (compared to 386 in 2021).

We also applied a new shelf-life confirmation method for 63 SKUs, including the semi-ready products category.

Over the course of 2022, the Company continued its project for the risk evaluation and quality audit of products from our suppliers. In the reporting year, we conducted 28 audits of our own production at suppliers' facilities. We also conducted 98 audits of our private label products suppliers. In 2023, we will continue to do so to ensure the quality of our products for our customers.

Following the current legislative requirements, O'KEY changed from declaration of goods through external service providers and to self-declaration, which resulted in increased efficiency of the whole declaration process as well as cost savings. During the year, we conducted all necessary laboratory tests in terms of our own products and acquired 5 declarations for 154 new SKUs.

We developed and launched an approval mechanism for all our meat suppliers through the ART-TRADE platform and will benefit from the final inspection information placed on the labels of our products by the Quality Control Department before they are supplied directly to the stores and distribution centres. This will enable us to download necessary data in time, avoid suppliers' technical mistakes, and meet all related deadlines. Over 2022, the ART-TRADE platform ensured 17,531 SKUs were accepted and supplied to our stores.

During the year of 2022, we kicked off a new project aimed at the automatisation of production acceptance at O'KEY's distribution centres, which allows us to make this process more efficient, aligned, and integrated into the Company's logistics system.

In the reporting year, the Company also faced temporary changes in import regulations in Russia and adopted its import system in terms of quality permission documentation.

Along with that, in collaboration with DA! discounters, we developed and agreed on criteria for the quality of imported products in the category "Fruits and Vegetables".

Our efforts in the quality control area are regularly recognised by various awards. In 2022, O'KEY and O'KEY Selection private label products and our ready-to-eat and ready-to-cook products won 15 gold and ten silver medals, as well as seven Quality diplomas and ten "Meat Oscars" at a prestigious international Quality Guarantee 2022 competition.

Plans

The Company intends to continue enhancing its quality management system and food safety control procedures, going forward in terms of supplied branded goods, own production, private labels, imports as well as operations at its distribution centres.

In 2023, we are to:
- implement and roll-out a quality control system and a HACCP system at our distribution centres;
- continue collaborating with the ART-TRADE portal in terms of the approval of newly introduced suppliers;
- expand our employee's development and training regarding the quality control system, for those who are involved in the quality support process;
- continue to conduct suppliers' quality audits and periodical laboratory control for own branded and own produced products;
- continue to develop the shelf-life confirmation for ready and semi-ready products of our own production;
- implement the PL Suppliers Quality Scorecard system based on dynamic collaboration;
- develop online sales and delivery of our own production;
- extend our QMS to the regions involved in the Company's "Bake off" project;
- update our Production Control programme by transferring laboratory control from stores to DCs aiming at business efficiency and costs reduction.

LOYALTY PROGRAMME

During 2022, the Company focused on creating a new loyalty programme based on discounts. We are planning a pilot launch of the programme in 2023 in one of the cities where O'KEY operates with the intention of covering the whole stores network a month later.

Over 2022, we rolled out two large-scale promotions dedicated to the Company's anniversary and the New Year.

As part of the "20th O'KEY anniversary" promotion, we started off a series of instant gift cards lotteries for customers with over RUB2,000 in purchases, as well as a weekly partnership lottery for every one-time RUB1,000 spent in our stores or in partners' stores. To participate in the lottery, an O'KEY discount card needs to be be provided. Customers receiving tickets as part of the weekly lottery got a chance to win the main prize: a HAVAL car.

The second one, the "Calendar of Miracles" promotion, offered customers the opportunity to open boxes in a special advent calendar and receive gift cards from partners or O'KEY discount coupons.

Throughout the year, O'KEY was working on rolling out innovative offerings with personalised promotions by utilising the predictive analytics method. This option enables the involvement of new clients, inspiring them to recurrent visits as well as increasing the average bill in active clients. In the year of 2022, we worked on a project to develop a personalised approach to the communication of promotions.

Striving for excellence in sustainable development and promoting ESG principles, in 2022 O'KEY kicked off an initiative to eliminate paper sales receipts and also in order to switch to electronic receipts. In the reporting year we:
- optimised the time of sending electronic checks to our customers: now it takes several minutes compared to several hours earlier;
- found a way to duplicate electronic checks by mail with the call centre's employees being involved in the process.

Plans

Over the course of 2023, we are launching a new loyalty programme that provides customers with a differentiated level of discount with the loyalty card.

We also intend to further develop our campaign management system by using various channels of communication with clients: slip checks, digital, app, SMS, selected social media, etc. In the year of 2022, we accomplished good results focusing on advantages of the push-notifications system both in our mobile app and on our website.

We are to find the best way to reach our clients, bolster the efficiency of our interactions with customers and optimise communication costs.

IT SOLUTIONS

O'KEY keeps up with the latest advancements in the constantly changing retail industry. We employ modern digital technologies and mobile apps that are vital to stay ahead in the industry. With advanced IT solutions, O'KEY can connect with customers, study their requirements and tastes, and create new opportunities for growth. The Group's hypermarkets utilise a comprehensive IT infrastructure that caters to all aspects of our operations. Our pioneering software helps us boost efficiency and accomplish our strategic objectives by raising customer satisfaction and enhancing our service standards.

Over 2022, we focused on three areas:

Implementing new high-tech solutions

Responding quickly to shifts in the external environment

Developing the efficiency of business operations

In the reporting year, O'KEY Group introduced a new cross-platform mobile solution designed to simplify store management. This innovative augmented management solution makes it possible to assess the full current store performance quickly based on the information gathered from all the systems. This enables store managers to assign tasks and focus their employees on what's essential. The mobility and speed of store field management with this unique mobile solution complement the high-level analytics of the BI system, the transactional completeness of the ERP system, and the transparency of operational management of the task management system.

The reliability and resiliency of IT services became even more significant in 2022, driven by new threats, volatile prices, assortments, currency exchange rates, hard-to-predict demand anomalies and changes in buying behaviour. Therefore, we significantly bolstered our computing power, implemented additional ways to back up and quickly recover key systems, and strengthened our cybersecurity tools and regulations.

To further develop omnichannel, we implemented online access for our customers to specific categories of non-food products with a wide range of consumer properties, considerably widening the range of the online sales channel.

In addition to expanding our own online channel, we continue to develop partnerships with marketplaces and online delivery operators, integrating our IT landscapes and business processes to provide customers with a variety of convenient ways to order, deliver, and pay.

Over the year of 2022, O'KEY has streamlined the logistics process by extending the Pick-by-Voice system to all of the distribution centres. This reinforced the order-picking performance of hypermarkets, which in turn resulted in swifter turnaround times and improved customer satisfaction. We also optimised our algorithms for determining available quantities and long-term planning of replenishment waves, which had a substantial impact on the accuracy and efficiency of order picking at the distribution centres.

We firmly believe that these improvements will not only enhance the customer experience, but also have a positive impact on our sales. Our commitment to improving logistics and implementing innovative solutions is a testament to our dedication towards delivering the best possible experience to our customers.

Plans

Throughout 2023, our development plans encompass, but are not limited to:

1. Launching a new loyalty programme that provides customers with a differentiated level of discount with the loyalty card. We use the flexibility of our omnichannel capabilities, and for the convenience of our loyal customers we have implemented a quick and the most convenient way to find out a product price by simply scanning a barcode in O'KEY hypermarkets and the mobile application.
2. We continue to develop synergies between O'KEY hypermarkets and DA! discounters, and we have implemented a number of solutions aimed to significantly increase the efficiency of both chains in working with the assortment, import operations, logistics, etc. In 2023, we plan to launch a new intragroup-3PL technology which allows us to balance the logistics workload between the distribution centres of the two chains.
3. We continue the ongoing development of our IT infrastructure. Hence, in 2023, we will place even more emphasis on the import substitution of platform solutions and workstations. The same emphasis we keep on the development of long-term relationships primarily with our long-standing Russian partners and vendors: POS software and equipment, HRM, Yard Management System (YMS) and Transportation Management System (TMS). We also actively support our partners who carry out the transfer of foreign best-of-breed solutions into the perimeter of the Russian import-independent stack: Warehouse Management Systems (WMS), Demand Forecasting and Supply Chain Management (SCP), Customer Relations Management (CRM), etc.

E-COMMERCE

O'KEY Group is one of the leaders in the Russian e-commerce food market, with the online business becoming one of the key parts in the Company's customer value proposition. We strive to grow our digital presence, further develop our omnichannel approach, and expand our ability to be with customers at every stage of their shopping journey.

Major factors which contributed to the development of the e-grocery market in 2022 were the economic turbulence, the volatile situation on the Russian consumer market, and the unprecedentedly high inflation rates.

In 2022, the Russian online grocery market sales grew by 63% YoY to RUB 625 billion, while the share of online sales in the total food and beverage retail sales rose by 3% YoY.[1] The Russian food retail market is distinguished by the prevailing share of online purchases and a number of factors which force customers to refrain from switching to online channels entirely. In line with this trend, O'KEY Group demonstrated a flexible approach to business and continued to develop its omnichannel online platform, which provides customers with the opportunity to use multiple sales channels to make a single purchase at favorable prices within the whole product range.

RUB 6.2 bn

TOTAL ONLINE SALES IN 2022

+32.6% YoY

28 k

TONNES DELIVERED IN 2022

+40% YoY

[1] Source: Infoline research 2022, excluding grocery aggregators and food delivery operators.

In compliance with the All-Russian customer survey, the O'KEY online store was declared the best online store in the "Hypermarket" category according to buyers.[1]

Shopping behaviour has shifted to the omnichannel retail experience. Therefore, O'KEY's e-commerce business is developing in synergy with the existing offline format. The combination with hypermarkets provides our customers with access to a vast assortment of high-quality goods, including fresh and ultra-fresh products and to a professional team of employees.

Throughout 2022, rising prices and falling real disposable incomes fortified the trend towards rational consumption. Price has become extremely much more important than quality for Russian consumers when purchasing both non-food products and a number of food items. Moreover, some customers were limited to consuming only the most necessary things.

Besides, essential trends on the Russian e-commerce market were the unification of online and offline customer bases, the constantly rising share of grocery private label products in online sales, the growing contribution of online channels of major grocery retail networks, the better numbers of relatively small online purchases, as well as the need for customers to receive orders "right here, right now" using the fast delivery service.

4.2%

E-COMMERCE SHARE IN O'KEY RETAIL REVENUE

26

PICK-UP AND COLLECTION POINTS IN 2022

2x YoY

[1] Source: Retail.ru, a portal for retailers and suppliers conducting all-Russian retail market research over the past 23 years.

1,306 k

ORDERS

+39% YoY

601 k

ACTIVE CUSTOMERS

+35% YoY

100 %

ONLINE COVERAGE IN THE CITIES OF O'KEY OPERATION

All indicators exclude deliveries via operators

O'KEY Group is well positioned to respond to all recent e-commerce food market trends and strives to anticipate all customer needs and expectations. O'KEY was the first Russian online grocery retailer to launch its own delivery service back in 2015. Currently, the Group is one of the top 15 leaders by revenue in the online food retail industry.

Over the course of 2022, O'KEY succeeded in realising growth opportunities of the e-commerce product market. O'KEY's total online revenue went up by 32.6% YoY to RUB 6.2 billion with its share amounting to 4.2% of O'KEY's net retail revenue. Despite the challenges of 2022, the Group managed to hike its e-commerce customer base by 35% to 601 k active customers and complete 1,306 k online orders, which is 39% higher than in 2021.

In the year of 2022, O'KEY continued to stay ahead of major market trends and progressed in leveraging cutting-edge technology solutions and innovations in order to further advance its e-commerce business and remain proactive regarding its customers' needs. E-commerce is an efficient tool to attract new customers and to retain and make current customers more loyal.

O'KEY Group is a member of the Association of Internet Trade Companies, which promotes fair competition, innovation, and positive development of the industry in Russia.

One of the Group's priorities is to expand the omnichannel capabilities by tapping into synergies with partners. Collaboration with food delivery operators in all regions of our operation enabled us to provide even more customers with fresh and high-quality products at competitive prices in the fastest delivery time possible.

DA! Discounter Format

The increasing emphasis on cost-effectiveness has given rise to a new store format, which encouraged us to reinvigorate our DA! discount concept with a premium appeal. The DA! business continues to be a leading expanding supermarket chain in the Russian market, playing a crucial role in driving the Group's revenue growth. Over the year, DA!'s net retail sales saw a significant increase of 53.2% YoY, with LFL rising by 26.8% in the same period.

DA! discounters leverage the best international practices, cutting-edge in-house innovations and state-of-the-art technologies within the retail industry. At the same time, DA! stores are specifically tailored to meet unique preferences and demands of our target audience. Our business model has consistently demonstrated its efficiency year after year, and we have garnered significant recognition from our loyal customer base.

DA! stores have a well-balanced product range, covering all customer needs in terms of food items and the most popular non-food items.

We achieve this by integrating our supply chain with O'KEY hypermarkets and securing the most advantageous procurement arrangements with our vendors, allowing us to provide our customers with exceptional value for their money. Additionally, our strategic store placement, exceptional customer service, state-of-the-art equipment, and expansive shopping areas grant DA! a distinct competitive advantage.

DA! discounters adhere to the "every day low price" policy, which is largely supported by our own brand products. Our proprietary brands provide evident cost benefits of 20–30% in comparison to equivalent quality branded products, effectively catering to price-sensitive customers. These exclusive brands are meticulously crafted and solely available at DA! stores.

Over the past few years, the discount segment of DA! has demonstrated substantial and consistent growth, with at least 30% YoY increase. We are confident that this trend will continue, and foresee a double-digit revenue growth in the near future.

Strategic priorities of DA!

Developing own brands

Growing and expanding

Achieving superior financial results

KEY FIGURES OF 2022

	2020	2021	2022
Number of stores	118	152	**194**
Selling space, k m²	80.17	102.9	**130.4**
Net retail revenue, RUB bn	26.0	34.8	**53.3**
Net retail revenue, %	+45.3	+34.3	**+53.2**
LFL net retail revenue, %	+27.8	+16.3	**+26.8**
LFL average ticket, %	+25.1	+6.6	**+13.2**
LFL traffic, %	+2.2	+9.1	**+12.0**

DISCOUNTER BUSINESS IN 2022 AT A GLANCE

RUB 53.3 bn
NET RETAIL REVENUE
+53.2% YoY

194
DISCOUNTERS: TOTAL NUMBER OF STORES
+42 stores net YoY

670 m²
AVERAGE STORE SELLING SPACE

3,400
SKUs AVERAGE PRODUCT RANGE

26.6%
DA! SHARE IN GROUP RETAIL REVENUE

>1,300
PRIVATE LABEL SKUs

The DA! network has shown robust growth, transforming from a relatedly small local network to the major fast mover of the Russian grocery market with 194 stores in Moscow, as well as in Tver, Tula, Kaluga, Ryazan and Moscow regions.

PERFORMANCE

+53.2%

DA! DISCOUNTERS NET RETAIL REVENUE IN 2022

+26.7%

DA! DISCOUNTERS SELLING SPACE IN 2022

DA! discounters' key principles

- We continue to adhere to the concept of a highly convenient store, meeting all needs of our customers and providing the highest possible level of service. We strive that our clients spend their time in our stores with smiles and pleasure.
- Our customers' wishes and rights are our main values and guidelines.
- We welcome any feedback from store visitors and consider every complaint or claim without any exception in the shortest possible time, providing a prompt response.
- We value our customers' convenience: our wide aisles and block layouts make shopping faster and more efficient. Our personnel are always open and friendly to the customer.
- We value our customers' time: we adhere to the principle of prompt and friendly service.
- Cleanliness in stores, correctness of price tags, friendliness and smartness of our personnel, convenience and speed of the whole shopping process ensure our customers' loyalty.
- We strive to respond to all current market trends as quickly as possible and are successful in offering our customers novelties in our product range on a weekly basis.
- We adhere to the "every day low price" policy, largely supported by our own brand products, which offers clear cost advantages of 20–30% against branded goods of comparable quality.
- We are focused on supplying our customers with the freshest goods by improving quality control across the supply chain and by expanding our assortment in the fresh and ultra-fresh categories.

In 2022, we:
- opened 42 new stores net of closures;
- increased our product range to 3,441 SKUs with emphasis on fresh and ultra-fresh products and ready-to-eat products;
- introduced 86 new SKUs under our private labels;
- continued the digital transformation of the chain through the development of a variety of IT infrastructure projects and the implementation of new software programmes;
- considerably improved the quality management system of our bakery segment;
- optimised the storage system and shelf space in our distribution centre in Stupino in Moscow region.

In our discounters' marketing policy, we strive to get closer to our clients and seek to meet all their changing preferences. According to the latest marketing research, our main customers are represented by young families with dependent children or young childless families, as well as working families of middle and older age with a middle level of income. All of them are partly promo-oriented but are willing to try fashionable new products. Likewise, 68% of our assortment is evaluated by customers as optimal and mostly good, which is 17% higher than the average figures in the whole discounter segment.

DA! discounters' profit from synergies with O'KEY hypermarkets in procurement, imports and relations with suppliers and producers, which is mainly the result of increased purchasing power, maintaining the economies of scale effect as well as improving the quality of goods we source.

To ensure robust growth, DA! discounters remained focused on managing their balanced assortment and own brand portfolio and continued offering the best value for money to clients.

In terms of our approach towards collaboration with suppliers, we strive to work directly with manufacturers rather than with importers and distributors. We also aim to build long-term partnerships with our suppliers for our private labels, while our own brand product sales often exceed even A-branded product sales. On the other hand, we contribute to the development of local manufacturers by tapping into synergies with them and ensuring large-scale purchases.

FRESH OFFER

DA! discounters keep up with the general trend towards fresh and ultra-fresh products, offering a wide range of dairy, fresh meat and poultry, fruits and vegetables. In 2022, the share of fruits and vegetables, fresh and ultra-fresh products in the discounter's sales mix exceeded 60%.

Our range of fresh products includes own brand SKUs, some of them under the "farm label" which represents regional and traditional production of outstanding quality. Another feature of our discounters is a wide (over 40 SKUs) range of freshly baked pastries. In order to ensure freshness of our goods, we practice direct import and deliver fruits and vegetables to all our stores on daily basis.

PRIVATE LABELS AND OWN PRODUCTION

We strive to offer all relevant private labels across all our product range (with the exceptions of cigarettes, sensitive goods and baby food) in order to motivate our customers to recurrent visits to our shops.

We have achieved impressive results in optimising our operating and advertising costs and applying the "every day low price" concept. Therefore, our private label products are less expensive than popular alternatives of comparable quality. We also enhance constantly our supply chain, giving emphasis to cost generating functions and passing all cost-saving advantages to our customers while maintaining good margins. All these factors enable us to build an appealing customer value preposition and maintain relatively lower prices than our competitors in the Russian discounter format.

DA! OWN BRANDS:

20-30 %

CHEAPER THAN BRANDED PRODUCTS OF THE SAME QUALITY

We are focused on the prudent selection of our own brands manufacturers and strive to develop long-term mutually beneficial collaborations with them in order to provide an impeccable quality of goods and ensure perfect packaging design close or similar to the branded assortment. To ensure all our private label manufacturers meet the highest quality standards, we only work with innovative manufacturers who share our commitment to quality.

Developing own brand

1	2	3
Thorough selection of manufacturers: innovative young companies ready to offer a special quality product at the best price and to meet our requirements	Joint development of products and packaging, close or similar to branded assortment in terms of quality	Strict quality control

Private label products remain one of the key drivers of DA!'s financial results and show better sales growth than our branded products. In 2022, PLs accounted for around 50% of DA! revenue. We are continuously working on extending the range and improving the quality and packaging of our own branded products.

In 2022, we introduced 86 new SKUs. Our assortment of private label SKUs reached 1,322 SKUs. For our private label, we use more than 90 registered brands as umbrella brands for different categories and quality levels.

Products under our private labels (brands)

48.8 %

SHARE IN DA! REVENUE IN 2022

38.4 %

SHARE IN NUMBER OF SKUs

1,322 SKUs

UNDER OWN BRANDS

86

NEW PRIVATE LABEL SKUs

We will do our upmost to further optimise and extend the private label assortment, improve its quality and strengthen our positioning.

QUALITY AND SAFETY

Another important feature of our DA! discounters' network is the constant excellent quality of goods in all stores. We aim to win the trust of our customers through the freshness and quality of our product range, maintaining an efficient quality management system which encompasses all stages of operation and is improved on an ongoing basis. We strictly follow all provisions of Russian legislation in terms of quality and safety, as well as the requirements of the HACCP system.

The main focus of our attention is the impeccable quality of our private label products. In addition to complying with all requirements provided by legislation and related standards, we conduct quality audits of all our private label suppliers and their products.

Our private label products' producers undergo external audits according to the Global Food Safety Initiative (GFSI) requirements.

The Global Food Safety Initiative is a business-driven initiative for the continuous improvement of food safety management systems with the ambition to ensure confidence in the delivery of safe food to consumers worldwide. The GFSI includes the definition and control of minimum requirements for food safety certification programmes and a robust benchmarking process. GFSI benchmarking and recognition of existing private standards is actively used for food safety certification programmes with the objective to enhance confidence, acceptance and implementation of third-party certification along with the entire food supply chain.

The frequency of these audits depends on results of previous audits and on the assessment of potential risks. We also arrange laboratory checks with a frequency varying from one to twelve per year, based on the potential risk of the product category and on precise product features.

SUPPLY CHAIN

DA! maintains smooth operations across all its supply chain and stores, which enables us to ensure the robust growth of our network and to quickly meet the bulk of customers' needs. In the reporting year we continued to improve the productivity and effectiveness of our supply chain by applying the best digital solutions, improving both collaboration with suppliers and our logistic capabilities.

The DA! supply chain includes one distribution centre, which is designed to serve a large number of stores efficiently. The distribution centre with an area of 60 k km^2 is based in Stupino district of the Moscow region and provide services for all 194 DA! stores. We also operate two external warehouses located in the Moscow region and used for long-term storage.

We deliver products in the fresh, vegetable and fruit categories on a daily basis with no stockholding at our warehouse. This unique delivery model helps us to maintain a high level of freshness and the utmost product availability across our discounters.

Location and service areas of DA! distribution centre (DC)

1 DC in Stupino 60 k m^2

194 stores

Categories:

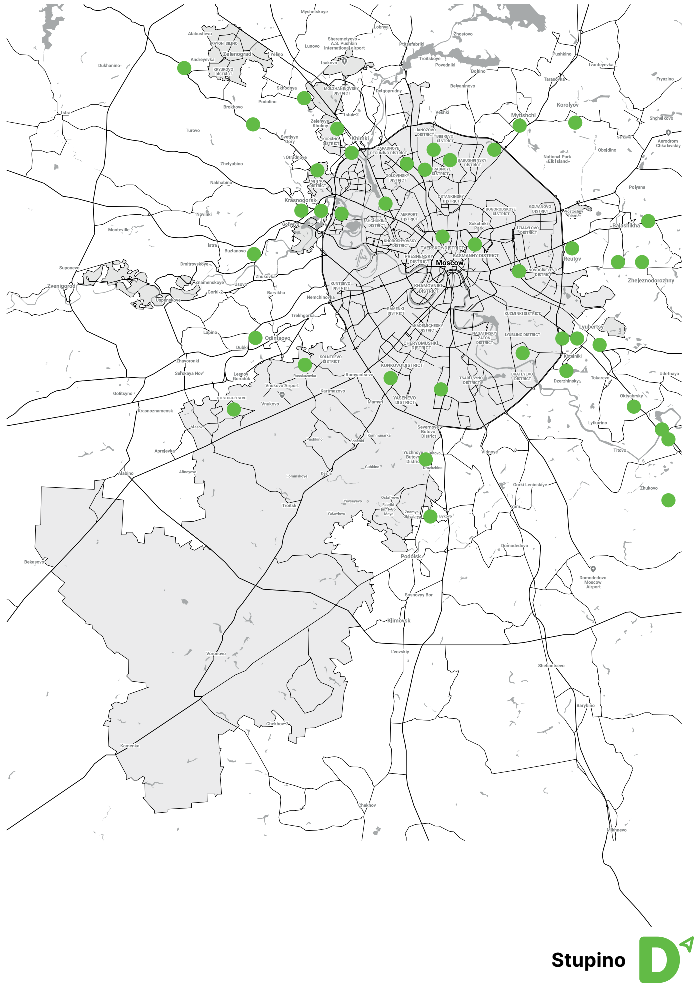
Fruits and vegetables

Fresh

FMCG

Non-food

Alcohol



IT SOLUTIONS

The DA! discounters format draws on the latest developments in the retail industry. We believe that new digital technologies are a necessary element for those who want to be at the forefront of the industry.

2022 turned out to be a hard year in terms of the availability of technologies and equipment for the Russian business. Our IT team quickly prepared an import substitution matrix for all the software and hardware. These alternative solutions were piloted and implemented during the year. At the moment, all the main part of our IT landscape has a tested substitute that we get either in Russia or from the friendly countries. This will allow the Company to continue growing steadily in the changing geopolitical environment.

In parallel, we pursued with our investments into key IT projects to improve the efficiency and transparency of our business processes. A number of improvements were made to the logistics platform and store back-office systems, which resulted in costs reduction and improvement of product availability on the shelf. The big data processing system was upgraded, helping us accelerate receiving of the key metrics needed for decision-making processes in terms of the business management.

In 2023, we will continue critical business processes optimisation projects, as well as planned import substitution of outdated solutions.

PLANS

We see great potential in developing our private labels by offering our customers significant saving options in comparison with branded peers without compromising quality or price. The success of our own brands underpins our motivation to further develop this direction of the discounters' business: We will redesign packages of another 150–200 private label SKUs in order to meet all up-to-date consumer trends and wishes and will focus on popular fresh and ultra-fresh products to keep the traffic of our DA! discounters high. We also intend to develop further our highly competitive wine and pastries product ranges.

In 2023, we intend to continue strengthening DA! discounters' security by the implementation of a new Alternative Transients Programme (ATP), Endpoint Detection and Response (EDR) and Network Traffic Analysis (NTA) solutions and plan to roll out a new Security Operations Centre for processing alerts received through these tools. We are also going to launch the second stage of our warehouse management system, including implementation of the Go live technology.

We believe that employment and extension of innovative IT technologies in our DA! discounters' business will contribute to maintaining our market position and competitiveness.

We will continue to develop our Stupino distribution centre: we will optimise the shelf space in our dry goods storage zone and further enhance the use of the "Chestny ZNAK" system by starting the scanning of goods at checkout in our DC.

In 2023, we are also going to continue developing the health and safety system in our discounters chain.

For instance, we plan to:
- implement a new schedule of laboratory testing, which will embrace our entire product range including the fresh, ultra-fresh, non-food categories as well as pet food and C&D products;
- roll out a new schedule of our supplier audits both by our own experts and by our contractors, and increase the number of audits from 10–12 to 16–20 per month;
- develop and approve a food safety and quality manual to be applied in our stores as well as Regulations on the Selection and Evaluation of Suppliers;
- constantly update the conditions of contracts and supplement agreements with regard to the quality and safety requirements and in compliance with the Regulations on the Selection and Evaluation of Suppliers.

Financial Review

Throughout 2022, O'KEY Group delivered throughout financial results thanks to the resilience of its business model and the success of the multiformat strategy. We also kept the costs, margins, and the debt levels under control, which translated into solid results and a sound balance sheet.

RUB 17.0 BN
GROUP EBITDA

2.2x
DA! EBITDA GROWTH YoY

9%
O'KEY EBITDA MARGIN

FY 2022 Financial Highlights[1]

RUB **202.2** bn
+8.1% YoY
TOTAL GROUP REVENUE

RUB **17.0** bn
+9.8% YoY
GROUP EBITDA

RUB **46.8** bn
+11.1%
GROUP GROSS PROFIT

RUB **3.6** bn
DA! DISCOUNTERS EBITDA
+2.2 times YoY
EBITDA MARGIN REACHED 6.8%

23.2%
+0.7 pps YoY
GROSS MARGIN

8.4%
+0.1 pps YoY
EBITDA MARGIN

RUB **5.8** bn
+15.2% YoY
GROUP OPERATING PROFIT

RUB **242** mln
+16.2% YoY
GROUP NET PROFIT

Group Profit and Losses Highlights for FY 2022

RUB mln	FY 2022	FY 2021	∆ YoY, %
Total Group revenue	**202,171**	**187,097**	**8.1%**
• O`KEY	**148,824**	152,260	(2.3%)
• Discounters	**53,347**	34,837	53.1%
Gross profit	**46,808**	**42,119**	**11.1%**
• Gross profit margin, %	**23.2%**	22.5%	0.7pps
SG&A	**(40,390)**	**(35,718)**	**13.1%**
• SG&A as % of revenue	**20.0%**	19.1%	0.9pps
• Other operating expenses, net	**(667)**	(1,410)	(52.7%)
Operating profit	**5,751**	**4,991**	**15.2%**
• Finance expenses, net	**(5,642)**	(4,798)	17.6%
• Foreign exchange gain	**313**	206	51.9%
Net profit	**242**	**208**	**16.2%**
Group EBITDA	**17,020**	**15,504**	**9.8%**
• Group EBITDA margin, %	**8.4%**	8.3%	0.1pps
O`KEY EBITDA	**13,377**	**13,839**	**(3.3%)**
• O`KEY EBITDA margin, %	**9.0%**	9.1%	(0.1pps)
DA! EBITDA	**3,643**	**1,665**	**2.2x**
• DA! EBITDA margin, %	**6.8%**	4.8%	2pps

[1] All results are according to IFRS 16, unless stated otherwise.

GROUP REVENUE

RUB mln	FY 2022	FY 2021	Δ YoY, %
Total Group revenue	**202,171**	**187,097**	**8.1%**
• Retail revenue	**200,201**	185,172	8.1%
• Rental income	**1,970**	1,925	2.3%

In FY 2022, the Group retail revenue experienced an increase of 8.1% YoY to RUB 200,201 mln led by the expansion of the two chains, as well as DA! discounters' LFL revenue and O`KEY's online revenue growth.

The Group's rental income increased by 2.3% YoY and amounted to RUB 1,970 mln in FY 2022. The total Group revenue saw an increase of 8.1% YoY to RUB 202,171 mln in FY 2022.

GROUP NET RETAIL REVENUE AND LFL REVENUE IN 12M 2022

RUB mln	12M 2022	12M 2021	YoY, %	LFL 2022/2021, %
O`KEY Group	**200,201**	**185,172**	**8.1%**	**2.1%**
• O`KEY hypermarkets	**146,904**	150,383	(2.3%)	(3.6%)
• DA! discounters	**53,297**	34,789	53.2%	26.8%

For more details, please refer to the Group's Q4 and 12M 2022 Trading Update.

GROUP GROSS PROFIT

In FY 2022, the Group gross profit rose by 11.1% YoY to RUB 46,808 mln, while the gross margin improved by 0.7 pps YoY to 23.2%. The improvement was led by the Group's effective procurement and logistics management, timely efforts in reshaping its product supply, as well as the operational synergy between the formats.

Over the year of 2022, thanks to our long-term partnership with local suppliers, we introduced new SKUs into our offerings. Additionally, we successfully phased out necessary imports, ensuring a diverse selection of products at reasonable prices without sacrificing our margins.

GROUP SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

RUB mln	FY 2022	% of revenue	FY 2021	% of revenue	Δ YoY, pps
Personnel costs	**16,850**	8.3%	15,388	8.2%	0.1
Depreciation and amortisation	**10,662**	5.3%	8,904	4.8%	0.5
Communication and utilities	**4,587**	2.3%	4,037	2.2%	0.1
Advertising and marketing	**2,296**	1.1%	1,992	1.1%	-
Repairs and maintenance	**1,582**	0.8%	1,399	0.7%	0.1
Insurance and bank commissions	**1,260**	0.6%	1,094	0.6%	-
Operating taxes	**766**	0.4%	652	0.3%	0.1
Security expenses	**785**	0.4%	730	0.4%	-
Legal and professional expenses	**651**	0.3%	709	0.4%	(0.1)
Materials and supplies	**460**	0.2%	409	0.2%	-
Operating leases	**448**	0.2%	353	0.2%	-
Other costs	**43**	-	51	-	-
Total SG&A	**40,390**	**20.0%**	**35,718**	**19.1%**	**0.9**

The Group's total SG&A expenses saw a jump of 13.1% YoY to RUB 40,390 mln in FY 2022. The SG&A expenses as a percentage of the revenue grew by 0.9 pps YoY to 20.0% in FY 2022, driven mainly by depreciation and amortisation, personnel and utilities expenses.

During FY 2022, personnel costs increased by 9.5% YoY to RUB 16,850 mln and, as a percentage of the revenue, by 0.1 pps YoY to 8.3%. The growth was mainly due to new store openings in both chains, as well as wages indexation in hypermarkets.

In FY 2022, the D&A expenses rose by 19.7% YoY to RUB 10,662 mln, and by 0.5 pps YoY to 5.3% of the revenue, driven primarily by the discounter chain growth.

The communication and utilities expenses hiked by 13.6% YoY to RUB 4,587 mln, and by 0.1 pps, as a percentage of the revenue, on the back of utilities tariffs inflation, as well as new store openings.

The advertising and marketing expenses grew by 15.2% YoY to RUB 2,296 mln, mainly due to the planned replacement of advertising equipment in hypermarkets.

The repairs and maintenance expenses went up by 13.1% YoY to RUB 1,582 mln, or by 0.1 pps YoY to 0.8% of revenue, largely due to new store openings.

GROUP EBITDA AND EBITDA MARGIN

The Group's EBITDA grew by 9.8% YoY to RUB 17,020 mln, while the EBITDA margin improved by 0.1 pps YoY to 8.4% in FY 2022.

The O`KEY hypermarkets EBITDA declined slightly by 3.3% YoY, to RUB 13,377 mln in FY 2022, mainly on the back of a 2.3% YoY net retail revenue decrease, and the above-mentioned cost inflation, partially offset by an increase in the gross profit.

In FY 2022, the O`KEY hypermarkets EBITDA showed 9.0%, 0.1pps down from 9.1% FY 2021.

The DA! discounters EBITDA demonstrated a 2.2x YoY growth to RUB 3,643 mln in FY 2022, compared with RUB 1,665 mln in FY 2021. As the business continued to ramp up, the DA! EBITDA margin improved by 2.0 pps YoY and reached 6.8% in FY 2022.

GROUP NET PROFIT

The other operating expenses (net of incomes) decreased by 52.7% YoY to RUB 667 mln in FY 2022. The decrease was mainly attributable to a year-on-year decline in non-current assets impairment in the hypermarket segment in FY 2022.

The net finance expenses saw a hike of 17.6% YoY to RUB 5,642 mln in FY 2022, driven mainly by an increase in the weighted average interest rate over the course of 2022. In addition, a part of the interest expenses was attributable to the non-current lease liabilities (under IFRS 16), which increased in FY 2022.

Throughout FY 2022, the Group recorded a net foreign exchange gain of RUB 313 mln, compared to RUB 206 mln in FY 2021. The Group's net foreign exchange gain was mainly attributable to lease contracts in foreign currencies, as well as foreign exchange gain from import operations, while the USD-denominated intercompany loans with different functional currencies which were eliminated on consolidation had a relatively small impact on the Group's results. The foreign exchange gain/loss is of non-cash nature.

In the year of 2022, the Group's net profit grew by 16.2% YoY to RUB 242 mln.

GROUP CASH FLOW

RUB mln	FY 2022	FY 2021
Net cash from operating activities	**12,958**	13,813
Net cash used in investing activities	**(6,468)**	(3,927)
Net cash used in financing activities	**(3,885)**	(8,137)
Net increase in cash and cash equivalents	**2,605**	**1,749**
Effect of exchange rate on cash and cash equivalents	**(274)**	(15)

Net cash from operating activities amounted to RUB 12,958 mln compared to RUB 13,813 mln in FY 2021. The decrease was driven mainly by boosted investments in inventory stock in order to secure a high level of on-shelf products availability in the Group's stores and online over 2022.

Net cash used in investing activities amounted to RUB 6,468 mln in FY 2022 in comparison with a RUB 3,927 mln of cash used in FY 2021. In 2022, the Group invested approximately RUB 2.6 bn (excluding VAT) in the development of the hypermarket business, including the purchase of 4 stores in the Moscow region, and over RUB 4.0 bn (excluding VAT) in the development of the discounters chain.

Net cash used in financing activities amounted to RUB 3,885 mln in FY 2022, compared with the RUB 8,137 mln of net cash used in financing activities in FY 2021. The dynamics resulted from the Group's regular credit portfolio refinancing, in particular a new bond issue in 2022.

As of 31st December 2022, the Group had RUB 16,467 mln of available credit lines in Russian roubles with fixed and floating interest rates, in respect of which all conditions had been met. If necessary, proceeds from these facilities may be used to finance operating and investing activities.

GROUP NET DEBT POSITION

RUB mln	As of 31 December 2022	As of 31 December 2021
EBITDA	**17,020**	**15,504**
Total debt	**45,486**	**37,817**
• Short-term debt[1]	**9,961**	6,172
• Long-term debt	**35,525**	31,645
Cash & cash equivalents	**11,779**	**9,448**
Net debt	**33,707**	**28,369**
Total lease liabilities	**22,545**	24,063
Short-term lease liabilities	**5,621**	4,986
Long-term lease liabilities	**16,924**	19,077
Total interest-bearing liabilities (net of cash & cash equivalents)	**56,251**	52,432
Total interest-bearing liabilities (net of cash & cash equivalents) / EBITDA	**3.30x**	3.38x

The Group's financial position remained strong during the reporting period.

As of 31st December 2022, the total interest-bearing liabilities (net of cash) to EBITDA ratio decreased to 3.30x from 3.38x as of 31st December 2021. As of 31st December 2022 and during the twelve-month period until December 2022 inclusive, the Group complied with all of its loan covenants.

The Group's audited report, including the full set of audited IFRS financial statements, can be found at https://okeygroup.lu/investors/result-center/ifrs-statements/.

[1] Short-term debt does not include interest accrued on loans and borrowings.

Corporate Governance

5

O'KEY Group maintains its commitment to creating shareholder value. O'KEY Group S.A. has a primary listing on the London Stock Exchange and secondary listings on the Moscow Exchange and the Astana International Exchange.

12 YEARS
OF DIVIDEND PAYMENTS

ruA-
CREDIT RATING BY EXPERT RA

SINCE 2010
ON LSE

SINCE 2020
ON MOEX

Corporate Governance System

O'KEY GROUP S.A. is a company incorporated under the Laws of the Grand Duchy of Luxembourg with Global Depositary Receipts listed on the London Stock Exchange, the Astana International Exchange and the Moscow Exchange.

Since the company was incorporated under the laws of Luxembourg and is located on the territory of Luxembourg, the company in its activities is subject to the requirements of Luxembourg law.

The company is not required to comply with the UK Corporate Governance Code and the Russian Corporate Governance Code, however the company complies with the rules and guidance of financial market regulators, within which the company's securities are traded (Financial Conduct Authority (FCA) for LSE, Central Bank of Russia for MOEX and Astana Financial Services Authority (AFSA) for AIX).

O'KEY Group is committed to managing and conducting its operations in accordance with the applicable regulations of Luxembourg, the London Stock Exchange, the Astana International Exchange, and the Moscow Exchange with respect to disclosure under the Rules.

We recognise the obligation to our shareholders to adopt the highest standards of governance and control, both at the Board level and within our management teams, and we aim to establish and support a corporate governance framework that is suitable for the development of our business and meets the requirements of our shareholders.

The most significant decisions affecting the life of the Company and the rights of shareholders, including the approval of financial statements and annual reports, the appointment of directors, the amendments of Articles and the approval of final dividends for finincial years are subject to review and approval at meetings of shareholders.

The Board of Directors and its committees provide overall guidance for the business and strategic planning for the Group. It sets strategic goals and oversees their implementation by the CEO and senior management of the Group.

The Management Board and the Chief Executive Officer are responsible for day-to-day operations of the companies of the Group and implement the strategy approved by the Board of Directors.

OUR CORPORATE GOVERNANCE PRINCIPLES

Professionalism

We strive to appoint individuals with relevant skills and experience to the Board of Directors and its committees in order to enable them to carry out their respective duties and responsibilities effectively. The Board is supplied, in a timely manner, with information in a form and of a quality appropriate to allow it to perform its duties.

Accountability

The Board of Directors is accountable to O'KEY Group's General Meeting of Shareholders and is responsible for:

- formulating the Group's strategy;
- establishing and maintaining systems which ensure due consideration of key decisions by experienced individuals, including in the areas of remuneration and incentives, internal control, and risk management;
- holding the management accountable for the successful implementation of the Group's strategy.

Equality

O'KEY Group's corporate governance system is designed to protect the shareholders' rights and ensure equal treatment of all shareholders.

Transparency

We strive to ensure the appropriate disclosure of reliable information on all significant issues related to our operations, including the financial status, social performance, operating results, and ownership.

General Meeting of Shareholders

The General Meeting of Shareholders is O'KEY GROUP S.A.'s supreme governing body. General Meetings of Shareholders are convened and held in accordance with Luxembourg legislative requirements and the Articles of O'KEY Group S.A. According to the Articles of O'KEY Group S.A., the Annual General Meeting shall be held within six months of the end of each financial year in the Grand Duchy of Luxembourg at the registered office of the Company, or at any such other place in the Grand Duchy of Luxembourg as may be specified in the convening notice of the meeting.

The next Annual General Meeting will be held before 30 June 2023. A convening notice specifying the date, time, address of the meeting and the agenda will be sent and published no later than fourteen days before the meeting.

SPECIAL CONTROL RIGHTS

All the issued and outstanding shares of the Company have equal voting rights and there are no special control rights attached to the shares of the Company.

The Caraden Shareholder (as defined in the Articles) has, under the condition of holding a minimum amount of shares in the Company, a specific right with respect to the appointment and removal of directors, as at least one director (designated as the Caraden Director) must be appointed from a list of candidates proposed by the Caraden Shareholder and may be removed at the initiative of the Caraden Shareholder (additional information may be found under Article 8 of the Articles).

The supporting vote of the Caraden Shareholder is required, under certain conditions, to amend the provisions of the Articles relating to: (i) the rights and prerogatives of the Caraden Shareholder; and (ii) the appointment, removal, replacement, rights, prerogatives, and positive vote of the Caraden Director (additional information may be found under Article 16.4 of the Articles).

TRANSFER RESTRICTIONS

As of 31 December 2022 and the date hereof, to the knowledge of the Company all shares in issue in the Company are freely transferable, provided that the transfer formalities set out under Article 6 of the Articles are fulfilled.

CONTROL SYSTEM IN EMPLOYEE SHARE SCHEME

The Company does not have an employee share scheme allowing employees to acquire equity in the Company.

VOTING RIGHTS

Each share issued and outstanding in the Company bears one vote.

The Articles do not provide for any voting restrictions.

In accordance with the Articles, a record date for the admission to a general meeting may be set by the Board (Article 15 of the Articles). Only those shareholders as the shareholders on any such record date shall be entitled to be notified of and to vote at any general meeting and any adjournment thereof, or to give any such consent as the case may be.

In accordance with the Articles, the Board may determine such other conditions that must be fulfilled by shareholders for them to take part in any meeting of shareholders in person or by proxy (Article 15 of the Articles).

SHAREHOLDERS' AGREEMENTS WITH TRANSFER RESTRICTIONS

The Company has no information about any agreements between shareholders which may result in restrictions on the transfer of securities or voting rights.

APPOINTMENT OF DIRECTORS, AMENDMENT OF THE ARTICLES

The rules governing the appointment and replacement of directors and the amendment of the Articles are set out under the Luxembourg Company Law and the Articles (in particular, Articles 8, 15 and 16).

The consolidated version of the Articles is published under the Shareholders section of the Company website and is available at https://okeygroup.lu/investors/shareholders/documents/.

SIGNIFICANT AGREEMENTS OR ESSENTIAL BUSINESS CONTRACTS

The Board is not aware of any significant agreements to which O'KEY GROUP S.A. is a party and which take effect, alter or terminate upon a change of control of the Company following a takeover bid. The Board has considered essential business contracts and has concluded that there are not any significant agreements.

Board of Directors

The Company's Board of Directors plays the key role in organising an efficient corporate governance system. The Board is vested with the broadest powers to manage the business of the Company and to authorise and perform all acts of disposal and administration falling within the purposes of the Company.

The Board is responsible for taking strategic decisions in respect to the operation and development of the Group, as well as overseeing the risk management and internal audit functions of the Group. Decisions related to day-to-day operations of the Group are delegated to the management.

The Board is also a management body of O'KEY GROUP S.A. and is authorised to take all decisions in respect to O'KEY GROUP S.A., unless they are reserved for the General Meeting. The Board is not authorised to issue or buy back shares without the approval of the shareholders meeting. Repurchase by the Company of its own shares is subject to the conditions set out in the Company Law and the Articles. There are five members of our Board, including one independent director. The General Meeting of Shareholders appoints Board members by a simple majority of votes cast, for a period not exceeding six years or until their successors are elected.[1]

Our current Board of Directors was elected at the General Meeting of Shareholders held on 13 October 2015 and re-appointed on 24 June 2020.

MEETINGS OF THE BOARD OF DIRECTORS

Meetings of the Board of Directors are held regularly in compliance with the approved work schedule for the year. The Board's work schedule is determined on the basis of strategic planning and the reporting cycle. Whenever an urgent matter needs to be considered, extraordinary Board meetings are organised, or, if a personal meeting cannot be organised due to a short notice, the Board can adopt a circular resolution by a unanimous vote. It is the Chair's responsibility to determine the Board's work plan and to include additional items in the plan.

In 2022, the Board of Directors worked on the following key tasks:

- preparation of the financial statements and annual report, and review of the results for the year 2021;
- approval of the budget and business strategy for the year 2022;
- review of the quarterly financial results, approval of financial statements for six months of 2022, and monitoring of compliance with the risk management strategy;
- declaration of interim dividends;
- determination of the Group's strategic and operational priorities.

[1] The rules governing the appointment and replacement of directors are set out under the Law of 10 August 1915 on Commercial Companies, as amended, and the Articles (in particular, Articles 8, 15 and 16). The consolidated version of the Articles is published under the Shareholders section of the Company website, available at https://okeygroup.lu/investors/shareholders/documents/.

Meetings of the Board of Directors

Member	Board of Directors (4 meetings)	Audit Committee (5 meetings)	Remuneration Committee (1 meeting)
Heigo Kera	4 attended	5 attended	attended
Dmitrii Troitskii	4 by proxy	not a member	by proxy
Dmitry Korzhev	4 attended	4 attended 1 by proxy	not a member
Boris Volchek	4 by proxy	2 attended, 3 by proxy	by proxy
Mykola Buinyckyi	4 attended	5 attended	not a member

Information about the members of the board of Directors of O'KEY Group S.A. as at 31 December 2022 is available at the Company's web-site at https://www.okeygroup.lu/about/corporate-governance/board-of-directors/.

Committees of the Board of Directors

The primary role of the committees is to provide assistance to the Board in preparing and adopting decisions in its respective functional areas, as well as to ensure that matters brought for consideration by the Board of Directors are scrutinised prior to the Board meetings.

There are two committees of the Board of Directors: the Audit Committee and the Remuneration Committee.

AUDIT COMMITTEE

Audit Committee members

As of 31 December 2022, the Audit Committee comprised:

- Mykola Buinyckyi, Committee Chairman, Independent Director of the Board of Directors;
- Boris Volchek, Committee Member, Non-executive Director of the Board of Directors;
- Dmitry Korzhev, Committee Member, Non-executive Director of the Board of Directors;
- Heigo Kera, Committee Member, Chairman of the Board of Directors;
- Ilya Ilin, Committee Member, non-director, external consultant;
- Irina Nikiforova, Committee Member, non-director, external consultant.

Key areas

The Audit Committee oversees the internal audit function, the effectiveness of risk management, and the internal controls of the Company and the Group. It also approves and monitors the performance of the internal audit plan for the year. The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities relating to the financial statements, including periodically reporting to the Board of Directors on its activities and the adequacy of internal control systems over financial reporting.

According to the Statute of the O'KEY Audit Committee, the Audit Committee shall consist of not fewer than three current members of the Board of Directors and shall be chaired by an independent director.

The committee's remit includes:

- reviewing the IFRS financial statements for integrity and transparency;
- analysing financial reporting processes, including carrying out regular reviews and making recommendations;
- recommending the appointment and remuneration of the Company's external auditor to the Board of Directors and maintaining an ongoing relationship with the external auditor;
- analysing and supporting the internal audit system and risk management procedures, including drafting recommendations for their improvement.

Activities in 2022

During the reporting period, the Audit Committee held five meetings where it:

- fulfilled oversight responsibilities relating to the integrity of the Company's annual financial statements;
- fulfilled oversight responsibilities relating to the integrity of the Company's half yearly financial statements;
- reviewed reports prepared by the Internal Audit Department;
- reviewed the effectiveness of the Company's risk management and internal control systems;
- reviewed policies and procedures published by the Company;
- monitored reports per the Company's Whistleblowing Policy;
- planned and agreed the scope of the audit of financial statements for the year ended 2022 with the external auditor of O'KEY Group;
- reviewed and approved provisions of non-audit services for the Company by the external auditor;
- approved the internal audit plan for the year 2022.

Plans for 2023

The Audit Committee and the Company will continue to focus on the following areas in 2023:

- how the Company's management monitors compliance with the Group's risk management policies and procedures, and the adequacy of the risk management framework in relation to the risks faced by the Group;
- optimising internal business processes involved in the preparation of financial reporting.

REMUNERATION COMMITTEE

Committee members

- Heigo Kera, Committee Chairman, Chairman of the Board of Directors;
- Boris Volchek, Committee Member, Non-executive Director of the Board of Directors;
- Dmitrii Troitskii, Committee Member, Non-executive Director of the Board of Directors;
- Ilya Ilin, Committee Member, non-director, external consultant;
- Irina Nikiforova, Committee Member, non-director, external consultant.

The committee's remit includes:

- reviewing the compensation policy;
- advising on any benefit or incentive schemes; and
- making proposals to the full Board of Directors regarding the remuneration of executive directors and management (including the Chief Executive Officer).

Activities in 2022:

During the reporting period, the Remuneration Committee held one meeting, where it:
- reviewed the report on the remuneration, bonuses and expenses of the Board;
- reviewed the amount of remuneration to be allocated to the management of the Group in 2022;
- approved the Remuneration Committee Report;
- suggested the total maximum amount of remuneration of directors for 2022 to be submitted for the approval of the shareholders of the Company.

Plans for 2023:

In 2023, the Group plans to keep the Remuneration and Bonus Policy in line with 2022.

REMUNERATION

Members of the Board of Directors of O'KEY Group S.A. receive remuneration in the amount approved by the General Meeting of Shareholders. Members of the Board and its committees may be compensated for the expenses they incur in the course of their duties, in accordance with the Business and Travel Expenses Policy of O'KEY Group S.A.

DIVERSITY

O'KEY Group is working on the adoption of a diversity policy. However, as can be seen from the information on the senior management team, O'KEY Group aims to employ members of the team most suitable and qualified for their post and function, irrespective of their age, gender, or origin. The requirements of educational and professional backgrounds are such as to ensure that the members of the team posess the skills and experience necessary to perform their functions effectively.

Risk Management

We believe that effective risk management underpins the successful delivery of our strategy. So the Company's goals will be achieved in a timely manner and that the level of risks faced by the Group remains acceptable for management and shareholders. Our unified approach to risk management through the Group Risk Standard is supported by formal policies and procedures, clearly delegated authority levels, and comprehensive reporting. As of the date of the approval of this Annual Report, our framework is integrated into both our business planning and viability assessment processes.

Our Board of Directors is ultimately responsible for the Group's risk management and internal controls with a view to maintaining the Group's risk management framework. The Group's Audit Committee is responsible for the regular review/audit of the Group's operations, activities, systems and processes, in order to evaluate and provide reasonable, independent, and objective assurance and consulting services designed to add value and improve the Group's operations. The Internal Audit assists the Group's Audit Committee in its oversight role. The Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures and reports its findings and recommendations to the Audit Committee. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. Identified risk areas are monitored quarterly and followed by a coordinated improvement programme.

Board of Directors

- Overall responsibility for the establishment and oversight of the Group's risk management framework

Audit Committee

- Oversees how management monitors compliance with the Group's risk management policies and procedures
- Reviews the adequacy of the risk management framework in relation to risks faced by the Group

Internal Audit

- Assists the Group's Audit Committee in its oversight role
- Undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee

Executive management

(CEO and Management Board)

- Oversees implementation of, and adherence to, risk management policies
- Monitors and manages risks relevant to job function
- Carries out risk identification and reporting
- Performs operational risk management

The current situation places new challenges for the Russian economy, the business community, and O'KEY Group in particular. Our well-balanced business model offers a significant hedge against market volatility. The key factors above have been reviewed in the context of our current position and strategic plan. Nevertheless, due to the current unprecedented global geopolitical and economic turbulence, we withhold from identifying and assessing the key risks that could have a material adverse effect on our business.

PRINCIPLE RISKS

Below we are describing the key risks that could have a material adverse effect on our business, our financial and operational performance and, as a result, could affect our share price and our reputation. Additional risks not known to us or those risks that we currently consider immaterial, may also impair our business operations. We do not expect to incur any risks that may jeopardise the continuity of our business.

No.	Risk	Definition & potential impact
1	**Economic outlook**	Our business may be affected by uncertainties associated with changing economic conditions, particularly in the current environment of global economic instability, including oil prices, financial markets volatility, as well as substantial currency exchange fluctuations. Therefore, we may face reduced customer demand as the income and purchasing power of our customers decreases under the impact of weaker macroeconomic environment, exacerbated by declining oil prices and sustained rouble volatility.
2	**Competition risk**	The retail sector in Russia is highly competitive. We face strong competition from other retailers (Russian and international), some of which are larger and have greater resources. Retail chains compete mainly over store locations, product ranges, price, service, and store conditions. Some competitors might be more effective and faster in capturing certain market opportunities, which in turn may negatively impact our market share and our ability to achieve our performance and expansion targets.
3	**Political risk**	Political developments may adversely affect the macroeconomic environment and the market in which our Company operates. The current geopolitical situation and global economics turbulence may affect companies across all the sectors of the Russian economy, including our business.
4	**Regulatory risk**	Our operations are subject to various government regulations and industry specific legislation with respect to quality, packaging, health and safety, labelling, distribution and other standards. Some regulations are still being developed in Russia. Current and future government regulations or changes thereto may require us to change the way we run our operations and could result in cost increases. Failure to comply with regulations can also lead to reputational damage.
5	**Changing customer expectations**	We strive to provide our customers with a wide range of goods and services at competitive prices. However, we recognise that our customers' shopping habits and expectations are influenced by the economic environment and will change over time.
6	**Employee recruitment and retention**	Competition for highly qualified management and store personnel remains intense in Russia. To meet our expansion plans, we need highly skilled employees. Our future success depends in part on our continued ability to hire and retain new employees. We understand that any inability to attract and retain highly qualified employees and key personnel in the future could have a material adverse effect on our business.
7	**Supply chain risk**	Our financial performance depends in part on reliable and effective supply chain management. We rely on third parties to supply us with merchandise and services. The third parties that supply us with merchandise and services also have other customers and may not have sufficient capacity to meet all of their customers' needs, including ours, during periods of excess demand. Shortages and delays could materially harm our business. Unanticipated increases in prices could also adversely affect our performance. Furthermore, we may be exposed to the risk of delays and interruptions to our supply chain because of natural disasters, in case we are unable to identify alternative sources of supply in a timely manner.
8	**IT platform development**	Execution of our strategic targets requires adaptation of current IT infrastructure to the changing business needs. As the business grows, the complexity of processes supporting it and the diversity of tasks around such growth are increasing. Delayed or inappropriate decisions on the development of the infrastructure can lead to failures in meeting Group goals and impede attainment of longer-term goals.
9	**IT security threats**	We are observing an increase in IT security threats and higher levels of professionalism in computer crime. Our systems and solutions, as well as those of our counterparties remain potentially vulnerable to attacks. Depending on their nature and scope, such attacks could potentially lead to the leakage of confidential information, improper use of our systems, manipulation and destruction of data, sales downtimes and supply shortages, which in turn could adversely affect our reputation, competitiveness, and business, financial and operational performance.

No.	Risk	Definition & potential impact
10	**Providing sufficient level of financing**	Recent changes in the macroeconomic situation might result in a liquidity squeeze and tightening of lending policies by Russian banks. Given the expansion programme in the coming periods, issues with availability of external financing or significant changes in its cost can negatively impact our Group's ability to execute its expansion programme.
11	**Tax regulations**	The Russian tax law has complex tax rules, which may be interpreted in different ways and tax rules are subject to frequent changes. Examinations by tax authorities and changes in tax regulations could adversely affect our business, and financial and operational performance. Changes in the tax law could result in higher tax expense and payments. Furthermore, legislative changes could materially impact tax receivables and liabilities as well as deferred tax assets and deferred tax liabilities.
12	**Changes in working capital**	Inability to control and manage elements of the working capital can result in negative changes for the operating cash flow and lead to liquidity gaps and excessive reliance on external financing.
13	**Risk of misstatements in financial statements**	We face exposure to risks relating to failures in proper financial reporting and the classification of accounting entries, and risks of making inaccurate accounting estimates.
14	**Risks of currency and interest rates volatility**	We are exposed to fluctuations in exchange rates because of loans received in USD and contractual obligations in USD and EUR. Although measures are taken to minimise this risk, there can be no assurance that exchange rate and interest rate fluctuations will not negatively influence our results.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

With respect to internal control over financial reporting, our financial procedures include a range of system, transactional and management oversight controls. Regarding the internal controls in the area of accounting and financial reporting, the following should be noted.

- Staff involved in the Company's accounting and financial reporting are appropriately qualified and kept up-to-date with relevant changes in the International Financial Reporting Standards (IFRS). Additionally, specific training and a written guidance on particular matters are provided where needed. The written guidance, regularly updated for business developments and regulatory changes, is available to all relevant staff members and provides a summary of the Company's accounting and financial reporting policies and procedures.
- Controls have been established in the processing of accounting transactions to ensure appropriate authorisations for transactions, the effective segregation of duties, and the complete and accurate recording of financial information.
- Completeness and timely recording of financial information are ensured through regular reviews, monitoring of specific key performance indicators, validation procedures by functional leaders and as an additional check, the process of internal and external audit.
- The Company relies on a comprehensive system of financial information and oversight. Strategic plans, business plans, budgets and the interim and full-year consolidated accounts of the Company are drawn up and brought to the Board of Directors for approval. The Board also approves all significant investments. The Board receives monthly financial reports setting out the Company's financial performance in comparison to the approved budget and prior year figures.
- Any weaknesses in the system of internal controls identified by either internal or external auditors are promptly and fully addressed.
- The external auditors perform a limited review of the Company's half-year consolidated financial statements and a full audit of the annual consolidated financial statements.

In accordance with the IFRS requirements, we disclose detailed information on the market, credit and foreign exchange risks to which it is exposed, as well as strategy for managing the risks.

Information for Shareholders and Investors

SHARE CAPITAL

O'KEY Group S.A. share capital amounts to EUR 2,690,740, divided into 269,074,000 ordinary shares of a nominal value of EUR 0.01 each. As of the date of this report, the Company's share capital has remained unchanged since 30 November 2010.

All shares issued by the Company have equal rights as provided for by the law of 10 August 2015 on commercial companies, as amended (the "Company Law") and as set forth in the Articles, save for the special rights granted to the Caraden Shareholder.

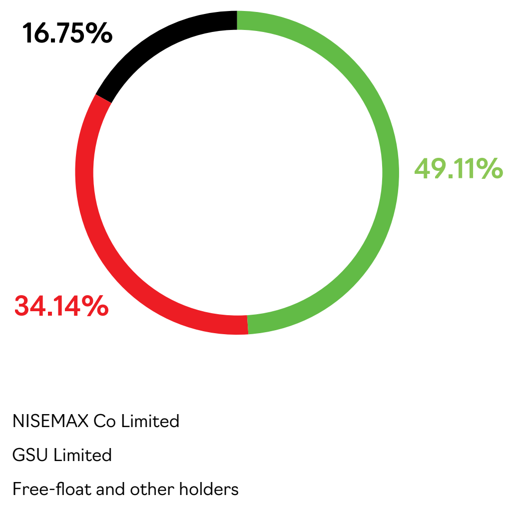
The Company does not hold any of its own shares and has not acquired them during the 2022 financial year.

SIGNIFICANT SHAREHOLDINGS

As of 31 December 2022, the two major indirect shareholders of the Group are its founders:

- Mr. Dmitrii Troitskii (who indirectly owns approximately 34.54% of the outstanding share capital of O'KEY Group S.A.); and
- Mr. Boris Volchek (who indirectly owns approximately 34.14% of the outstanding share capital of O'KEY Group S.A.).

Share Capital Structure as of 31 December 2022, Direct Holdings



GLOBAL DEPOSITARY RECEIPTS (GDRs)

Global Depositary Receipts are issued in respect of ordinary shares at a ratio of one ordinary share per one GDR. The GDRs are listed on the London Stock Exchange. In December 2020, the GDRs also were listed and started trading on the Moscow Exchange. In March 2022, the London Stock Exchange temporary suspended admission to trading for a number of issuers, including the GDRs of O'KEY Group S.A.

The Company's depositary bank is The Bank of New York Mellon.

As of 31 December 2022, GDRs represented 50.22% of O'KEY Group S.A. share capital.

No other securities have been issued by the Company.

STOCK EXCHANGE

As of 31 December 2022, O'KEY Group S.A. GDRs were listed on both the London Stock Exchange and the Moscow Exchange and traded on the Moscow Exchange.

After the reporting date, the Group's GDRs have been admitted to the quotation list in the main market segment on the Astana International Exchange and started to trade under the ticker "OKEY" in March 2023. The Group intends to keep both its primary listing on the London Stock Exchange and its secondary listing on the Moscow Exchange. O'KEY Group does not plan to issue new shares in connection with its AIX listing.

Trading Floor of O'KEY Group S.A. GDRs

Trading floor	Ticker code
London Stock Exchange	OKEY
Moscow Exchange	OKEY
Astana International Exchange	OKEY

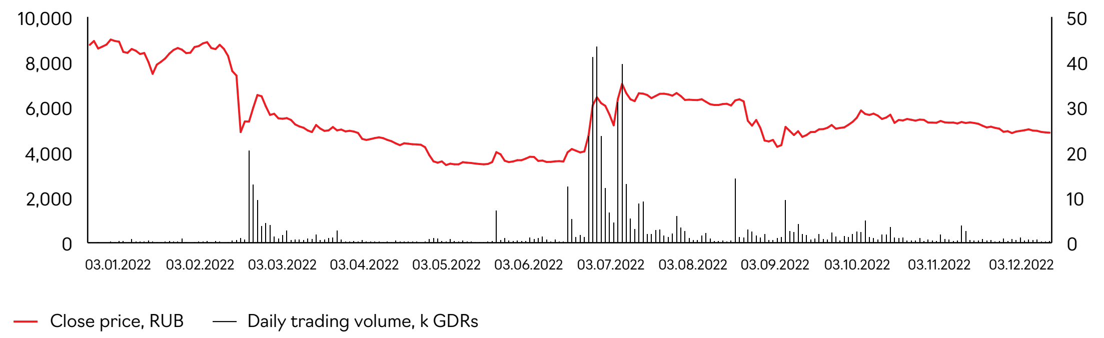
O'KEY Group S.A. Securities Identification Numbers

CUSIP[1]	Code
Regulation S GDRs	670866201
Regulation S GDRs	670866110
Rule 144A GDRs	670866102

ISIN[2]	Code
Regulation S GDRs	US6708662019
Regulation S GDRs	US6708661102
Rule 144A GDRs	US6708661029

[1] CUSIP (Committee on Uniform Security Identification Procedures), an identification number given to the issue of shares for the purposes of facilitating clearing.
[2] ISIN (International Securities Identification Number), an international identification number of the share.

O'KEY Group S.A. GDR Price Performance and Trading Volumes on MOEX in 2022



Source: Moscow Exchange.

Note: Trades on MOEX were temporary suspended by the stock exchange for the period from February 28 till 30 March, 2022.

O'KEY Group S.A. GDRs Trading Information on Moscow Exchange

In 2022, the cumulative liquidity of O'KEY GDRs grew 5-fold on MOEX compared to 2021, despite a temporary suspension of trades on MOEX in March 2022.

	2021	**2022**
Annual maximum price, RUB	66.77	**44.98**
Annual minimum price, RUB	41.80	**17.20**
Year-end price, RUB	41.80	**24.37**
Trading volume (mln units)	22.1	**110.9**

Source: MOEX, market transactions.

CREDIT RATINGS

	Expert RA
Credit rating	ruA-
Outlook	Stable
Last rating date	22 June 2022

In June 2022, Expert RA affirmed the Company's credit rating of 'ruA-' with a stable outlook. The rating reflects the Group's solid and stable operational and financial position in the market, low exposure to market risks, and high standards of corporate governance, risk management, strategic control and transparency.

ANALYST COVERAGE

As of the end of 2022, three equity research analysts from leading Russian banks followed the Company on a regular basis. O'KEY's IR team monitors and communicates analyst consensus to the Company's top management.

Company	Analyst	Phone number
Aton	Victor Dima	+7 (495) 213-03-44
Gazprombank	Marat Ibragimov	+7 (495) 980-41-87
Sberbank CIB	Mikhail Krasnoperov	+7 (495) 933-98-38

Source: Company.

DIVIDENDS

Dividend Policy

To determine the recommended amount of dividends that will be payable, the Group's Board of Directors abides by the Dividend Policy. The General Meeting of Shareholders, upon the recommendation of the Board of Directors, determines how the remainder of annual net profits of the Company should be disposed of, including through stock dividend, it being understood that the remaining net profits of the Company left after the payment of dividends shall be used for the business development of the Company and its subsidiaries and the development of the retail business of the Group in Russia. Interim dividends may be declared and paid (including through staggered payments) by the Board of Directors, subject to observing the terms and conditions provided by law either through a cash dividend or through an in kind dividend.

Period	Record date	Amount of dividend per GDR (USD cents, gross)	Amount of accrued dividend (gross)
Interim dividends 2011	12.09.2011	9.9481	USD 26,767,750.59
Interim dividends 2012	23.02.2012	10.254	USD 27,590,847.96
Interim dividends 2013	15.02.2013	18.953	USD 50,997,595.22
Interim dividends 2014	18.02.2014	22.670	USD 60,999,075.80
Interim dividends 2014	17.10.2014	7.433	USD 20,000,270.42
Interim dividends 2015	11.09.2015	8.920	USD 24,001,400.80
Interim dividends 2016	08.07.2016	8.548	USD 23,000,445.52
Interim dividends 2017	20.01.2017	9.167	USD 24,666,013.58
Interim dividends 2018	25.01.2018	12.367	USD 33,276,381.58
Interim dividends 2019	03.10.2019	0.05635	USD 15,162,319.90
Interim dividends 2020	04.11.2020	0.028275	USD 7,608,067.35
Interim dividends 2021	Not declared and distributed		
Interim dividends 2022	01.08.2022	EUR 0.03159	EUR 8,500,047.66

Taxation

As a rule, the Company withholds 15% WHT from the dividend paid from Luxembourg for distribution to the holders of GDRs.

This information is provided for information purposes only. Potential and current investors should seek the advice of professional consultants on tax matters related to investments in the shares and GDRs of the Company.

Management & Directors' Responsibility Statement

We confirm to the best of our knowledge that the consolidated financial statements provide a true and fair view of the assets, liabilities, financial position, and profit or loss of O'KEY Group S.A. and the companies included in the consolidation as required by the International Financial Reporting Standards as adopted by the European Union, and that the consolidated management report provides a true and fair view of the development and performance of the business and the position of O'KEY Group S. A. and the companies included in the consolidation taken as a whole, and that the consolidated management report provides a true and fair view, and that the consolidated management report describes the principal risks and uncertainties which O'KEY Group S.A. and the companies included in the consolidation taken as a whole are exposed to.

Luxembourg, 14 April 2023

Dmitry Korzhev
Member of the Board of Directors

Heigo Kera
Chairman

Mykola Buinyckyi
Member of the Board of Directors

Konstantin Arabidis
CFO

Financial Statements

The Independent Auditors' Report and the consolidated financial statements of O'KEY GROUP S.A. for the year ended 31 December 2022.

Independent Auditors' Report

To the Shareholders of O'KEY GROUP S.A.

Report on the Audit of the consolidated Financial Statements

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L-3378 Livange
T +352 26 26 84 1
F +352 26 26 84 99
E mail@moore-audit.lu

Opinion

We have audited the consolidated financial statements of O'KEY GROUP S.A. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 114 to 159) present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the «Responsibilities of "Réviseur d'Entreprises Agréé" for the Audit of the Consolidated Financial Statements» section of our report.

We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
RECOGNITION OF BONUSES FROM SUPPLIERS	
Refer to Notes 4, 20 and 33 to the consolidated financial statements of the Group. The Group receives various types of bonuses from suppliers relating to purchase of goods for resale. The bonuses are provided in the form of volume discounts, slotting fees and other counter payments. Recognition of these bonuses leads to a significant reduction of the cost of goods sold and inventory value. While the major portion of the bonuses is recognized and settled within the year, a material amount of RUB2,031,406 thousand remains outstanding within trade and other receivables as at the reporting date. Recognition of bonuses from suppliers that are not settled as at the reporting date was one of the matters of most significance in our audit because their impact on the Group's cost of goods sold, inventory and trade and other receivable balances is material, the number of underlying contracts with suppliers is large and their terms can be complex. Further, calculation of the period-end accrual for certain supplier bonuses and allocation of bonuses to inventory cost requires making estimates and applying judgments.	Our audit procedures to address the key audit matter included the following: • Understanding, evaluation of design and testing of relevant control activities that the Group has established in relation to recognition of bonuses from suppliers. • Understanding and evaluation of the accounting policy applied by the Group for accounting for bonuses from suppliers. • Reading significant contracts with suppliers and understanding of the terms that entitle the Group to bonuses from suppliers. • Performing a retrospective analysis of prior year bonuses receivable against subsequent settlements to assess accuracy of the Group's estimates in the current year. • Performing analytical procedures over the accuracy and existence of the bonuses recognized in the current year based on historical data. • Agreeing bonuses receivable as at the reporting date to external confirmations obtained from suppliers on a sample basis, or alternative procedures through tracing the amounts recognized against underlying agreements and other relevant documentation. • Performing analytical procedures to assess allocation of bonuses to the goods that remain in stock at the reporting date. • Confirming that the accounting policy for offsetting of bonuses receivable from suppliers against trade payables is in line with IFRS and that the factual offsetting is in line with the accounting policy. • Considering adequacy of disclosures of information about the bonuses from suppliers in the consolidated financial statements of the Group
NON-CURRENT ASSETS IMPAIRMENT ASSESSMENT	
Refer to Notes 4, 14, 15 and 16 to the consolidated financial statements of the Group. As at 31 December 2022, the carrying value of the Group's non-current assets for which IAS 36 requires an assessment of whether there is any indication of impairment exceeds 55% of total assets. These non-current assets are primarily attributable to the Group's stores in operation and groups of assets held for future stores construction. As at the reporting date, the Group assessed whether there is any indication that the carrying value of the non-current assets may not be recoverable or the impairment recognized in prior periods may not exist or may have decreased and tested for impairment or reversal of impairment those cash-generating units (CGUs) represented by individual stores and groups of assets held for future stores construction where such indications were noted. As at 31 December 2022 the recoverable amount of the CGUs was determined based on value in use. Based on the results of the impairment tests performed as at 31 December 2022 and during the year ended 31 December 2022, the impairment loss of RUB105 000 thousand were identified and recognized. This is one of the key audit matters due to the magnitude of the carrying value of the non-current assets that require the assessment of any indication of impairment, judgement exercised by the Group in determining whether or not there is a specific indication of impairment and judgements applied in the calculation of the recoverable amount of these assets. In addition, strong competition in the Russian retail market, political, economic tension, due to the Ukraine-Russian crisis underpin the uncertainty of accounting estimates and the risk of significant adjustments in future periods to the carrying value of the Group's non-current assets recognized in the consolidated financial statements.	Our audit procedures to address the key audit matter included the following: • We obtained understanding and evaluated the design of the Group's relevant control activities around the impairment review. • We also considered the Group's approach to determination of CGUs and identification of indication that these CGUs represented by the Group's stores or groups of assets held for future stores construction may be impaired or impairment recognised in prior periods may not exist or may have decreased. • For those significant CGUs where indication of impairment was identified or where there was an indication that an impairment loss recognized in prior periods may no longer exist or may have decreased, we assessed whether the value in use approach applied by the Group to determine recoverable amount in each particular case is appropriate in the circumstances. We further obtained and analyzed underlying calculations prepared by the Group for the impairment tests. Our audit procedures were carried out with the involvement of internal valuation experts and included: • Reviewing the adequacy and consistency of methods applied to measurement of value in use, and the calculations' mathematical accuracy. • Evaluating the reasonableness of the Group's key assumptions and forecasts in the prior period, in order to assess the accuracy of the Group's forecasts for future periods. • Verifying the appropriateness of budgets of the CGUs for projected periods used in the measurement of value in use through inquiries of the Group, corroborating the Group's explanations, examining supporting documentation and comparing inputs against available external industry data. • Analyzing and assessing in detail the key assumptions that significantly affect future cash flows of the CGUs and the discount rate applied by the Group to measure the recoverable amount, by comparing it to the weighted-average cost of capital determined for the Group with due regard to its inherent risks, as well as considering whether the Ukraine-Russian crisis had an impact on these key assumptions by analyzing the Group's performance and the Russian retail industry dynamics in the current year. • Re-performing sensitivity analysis of the results of the Group's assessment to reasonably possible changes to key assumptions. We have tested the presentation and disclosure of information about the impairment test as carried out by the Group in the consolidated financial statements for its consistency with requirements of IAS 36 and its adequacy in the context of the consolidated financial statements as a whole.

Key audit matter	How our audit addressed the key audit matter
RECOVERABILITY OF DEFERRED TAX ASSETS RECOGNIZED FOR THE CARRYFORWARD OF UNUSED TAX LOSSES	
Refer to Notes 4, 12 and 33 to the consolidated financial statements of the Group. As at 31 December 2022, the carrying value of the Group's deferred tax assets amounts to RUB5,245,595 thousand, including RUB3,414,362 thousand arising on the accumulated tax losses carried forward by LLC Fresh Market that develops the Group's chain of discounter stores under the DA! brand starting from 2015. A deferred tax asset shall be recognized for the carryforward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. The Group performed the assessment of and concluded on the recoverability of the deferred tax assets. This analysis was based on the long-term financial projections for LLC Fresh Market, which includes estimates of its future profits. This area was significant to our audit because of the history of tax losses generated by LLC Fresh Market, the complexity and subjectivity of the recoverability assessment and long-term budgeting process, which is based on assumptions that are inherently uncertain and affected by the expected pace of new openings of the discounters. In addition, we considered the overall impact of the Ukraine crisis on the Russian economy that increases the degree of uncertainty of these assumptions.	The audit procedures we have performed to address the key audit matter consisted of the following: • Understanding and evaluation of design of relevant control activities that the Group has in place in relation to recognition of current and deferred income taxes and long-term budget preparation. • Comparing the Group's forecasts in the long-term budget prepared in prior year to actual performance to assess adequacy of the Group's estimates in the current year. • Assessing accuracy of the deferred tax calculations. • Considering whether there are any limitations to the amount and timing of utilization of the unused tax loss as established by the Russian tax legislation. • Obtaining the long-term budget prepared by the Group for LLC Fresh Market and challenging the expected future profits and assumptions regarding future earnings as reflected therein, including by comparing to actual results to date and industry trends. • Considering to what extent the Ukrainian-Russian crisis impacted the performance of LLC Fresh Market in the current year by analyzing its revenue and consumer behavior, expenses and the pace of new stores openings, as well as its impact on the ability of the discounters segment to adhere to the long-term budget. • Analyzing the treatment of differences between accounting and tax books in the planning of future taxable profit. • Considering adequacy of disclosures on the deferred tax positions and assumptions used in assessing recoverability of the deferred tax assets from tax losses carry forward in the consolidated financial statements.

Other Matter

The consolidated financial statements as of 31.12.2021 have been audited by another réviseur d'entreprises agréé which has issued an unmodified opinion as at.11.04.2022.

Other information

The Board of directors is responsible for the other information. The other information comprises the information stated in the annual report including the directors' report but does not include the consolidated financial statements and our report of "Réviseur d'Entreprises Agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged with Governance for the consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process

Responsibilities of the "Réviseur d'Entreprises Agréé" for the Audit of the consolidated Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises Agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "Réviseur d'Entreprises Agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of "Réviseur d'Entreprises Agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such commucation.

Report on Other Legal and Regulatory Requirements

The directors' report (pages 20 to 104) is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

MOORE Audit S.A.

Raphael Loschetter
Réviseur d'Entreprises Agréé

Livange, 14 April 2023

Consolidated Financial Statements

for the Year Ended 31 December 2022

CONTENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

'000 RUB	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Investment property	13	**1,474,333**	1,947,218
Property, plant and equipment	14	**42,609,851**	41,617,139
Construction in progress	14	**1,326,017**	1,772,089
Right-of-use assets	15	**19,216,816**	20,190,899
Intangible assets	16	**1,205,515**	1,330,376
Deferred tax assets	12	**5,245,595**	4,895,412
Other non-current assets	18	**1,801,139**	959,428
Total non-current assets		**72,879,266**	72,712,561
Current assets			
Inventories	19	**23,916,987**	19,877,175
Trade and other receivables	20	**2,930,220**	3,590,570
Prepaid income tax		**59,282**	59,055
Prepayments	17	**1,177,461**	1,159,164
Cash and cash equivalents	21	**11,779,334**	9,447,998
Non-current assets held for sale	13	**305,000**	-
Total current assets		**40,168,284**	34,133,962
Total assets		**113,047,550**	**106,846,523**

'000 RUB	Note	31 December 2022	31 December 2021
EQUITY AND LIABILITIES			
EQUITY	22		
Share capital		**119,440**	119,440
Legal reserve		**10,597**	10,597
Additional paid-in capital		**8,555,657**	8,555,657
Retained earnings		**3,325,409**	3,393,474
Translation reserve		**1,454,205**	1,774,457
Total equity		**13,465,308**	13,853,625
NON-CURRENT LIABILITIES			
Loans and borrowings	24	**35,525,212**	31,644,919
Lease liabilities	25	**16,924,142**	19,077,160
Deferred tax liabilities	12	**532,644**	514,428
Total non-current liabilities		**52,981,998**	51,236,507
CURRENT LIABILITIES			
Loans and borrowings	24	**9,960,796**	6,171,694
Interest accrued on loans and borrowings	24	**215,737**	149,445
Lease liabilities	25	**5,620,662**	4,985,877
Trade and other payables	26	**30,636,945**	29,954,756
Current income tax payable		**166,104**	494,619
Total current liabilities		**46,600,244**	41,756,391
Total liabilities		**99,582,242**	92,992,898
Total equity and liabilities		**113,047,550**	**106,846,523**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 65

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

'000 RUB	Note	2022	2021
Revenue	6	**202,170,726**	187,097,352
Cost of goods sold		**(155,362,939)**	(144,978,269)
Gross profit		**46,807,787**	42,119,083
General, selling and administrative expenses	8	**(40,389,935)**	(35,718,427)
Other operating income and expenses, net	9	**(666,903)**	(1,409,812)
Operating profit		**5,750,949**	4,990,844
Finance income	10	**438,380**	68,430
Finance costs	10	**(6,080,150)**	(4,866,815)
Foreign exchange gain	11	**312,806**	205,888
Profit before income tax		**421,985**	398,347
Income tax (expense)	12	**(180,455)**	(190,518)
Profit for the year		**241,530**	**207,829**
OTHER COMPREHENSIVE (LOSS)/INCOME			
Items that will never be reclassified to profit or loss:			
Exchange differences on translation to presentation currency		**(320,252)**	13,305
Items that are or may be reclassified subsequently to profit or loss:			
Derecognition of hedge/change in fair value of hedge		**-**	193,820
Income tax on items within other comprehensive income	12	**-**	(38,764)
Other comprehensive income		**170,999**	-
Other comprehensive (loss)/income for the year, net of income tax		**(149,253)**	**168,361**
Total comprehensive income for the year		**92,277**	376,190
EARNINGS PER SHARE			
Basic and diluted earnings per share (in RUB per share)	23	**0.9**	0.8

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 65

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

'000 RUB	Share capital	Legal reserve	Additional paid-in capital	Hedging reserve	Retained earnings	Translation reserve	Total equity
Balance at 1 January 2021	**119,440**	**10,597**	**8,555,657**	**(155,056)**	**3,185,645**	**1,761,152**	**13,477,435**
COMPREHENSIVE INCOME FOR THE YEAR							
Profit for the year	-	-	-	-	207,829	-	**207,829**
OTHER COMPREHENSIVE INCOME							
Foreign currency translation differences	-	-	-	-	-	13,305	13,305
Derecognition of hedge	-	-	-	193,820	-	-	193,820
Income tax on items within other comprehensive income	-	-	-	(38,764)	-	-	(38,764)
Total other comprehensive income	-	-	-	155,056	-	13,305	168,361
Total comprehensive income for the year	-	-	-	155,056	207,829	13,305	376,190
Balance at 31 December 2021	**119,440**	**10,597**	**8,555,657**	**-**	**3,393,474**	**1,774,457**	**13,853,625**

'000 RUB	Note	Share capital	Legal reserve	Additional paid-in capital	Hedging reserve	Retained earnings	Translation reserve	Total equity
Balance at 1 January 2022		**119,440**	**10,597**	**8,555,657**	**-**	**3,393,474**	**1,774,457**	**13,853,625**
COMPREHENSIVE INCOME AND (LOSS) FOR THE YEAR								
Profit for the year		-	-	-	-	241,530	-	241,530
OTHER COMPREHENSIVE INCOME AND (LOSS)								
Foreign currency translation differences		-	-	-	-	-	(320,252)	(320,252)
Other comprehensive income		-	-	-	-	170,999	-	170,999
Total other comprehensive income and (loss)		-	-	-	-	170,999	(320,252)	(149,253)
Total comprehensive income for the year		-	-	-	-	412,529	(320,252)	92,277
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY								
Dividends declared	22	-	-	-	-	(480,594)	-	(480,594)
Total transactions with owners recorded directly in equity		-	-	-	-	(480,594)	-	(480,594)
Balance at 31 December 2022		**119,440**	**10,597**	**8,555,657**	**-**	**3,325,409**	**1,454,205**	**13,465,308**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 65

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

'000 RUB	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		**231,986,614**	215,729,790
Other cash receipts		**663,715**	728,693
Interest received		**442,130**	63,156
Cash paid to suppliers and employees		**(215,153,159)**	(197,644,782)
Taxes other than on income		**(763,441)**	(637,466)
Other cash payments		**(51,033)**	(50,286)
VAT paid		**(3,509,800)**	(3,976,782)
Income tax paid		**(657,281)**	(398,860)
Net cash from operating activities		**12,957,745**	**13,813,463**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment (excluding VAT)		**(6,290,524)**	(4,909,241)
Purchase of intangible assets (excluding VAT)		**(331,473)**	(561,541)
Proceeds from sale of subsidiaries		**-**	180,000
Proceeds from sale of investment property (excluding VAT)		**148,966**	1,135,430
Proceeds from sale of property, plant and equipment (excluding VAT)		**5,438**	228,414
Net cash used in investing activities		**(6,467,593)**	**(3,926,938)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings		**17,772,121**	13,133,144
Repayment of loans and borrowings		**(9,958,485)**	(11,550,024)
Interest paid on loans and borrowings		**(3,966,907)**	(2,930,762)
Repayment of principal amount of lease liabilities		**(5,094,982)**	(4,660,511)
Interest paid on lease liabilities		**(2,075,250)**	(1,917,591)
Dividends paid	22	**(480,594)**	-
Other financial payments and proceeds		**(80,560)**	(211,319)
Net cash used in financing activities		**(3,884,657)**	(8,137,063)
Net increase in cash and cash equivalents		**2,605,495**	**1,749,462**
Cash and cash equivalents at the beginning of the year	21	**9,447,998**	7,713,568
Effect of exchange rate fluctuations on cash and cash equivalents		**(274,159)**	(15,032)
Cash and cash equivalents at the end of the year	**21**	**11,779,334**	**9,447,998**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 65

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1 Background

(a) The Group and its operations

These consolidated financial statements for the year ended 31 December 2022 have been prepared for O'KEY GROUP S.A. (the "Company") and its subsidiaries (together referred to as the "Group").

The Company was incorporated and is domiciled in Luxembourg. The Company is a public limited company (société anonyme) and was set up in accordance with Luxembourg regulations. The main part of the Group is located and conducts its business in the Russian Federation.

The Company does not have an immediate parent or an ultimate controlling party.

As at 31 December 2022 and 2021, the Company's major indirect shareholders are Mr. Troitskii, Mr. Volchek.

As at 31 December 2022 global depository receipts ("GDRs") represented 50.22% of the Company's shares, 38.172% of the Company's shares in the form of GDRs were listed on the London Stock Exchange (as at 31 December 2021 GDRs represented 41.89% of the Company's shares, 38.172% of the Company's shares were admitted to trading on the London Stock Exchange in the form of GDRs). On 15 February 2022, some ordinary shares were converted into GDRs and as a result, GDRs share reached 50.22% in the Company's shares, 38.172% of the Company's shares were admitted to trading on the London Stock Exchange in the form of GDRs. In March 2022, the London Stock Exchange temporally suspended the admission to trading of the Group's GDRs, which has not been resumed as of the date of these consolidated financial statements. Starting 14 December 2020, the Company's GDRs are also traded on Moscow Exchange. As of the date of these consolidated financial statements the Group's GDRs and bonds remain admitted to trading on Moscow Exchange.

The Company's registered office is 25C Boulevard Royal, L-2449 Luxembourg.

The Group's principal business activity is operation of retail chains in Russia under the brand names "O'KEY" (hypermarkets) and "Da!" (discounter stores). At 31 December 2022, the Group operated 273 stores including 194 discounter stores (31 December 2021: 230 stores including 152 discounter stores) in major Russian cities, including but not limited to Moscow and towns in Moscow region, St. Petersburg, Murmansk, Nizhniy Novgorod, Rostov-on-Don, Krasnodar, Lipetsk, Ekaterinburg, Novosibirsk, Krasnoyarsk, Ufa, Astrakhan and Surgut.

(b) Business environment

The Group's operations are primarily located in the Russian Federation which displays 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 Russian economy continued to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals.

In 2022 ongoing political tension in the region escalated as a result of further developments of the situation with Ukraine which have negatively impacted commodity and financial markets, and increased volatility, particularly with regard to foreign exchange rates. Since February 2022, several packages of sanctions have been imposed by USA, UK, and EU countries against several Russian sectors of economy, enterprises and individuals. Additionally, a number of multinational brands and foreign companies had to suspend their operations in Russia and/ or with Russian counterparties. However, no sanctions have been imposed against the Company, nor any of its subsidiaries, nor its major indirect shareholders.

The Bank of Russia key rate also was volatile during the reporting period. As a part of comprehensive measures to ensure the stability of credit institutions, the Bank of Russia raised the key rate to 20% p.a. in February 2022. Nevertheless, as the macroeconomic environment started to stabilise, the Bank of Russia has been gradually lowering the key rate. In December 2022, the key rate was lowered further to 7.5% p.a. compared to 8.5% in December 2021.

In March and April 2022, the Group temporarily kept its promotional activity in the hypermarkets limited on the back of the current economic environment. The Group also temporarily increased stock purchase volumes to secure sufficient stock levels, ensure full on-shelf availability of essential goods and goods under the brands which availability in the Russian market was not guaranteed. After March 2022, the Group revised its portfolio of suppliers and made necessary adjustments to its supply chain and logistics in order to secure the uninterrupted supply of products on offer. Moreover, the Group has historically been focused on domestic supply with around 80% of assortment sourced locally. Moreover, the grocery retail is one of the most sustainable sectors of the economy and will always be in demand by customers.

Despite the volatility on the capital market, the Group's financial position and ability to attract financing remained solid in the reporting period as the grocery retail sector remains highly resilient and demanded by consumers. In June 2022, Expert RA credit rating agency affirmed the credit rating of O'Key LLC, the main operating subsidiary of the Company, at "ruA-", outlook Stable. The rating reflects the Group's solid and stable operational and financial position in the market, low exposure to market risks, and high standards of corporate governance, risk management, strategic control and transparency. According to Expert RA, the qualitative assessment of the Group's liquidity is high, which is attributable to low leverage and diversified financing structure.

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

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

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of investment properties and financial instruments at fair value.

These consolidated financial statements were authorised for issue by the Board of Directors on 14 April 2023.

Any changes to these consolidated financial statements after issue require approval of the Board of Directors.

3 Functional and presentation currency

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and the Group's subsidiaries outside of the Russian Federation is the US Dollar ("USD") and the functional currency of the Group's Russian subsidiaries is the Russian Rouble ("RUB"). The consolidated financial statements are presented in RUB, which is the Group's presentation currency. All financial information presented in RUB has been rounded to the nearest thousand, except when otherwise indicated.

The results and financial position of the Group entities, which functional currencies are different from RUB, are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the respective reporting period;
- income and expenses are translated at the date of transaction;
- components of equity are translated at the historic rate; and
- all resulting exchange differences are recognised in other comprehensive income.

At 31 December 2022 the principal rates of exchange used for translating foreign currency balances were USD 1 = RUB 70.3375; EUR 1 = RUB 75.6553 (31 December 2021: USD 1 = RUB 74.2926; EUR 1 = RUB 84.0695).

4 Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Management also exercises certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Tax legislation. The Group is subject to taxation in several jurisdictions. The major part of the tax burden refers to the Russian tax legislation, which is subject to varying interpretations when being applied to the transactions and activities of the Group. Significant judgement is required in determining whether the tax positions and interpretations the Group has taken can be sustained. Refer to Note 30.

Bonuses from suppliers. The Group receives various bonuses from suppliers which represent a significant reduction in cost of goods sold and inventory cost. The calculation of these amounts is in part dependent on an estimation of whether the amounts due under agreements with suppliers have been earned at the reporting date based on inventory purchased and other conditions. In particular, estimates and judgements are applied in determining the period-end accrual for the supplier bonuses that are conditional on the volume of promotional or marketing activities provided. The allocation of the bonuses to inventory cost also has some element of judgement in relation to the attribution of the bonuses earned to the cost of specific goods received from suppliers based on the proportion of goods purchased.

Determination of recoverable amount of non-current assets. For those non-current assets where impairment indicators exist as at reporting date, the Group estimates the recoverable amount being the higher of their value in use and fair value less costs of disposal. For details of impairment assessment performed as at 31 December 2022 refer to Notes 14-16.

Recoverability of deferred tax asset. Significant judgment is required in assessment of recoverability of deferred tax asset on tax losses of LLC Fresh Market, the Group's entity that develops a discounter chain and does not yet generate profit. The Group performs analysis of future taxable profit to cover the accumulated tax losses on the basis of the long-term budget for the entity. Recognition of the deferred tax asset is contingent on the ability of the Group management to adhere to the long-term budget. Refer to Note 12.

Lease term. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

If the contractual lease term does not align with the economics of the transaction, management considers whether there are any non-contractual enforceable rights beyond the written agreement to determine the lease term with reference to mutual understanding between the parties, respective laws and regulations and other relevant factors. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

The Group leases land and trade and other premises based on the lease agreements with various termination and extension options. To determine the lease term the management has applied judgement in performing its 'reasonably certain' assessment and determined that it is reasonably certain that the extension options will be exercised or termination options will not be exercised during the lease period which is based on the Group's business plan with the respective planning horizon.

Most extension options in leases of trade premises have been included in the lease liability, because the Group is unlikely to replace the assets within the Group's planning horizon.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, e.g. asset reconstruction, renovation and other, which affects this assessment, and that is within the control of the lessee.

For lease agreements of trade and other premises with various extension and termination options, where the lease period is based on the Group's business plan with the respective planning horizon, the Group also performs its 'reasonably certain' reassessment and determines that it is reasonably certain that the extension options will be exercised or termination options will not be exercised closer to the end of the lease term, usually six months before the end of the lease. Six-month period is considered to be sufficient to make a decision to vacate the property or continue with the lease. The financial effect of revising the lease terms to reflect the effect of exercising extension and termination options was included in the 'Modifications and reassessments' captions in Notes 15 and 25.

An increase in the lease term by 1 year for the leases assuming extension options at the reporting date would have increased the balances of right-of-use assets and lease liabilities by RUB 3,862,759 thousand and RUB 3,863,779 thousand, respectively (31 December 2021: by RUB 3,356,000 thousand and RUB 3,849,350 thousand, respectively).

A decrease of the lease term by 1 year for the leases assuming extension options at the reporting date would have decreased the balances of right-of-use assets and lease liabilities by RUB 3,689,575 thousand and RUB 4,252,993 thousand, respectively (31 December 2021: by RUB 3,396,092 thousand and RUB 3,946,326 thousand, respectively).

This analysis assumes that all other variables, in particular incremental borrowing rate, remain constant.

Discount rates used for determination of lease liabilities. The Group uses its incremental borrowing rate as a base for calculation of the discount rate because the interest rate implicit in the lease cannot be readily determined. In 2022, the Group's incremental borrowing rate applied to lease liabilities denominated in Russian Roubles ranged from 10 to 20%, and for contracts denominated in other currencies from 5 to 6% (2021: from 6 to 9% and from 2 to 5%, respectively).

An increase in the discount rate by 100 basis points at the reporting date would have decreased the balances of right-of-use assets and lease liabilities by RUB 578,512 thousand and RUB 606,158 thousand, respectively (31 December 2021: by RUB 683,997 thousand and RUB 672,583 thousand, respectively).

A decrease of the discount rate by 100 basis points at the reporting date would have increased the balances of right-of-use assets and lease liabilities by RUB 623,506 thousand and RUB 653,263 thousand, respectively (31 December 2021: by RUB 900,502 thousand and RUB 866,895 thousand, respectively).

This analysis assumes that all other variables, in particular lease term, remain constant.

5 New or revised standards and interpretations adopted by the Group

The following amendments to standards became effective from 1 January 2022, but did not have any material impact on the Group:

- The Group applied "Onerous Contracts— Cost of Fulfilling a Contract" (amendments to IAS 37) from 1 January 2022. This resulted in a change in accounting policy to measure onerous contracts. Previously, the Group only considered the additional costs of fulfilling the contract when determining whether the contract is onerous. The revised policy provides for the inclusion of both additional costs and the allocation of other direct costs.
- The Group has analysed all contracts existing as at 1 January 2022 and determined that none of them will be identified as onerous when applying the revised accounting policy, the change will not affect the initial equity balances as at 1 January 2022.

6 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 core assortment of goods in the stores of each segment is different, and the segments are managed separately. For each of the segments, the CODM 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 the 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 33).

Basis of segmentation used in these consolidated financial statements is consistent with that used in the prior year.

The segment information for the years ended 31 December 2022 and 31 December 2021 is as follows:

'000 RUB	O'Key		Da!		Total	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
EXTERNAL REVENUE						
• Sales of trading stock	**141,192,389**	144,630,730	**53,296,838**	34,788,867	**194,489,227**	179,419,597
• Sales of self-produced catering products	**5,711,789**	5,752,677	**-**	-	**5,711,789**	5,752,677
Revenue from contracts with customers	**146,904,178**	150,383,407	**53,296,838**	34,788,867	**200,201,016**	185,172,274
Rental income	**1,919,460**	1,877,061	**50,250**	48,017	**1,969,710**	1,925,078
Total revenue	**148,823,638**	152,260,468	**53,347,088**	34,836,884	**202,170,726**	187,097,352
Inter-segment revenue	**415,786**	319,596	**1,697,088**	1,925,606	**2,112,874**	2,245,202
EBITDA	**13,377,419**	**13,839,469**	**3,642,982**	**1,664,997**	**17,020,401**	**15,504,466**

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

'000 RUB	Note	2022	2021
EBITDA		**17,020,401**	**15,504,466**
Revaluation of investment property	9, 13	**(135,000)**	(97,796)
Net loss from disposal of non-current assets and net impairment of non-current assets	9	**(215,749)**	(996,429)
Loss from write-off of receivables and impairment of receivables	9	**(197,916)**	(317,855)
Depreciation and amortisation	8	**(10,661,819)**	(8,904,143)
Finance income	10	**438,380**	68,430
Finance costs	10	**(6,080,150)**	(4,866,815)
Foreign exchange gain	11	**312,806**	205,888
Other one-off items		**(58,968)**	(197,399)
Profit before income tax		**421,985**	398,347
Income tax (expense)	12	**(180,455)**	(190,518)
Profit for the year		**241,530**	**207,829**

7 Principal subsidiaries

Details of the Company's significant subsidiaries at 31 December 2022 and 31 December 2021, all 100% owned are as follows:

Subsidiary	Country	Nature of operations
LLC O'KEY	Russian Federation	Retail
LLC Fresh Market	Russian Federation	Retail and real estate
JSC Dorinda	Russian Federation	Real estate
LLC O'KEY management	Russian Federation	Managing company
LLC O'KEY Logistics	Russian Federation	Import operations
O'KEY Investments Ltd	Cyprus	Financing

8 General, selling and administrative expenses

'000 RUB	Note	2022	2021
Personnel costs		**16,850,253**	15,387,753
Depreciation and amortisation	14-16	**10,661,819**	8,904,143
Communication and utilities		**4,586,749**	4,036,544
Advertising and marketing		**2,295,894**	1,992,459
Repairs and maintenance costs		**1,582,106**	1,398,746
Insurance and bank commissions		**1,259,641**	1,094,159
Security expenses		**784,885**	730,438
Legal and professional expenses		**651,024**	708,968
Operating taxes		**765,669**	651,760
Materials and supplies		**460,448**	408,653
Variable lease expenses and expenses relating to short-term and low value leases		**448,245**	353,397
Other costs		**43,202**	51,407
Total general, selling and administrative expenses		**40,389,935**	**35,718,427**

Total employee benefits expense for the year ended 31 December 2022 included in the cost of goods sold and general, selling and administrative expenses is RUB 20,719,462 thousand (2021: 18,405,339 thousand).

During the year ended 31 December 2022 the Group employed 21 thousand employees on average (2021: 20 thousand employees on average). Approximately 95% of the employees (2021: 95% of the employees) are store and warehouse employees and the remaining part is office employees.

Fees billed to the Group by the independent auditors for statutory and consolidated audits and other advisors are as follows:

'000 RUB	2022	2021
Fees for statutory audit of annual and consolidated accounts	**21,768**	18,796
Fees charged for other assurance services (other advisors)	**9,011**	5,249
Fees charged for tax advisory services (other advisors)	**9,622**	2,025
Total auditors' remuneration	**40,401**	**26,070**

9 Other operating income and expenses, net

'000 RUB	Note	2022	2021
Gain from modification of leases	15, 25	**6,720**	82,725
Net loss from disposal of non-current assets		**(110,658)**	(244,010)
Reversal of impairment of non-current assets	14,15	**-**	293,164
Impairment of non-current assets	14	**(105,000)**	(1,045,583)
Reversal of impairment /Impairment of receivables		**2,729**	(58,304)
Loss from write-off of receivables		**(200,645)**	(259,551)
Loss from revaluation of investment property	13	**(135,000)**	(97,796)
Loss from disposal of right-of-use assets		**(91)**	-
Sundry income and expense, net		**(124,958)**	(80,457)
Total other operating income and expenses, net		**(666,903)**	**(1,409,812)**

10 Finance income and finance costs

'000 RUB	2022	2021
RECOGNISED IN PROFIT OR LOSS		
Interest income on bank deposits	**438,380**	68,430
Total finance income	**438,380**	**68,430**
Interest expense on loans and borrowings	**(4,006,800)**	(2,990,720)
Interest expense on lease liabilities (Note 25)	**(2,073,350)**	(1,875,913)
Reclassification from hedging reserve	**-**	(182)
Total finance costs	**(6,080,150)**	**(4,866,815)**
Net finance costs recognised in profit or loss	**(5,641,770)**	**(4,798,385)**

During 2022 the Group has capitalised borrowing costs in the amount of RUB 61,051 thousand (2021: RUB 81,673 thousand) arising on financing directly attributable to the construction of the Group's new stores. The capitalisation rate was 9.9% (2021: 7.7%).

11 Foreign exchange gain

The Group's risk management policy is to receive loans and borrowings in the same currency in which revenues are generated (RUB). As at 31 December 2022, there are no USD-denominated loans and borrowings (31 December 2021: the share of the Group's USD-denominated loans and borrowings approximated 3% of total loans and borrowings). The Group's exposure to currency risk is disclosed in Note 28.

'000 RUB	2022	2021
Foreign exchange loss on financial items	**(4,277,117)**	(461,167)
Foreign exchange gain on financial items	**4,815,285**	600,713
Net foreign exchange gain on financial items	**538,168**	**139,546**
Foreign exchange (loss) gain on operating items	**(225,362)**	66,342
Total foreign exchange gain	**312,806**	**205,888**

In 2022 substantial amount of the net foreign exchange gain relates to USD-denominated intercompany loans between Group entities with different functional currencies which are eliminated on consolidation. The residual net foreign exchange gain is attributable to lease contracts in foreign currencies while foreign exchange losses arose mainly from import operations.

In 2021 substantial amount of the net foreign exchange gain relates to lease contracts in foreign currencies. Another major part of the net foreign exchange gain arose on import operations. The residual impact is attributable to USD-denominated intercompany loans between Group entities with different functional currencies which are eliminated on consolidation.

12 Income tax

Income tax recognised in profit or loss

'000 RUB	2022	2021
Current tax expense	**(512,422)**	(460,295)
Deferred tax benefit	**331,967**	269,777
Total income tax (expense)	**(180,455)**	**(190,518)**

Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the majority of the Group's 2022 and 2021 income is 20%, the income tax rate established by the Russian tax legislation. A reconciliation between the expected and the actual taxation benefit/charge is provided below.

'000 RUB	2022	2021
Profit before income tax	**421,985**	**398,347**
Theoretical income tax at applicable tax rate of 20%	**(84,397)**	(79,669)
Effect of income taxed at different rates	**76,856**	(17,561)
Tax effect of items which are not deductible for taxation purposes:		
• Inventory shrinkage expenses	**(47,481)**	(64,151)
• Other non-deductible expenses	**(70,257)**	(84,771)
Adjustments to current income tax	**(55,176)**	55,634
Income tax (expense) for the year	**(180,455)**	**(190,518)**

Deferred tax assets and liabilities

(a) Deferred taxes in respect of subsidiaries

The Group has not recorded a deferred tax liability in respect of temporary differences of RUB 27,729,964 thousand (31 December 2021: RUB 28,053,090 thousand) associated with investments in subsidiaries as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future. If the temporary difference reversed in form of distributions remitted to the Company, then an enacted tax rate of 5-15% would apply.

(b) Recognised deferred tax asset on tax loss carried forward

Deferred tax asset recognised in respect of tax loss carried forward relates to the losses accumulated by the Group's subsidiary LLC Fresh Market that develops a discounter chain and does not yet generate profit.

Starting from 1 January 2017 the amendments to the Russian tax legislation became effective in respect of tax loss carry forwards. The amendments affect tax losses incurred and accumulated since 2007 that have not been utilised. The 10-year expiry period for tax loss carry-forwards that was in effect prior to 2017 no longer applies, and the accumulated tax losses can now be carried forward for utilisation in future periods without any time limitation, with exception of limitation on utilisation of tax loss carry forwards that applies during the period from 2017 to 2024. The amount of losses that can be utilised each year during this period is limited to 50% of annual taxable profit.

The Group determined that future taxable profits will be available at LLC Fresh Market in the foreseeable future against which its accumulated losses can be utilised. In making this assessment the Group considered that according to the discounter chain's long-term budget the deferred tax asset of RUB 3,414,362 thousand on accumulated losses generated by LLC Fresh Market as at 31 December 2022 will be utilised in full by 2028. In 2022 no corrections to the Group's long-term plan for number of opening of new stores were made. The Group is following its long-term budget approved in prior years with insignificant changes on revenue and expenses planned for 2023 in order to reflect changes noted in 2022 with no impact on total net profit in monetary terms.

Recognition of the deferred tax asset is contingent on the ability of the Group management to adhere to the key assumptions made in the long-term budget. These key assumptions in the discounter chain's long-term budget covering 2023-2028 include annual expansion by approximately 45-50 new discounter stores per year; annual growth in revenue comparable with past dynamics of the discounter chain; and gradual decrease of share of semi-fixed costs due to economies of scale.

In addressing the sensitivity of the timing of full utilisation of the deferred tax asset attributable to LLC Fresh Market, the Group estimated that if the pace of openings of new discounter stores in each of the years from 2023 to 2028 is lower by 20% as compared to the chain expansion rate reflected in the segment's long-term budget, with all other assumptions held constant, the timing of full utilisation of the deferred tax asset would shift from 2028 to 2029. The Group believes that any such shift does not affect the probability that the deferred tax asset would be fully utilised, since the tax losses can be carried forward indefinitely and have no expiry date under the Russian tax legislation.

(c) Movement in temporary differences during the year

Differences between IFRS and statutory taxation regulations in Russia and other countries give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below.

'000 RUB	1 January 2022	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2022
TAX EFFECT OF DEDUCTIBLE/ (TAXABLE) TEMPORARY DIFFERENCES AND TAX LOSS CARRY FORWARDS				
Investment property	**152,953**	27,000	-	**179,953**
Property, plant and equipment	**(1,464,399)**	160,630	-	**(1,303,769)**
Construction in progress	**(73,423)**	(138,082)	-	**(211,505)**
Right-of-use assets	**(2,909,161)**	298,242	-	**(2,610,919)**
Intangible assets	**(96,079)**	(10,020)	-	**(106,099)**
Other non-current assets	**145,591**	(187,748)	-	**(42,157)**
Inventories	**267,631**	(9,586)	-	**258,045**
Trade and other receivables and payables	**139,571**	300,553		**440,124**
Long-term investments	**5,785**	-	-	**5,785**
Lease liabilities	**4,812,607**	(123,477)	-	**4,689,130**
Tax loss carry-forwards	**3,399,908**	14,455	-	**3,414,363**
Net deferred tax assets	**4,380,984**	331,967	-	**4,712,951**
Recognised deferred tax assets	**4,895,412**	-	-	**5,245,595**
Recognised deferred tax liabilities	**(514,428)**	-	-	**(532,644)**

'000 RUB	1 January 2021	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2021
TAX EFFECT OF DEDUCTIBLE/ (TAXABLE) TEMPORARY DIFFERENCES AND TAX LOSS CARRY FORWARDS				
Investment property	133,394	19,559	-	152,953
Property, plant and equipment	(1,520,221)	55,822	-	(1,464,399)
Construction in progress	(258,363)	184,940	-	(73,423)
Right-of-use assets	(2,961,959)	52,798	-	(2,909,161)
Intangible assets	(91,784)	(4,295)	-	(96,079)
Other non-current assets	217,576	(71,985)	-	145,591
Inventories	321,283	(53,652)	-	267,631
Trade and other receivables and payables	194,409	(16,074)	(38,764)	139,571
Long-term investments	5,785	-	-	5,785
Lease liabilities	4,927,822	(115,215)	-	4,812,607
Tax loss carry-forwards	3,182,029	217,879	-	3,399,908
Net deferred tax assets	**4,149,971**	**269,777**	**(38,764)**	**4,380,984**
Recognised deferred tax assets	4,709,712	-	-	4,895,412
Recognised deferred tax liabilities	**(559,741)**	**-**	**-**	**(514,428)**

In the context of the Group's current structure, tax losses and current tax assets of different Group companies may not be offset against current tax liabilities and taxable profits of other Group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity.

13 Investment property

(a) Reconciliation of carrying amount

'000 RUB	Note	
Investment properties at fair value as at 1 January 2021		**1,897,449**
Transfer from property, plant and equipment and construction in progress and right-of-use assets	14,15	1,338,629
Expenditure on subsequent improvements		7,844
Fair value gains less losses	9	(97,796)
Disposals		(1,198,908)
Investment properties at fair value as at 31 December 2021		**1,947,218**
Investment properties at fair value as at 1 January 2022		**1,947,218**
Fair value gains less losses	9	(135,000)
Reclassification to non-current assets held for sale		(305,000)
Other changes		(32,885)
Investment properties at fair value as at 31 December 2022		**1,474,333**

The trade premises of the Group included in investment property are subject to operating leases. As at 31 December 2022 the Group's investment property comprises three buildings and four land plots (31 December 2021: three buildings and six land plots).

In the reporting period the Group entered into active negotiations with a third party in respect of a sale of two of the Group's investment properties represented by a land plots and concluded that as at 31 December 2022, it was highly probable that the sale would be shortly completed. The underlying two land plots were therefore remeasured at its current fair value less costs to sell with reference to its expected selling price and reclassified to non-current assets held for sale.

(b) Measurement of fair value

The investment properties are valued annually on 31 December at fair value, by an independent, professionally qualified valuator who has recent experience in valuing similar properties in the Russian Federation.

The carrying values of investment properties at 31 December 2022 and 31 December 2021 agree to the valuations reported by the external valuators with the use of a combination of the market approach with reference to comparable prices for orderly transactions with similar properties and the income approach with reference to estimates of future cash flows, supported by the terms of any existing lease and other contracts and by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions underlying the estimation of the fair value with reference to the income approach are those relating to: the annual net rent rate of RUB 912-1,829 per sq. m. (31 December 2021: RUB 898 –11,872 per sq. m.); expected occupancy of 82 – 100% in the subsequent years (31 December 2021: 88,0 – 100%); and appropriate discount rate of 10,15% – 13,5% (31 December 2021: 12,4% – 16,4%).

These valuations are regularly compared to actual market yield data and actual transactions by the Group, and those reported by the market.

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.

14 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
COST							
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	480,093	706,457	-	1,097,733	**2,284,283**	3,393,564	**5,677,847**
Transfers	-	470,374	1,473,980	851,649	**2,796,003**	(2,796,003)	**-**
Transfer to investment property (Note 13)	(583,790)	-	-	(16,753)	**(600,543)**	(516,557)	**(1,117,100)**
Disposals	(296,659)	(29,930)	(44,292)	(780,078)	**(1,150,959)**	(140,411)	**(1,291,370)**
Balance at 31 December 2021	**3,735,039**	**42,294,973**	**10,586,717**	**18,273,095**	**74,889,824**	**2,974,861**	**77,864,685**

'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
COST							
Balance at 1 January 2022	**3,735,039**	**42,294,973**	**10,586,717**	**18,273,095**	**74,889,824**	**2,974,861**	**77,864,685**
Additions	-	5,768	10,346	2,761,363	**2,777,477**	3,041,853	**5,819,330**
Transfers	-	433,262	2,355,033	557,341	**3,345,636**	(3,345,636)	-
Disposals	-	(546)	(115,203)	(929,780)	**(1,045,529)**	(37,290)	**(1,082,819)**
Balance at 31 December 2022	**3,735,039**	**42,733,457**	**12,836,893**	**20,662,019**	**79,967,408**	**2,633,789**	**82,601,197**
DEPRECIATION AND IMPAIRMENT LOSSES							
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 year	-	(1,355,776)	(1,157,987)	(1,457,892)	**(3,971,655)**	-	**(3,971,655)**
Transfers to investment property (Note 13)	15,871	-	-	11,709	**27,580**	-	**27,580**
Reversal of impairment through profit or loss	-	150,000	49,299	-	**199,299**	-	**199,299**
Impairment losses	(92,484)	-	-	-	**(92,484)**	(953,099)	**(1,045,583)**
Disposals	92,484	3,550	22,746	754,377	**873,157**	-	**873,157**
Balance at 31 December 2021	**-**	**(13,237,435)**	**(5,903,739)**	**(14,131,511)**	**(33,272,685)**	**(1,202,772)**	**(34,475,457)**
Balance at 1 January 2022	**-**	**(13,237,435)**	**(5,903,739)**	**(14,131,511)**	**(33,272,685)**	**(1,202,772)**	**(34,475,457)**
Depreciation for the year	-	(1,397,560)	(1,924,340)	(1,748,345)	**(5,070,245)**		**(5,070,245)**
Impairment losses	-	-	-	-	**-**	(105,000)	**(105,000)**
Disposals	-	257	103,920	881,197	**985,373**	-	**985,373**
Balance at 31 December 2022	**-**	**(14,634,738)**	**(7,724,160)**	**(14,998,659)**	**(37,357,557)**	**(1,307,772)**	**(38,665,329)**
NET BOOK VALUE							
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 31 December 2021	**3,735,039**	**29,057,538**	**4,682,978**	**4,141,584**	**41,617,139**	**1,772,089**	**43,389,228**
At 31 December 2022	**3,735,039**	**28,098,719**	**5,112,734**	**5,663,360**	**42,609,851**	**1,326,017**	**43,935,868**

Depreciation expense of RUB 5,070,245 thousand has been charged to selling, general and administrative expenses (2021: RUB 3,971,655 thousand).

Impairment assessment

At the end of each reporting period, the Group assesses whether there is any indication that its non-current assets including property, plant and equipment, right-of-use assets and other non-current assets may be impaired. Where the non-current assets relate to the Group's stores, these stores are treated as separate CGUs, and impairment assessment is performed in respect of the aggregate carrying value of the non-current assets attributable to these CGUs with reference to their actual and anticipated performance and other relevant factors.

For the CGUs subject to impairment testing, recoverable amount was determined based on value-in-use.

Value in use calculations were prepared using cash flow projections based on financial budgets and forecasts approved by management covering a one-year period. Cash flows beyond the one-year period are extrapolated using an expected growth rate for each particular CGU which depends on its maturity and other relevant factors. The discount rates are post-tax and reflect management's estimate of the risks specific to the Group.

As the result of the impairment test performed as at 31 December 2022, the Group recognised an impairment loss in the amount of RUB 105,000 thousand in respect of certain construction in progress belonging to O'Key segment (31 December 2021: impairment loss of RUB 953,099 thousand, in respect of construction in progress, belonging to O'Key segment).

The total recoverable amount of the impaired assets determined based on the value in use approach as at 31 December 2022 amounted to RUB 585,474 thousand.

The post-tax discount rate used in the assessment under the value in use approach as at 31 December 2022 was 12.3% (31 December 2021: 11.9%). 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 40,000 thousand (2021: if the estimated post-tax discount rate had been 200 basis points higher than management's estimates, the Group would need to reduce the carrying value of property, plant and equipment by RUB 133,000 thousand).

Pledged assets

At 31 December 2022, trade stores with carrying value of RUB 7,788,521 thousand have been pledged to third parties as collateral for bank borrowings (31 December 2021: trade stores were pledged with carrying value of RUB 8,020,647 thousand).

15 Right-of-use assets

The Group leases various trade premises, land and other assets. Rental contracts are typically made for fixed periods of 3 to 49 years but may have extension and early termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

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

'000 RUB	Trade premises	Land	Other	Total
Balance at 1 January 2021	**14,335,276**	**4,388,776**	**1,877,939**	**20,601,991**
Additions	1,126,071	-	137,217	1,263,288
Modifications and reassessments	2,987,565	(154,938)	268,302	3,100,929
Depreciation	(3,533,798)	(202,601)	(725,315)	(4,461,714)
Reversal of impairment through profit or loss	-	93,865	-	93,865
Transfers to investment property (Note 13)	-	(249,109)	-	(249,109)
Disposals	-	(158,351)	-	(158,351)
Balance at 31 December 2021	**14,915,114**	**3,717,642**	**1,558,143**	**20,190,899**
Balance at 1 January 2022	**14,915,114**	**3,717,642**	**1,558,143**	**20,190,899**
Additions	2,199,768	-	133,059	2,332,827
Modifications and reassessments	1,906,936	(176,191)	(60,020)	1,670,725
Depreciation	(4,092,331)	(168,111)	(717,193)	(4,977,635)
Balance at 31 December 2022	**14,929,487**	**3,373,340**	**913,989**	**19,216,816**

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

Modifications and reassessments for the year ended 31 December 2022 were driven by the 'reasonably certain' reassessment of the lease term for some of the Group's leases of trade premises in discounter segment, with extension and termination options, six months before the end of the lease, as well as by the modification of a number of other leases, that changed either the consideration for the lease, contractual lease term, or both.

Depreciation expense of RUB 4,970,334 thousand (2021: RUB 4,287,507 thousand) has been charged to general, selling and administrative expenses. During 2022 the Group has capitalised depreciation of right of use assets in the amount of RUB 7,301 thousand (2021: RUB 174,207 thousand).

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 31 December 2022 and 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 14. No impairment attributable to the right-of-use assets was identified as at 31 December 2022 and 31 December 2021.

No reversal of impairment as at 31 December 2022 was made. As the result of the impairment test performed as at 31 December 2021, the Group recognised an impairment reversal in the amount of RUB 93,865 thousand, in respect of right of use asset related to the leased land plot for trade premise, which belongs to O'Key segment.

16 Intangible assets

'000 RUB	Software	Other intangible assets	Total
COST			
Balance at 1 January 2021	**1,966,667**	**267,105**	**2,233,772**
Additions	639,930	68,999	708,929
Disposals	(642,539)	(19,672)	(662,211)
Balance at 31 December 2021	**1,964,058**	**316,432**	**2,280,490**
Balance at 1 January 2022	**1,964,058**	**316,432**	**2,280,490**
Additions	836 228	103,282	939,510
Disposals	(826,268)	(110,254)	(936,522)
Balance at 31 December 2022	**1,974,018**	**309,460**	**2,283,478**
AMORTISATION AND IMPAIRMENT LOSSES			
Balance at 1 January 2021	**(837,381)**	**(126,587)**	**(963,968)**
Amortisation for the year	(618,459)	(26,522)	(644,981)
Disposals	642,510	16,325	658,835
Balance at 31 December 2021	**(813,330)**	**(136,784)**	**(950,114)**
Balance at 1 January 2022	**(813,330)**	**(136,784)**	**(950,114)**
Amortisation for the year	(584,211)	(37,029)	(621,240)
Disposals	481,320	12,071	493,391
Balance at 31 December 2022	**(916,221)**	**(161,742)**	**(1,077,963)**
CARRYING AMOUNTS			
At 1 January 2021	**1,129,286**	**140,518**	**1,269,804**
At 31 December 2021	**1,150,728**	**179,648**	**1,330,376**
At 31 December 2022	**1,057,797**	**147,718**	**1,205,515**

Amortisation of RUB 621,240 thousand has been charged to selling, general and administrative expenses (2021: RUB 644,981 thousand).

No indicators of impairment were identified for the Group's intangible assets as at 31 December 2022 and 31 December 2021.

17 Prepayments

'000 RUB	**31 December 2022**	31 December 2021
Prepayments for goods	**514,967**	379,413
Prepayments for variable lease payments – third parties	**118,645**	44,890
Prepayments for services	**299,642**	441,122
VAT on prepayments	**44,462**	174,532
Other prepayments	**199,745**	119,207
Total prepayments	**1,177,461**	**1,159,164**

18 Other non-current assets

'000 RUB	31 December 2022	31 December 2021
FINANCIAL ASSETS WITHIN OTHER NON-CURRENT ASSETS		
Long-term refundable deposits to lessors	**570,419**	336,248
Total financial assets within other non-current assets	**570,419**	336,248
OTHER NON-CURRENT ASSETS		
Prepayments for non-current assets	**1,230,720**	623,180
Total other non-current assets	**1,801,139**	**959,428**

19 Inventories

'000 RUB	31 December 2022	31 December 2021
Goods for resale	**22,846,326**	19,369,928
Raw materials and consumables	**1,736,759**	1,133,862
Write-down to net realisable value	**(666,098)**	(626,615)
Total inventories	**23,916,987**	**19,877,175**

The Group tested the inventories for obsolescence and wrote down the inventories to their net realisable value, which resulted in a decrease of the carrying value of inventories by RUB 666,098 thousand as at 31 December 2022 (31 December 2021: RUB 626,615 thousand). The write down to net realisable value was determined by applying percentages of discount on sales and write-offs of slow-moving goods to the appropriate aging of the goods. The percentages of discount were based on the management's best estimate following the experience of the discount sales.

20 Trade and other receivables

'000 RUB	31 December 2022	31 December 2021
FINANCIAL ASSETS WITHIN TRADE AND OTHER RECEIVABLES		
Trade receivables	**332,773**	311,490
Bonuses receivable from suppliers	**2,031,406**	2,169,396
Other financial receivables	**210,178**	256,338
Total financial assets within trade and other receivables	**2,574,357**	2,737,224
OTHER RECEIVABLES		
VAT receivable	**338,689**	818,993
Prepaid taxes other than income tax	**17,174**	34,353
Total trade and other receivables	**2,930,220**	**3,590,570**

The Group's exposure to credit and currency risks and credit loss allowance as at 31 December 2022 and 31 December 2021 related to trade and other receivables are disclosed in Note 28.

21 Cash and cash equivalents

'000 RUB	31 December 2022	31 December 2021
Cash on hand	**302,561**	230,731
Bank current accounts	**3,010,675**	2,913,701
Term deposits	**8,043,004**	5,980,805
Cash in transit	**423,094**	322,761
Total cash and cash equivalents	**11,779,334**	**9,447,998**

Term deposits had original maturities of less than three months.

The Group's exposure to currency risk related to cash and cash equivalents is disclosed in Note 28.

22 Equity

As at 31 December 2022 and 31 December 2021, the Company's authorised, issued and fully paid share capital of RUB 119,440 thousand, the RUB equivalent of EUR 2,691 thousand, is represented by 269,074,000 ordinary shares with a par value of 0.01 EUR each. Each share is entitled to one vote, except as may be otherwise provided by the Articles of incorporation or by applicable law.

In accordance with Luxembourg Company Law, the Company is required to transfer a minimum of 5% of its net profits for each financial year to a legal reserve. This requirement ceases to be necessary once the balance of the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders. As at 31 December 2022 and 2021, the legal reserve was formed in full.

Additional paid-in capital represents the excess of contributions received over par value of shares issued. There were no movements in additional paid-in capital during the years ended 31 December 2022 and 31 December 2021.

In July 2022, the Company approved an interim dividend on all shares in issue of EUR 8,500 thousand (0.03159 Euro per share), the equivalent of RUB 480,594 thousand at the official exchange rate as of the date of the approval. The corresponding payments were made to the shareholders in August 2022 in full. Dividends declared were recognised as distribution to owners in the consolidated statement of changes in equity. No dividends were declared and paid in 2021.

23 Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year. The Company has no dilutive potential ordinary shares; therefore, the diluted earnings per share equals the basic earnings per share.

Earnings per share is calculated as follows:

'000 RUB	2022	2021
Profit for the year	**241,530**	207,829
Weighted average number of ordinary shares in issue (thousands)	**269,074**	269,074
Basic and diluted earnings per ordinary share (in RUB per share)	**0.9**	**0.8**

24 Loans and borrowings

'000 RUB	Currency	31 December 2022		31 December 2021	
		Maturity	Carrying value	Maturity	Carrying value
NON-CURRENT LOANS AND BORROWINGS					
Secured bank loans	RUB	**2024-2027**	**10,652,941**	2025-2027	11,694,919
Unsecured bank facilities	RUB	**2024-2026**	**13,500,000**	2023-2025	9,950,000
Unsecured bonds	RUB	**2024-2026**	**11,372,271**	2023-2024	10,000,000
Total non-current loans and borrowings			**35,525,212**		31,644,919
CURRENT LOANS AND BORROWINGS					
Secured bank loans	RUB	**2023**	**729,412**	2022	1,158,824
Unsecured bank facilities	RUB	**2023**	**3,033,333**	2022	1,033,333
Unsecured bonds	RUB	**2023**	**6,195,201**	2022	2,837,671
Unsecured loans from third parties	RUB	**2023**	**2,850**	2022	2,850
Unsecured loans from related parties (Note 31)	USD		**-**	On demand	1,139,016
Total current loans and borrowings			**9,960,796**		6,171,694
Unsecured bonds interest	RUB		**209,488**		144,483
Secured bank loans	RUB		**2,034**		2,398
Unsecured loans interest	RUB		**4,215**		2,564
Interest accrued on loans and borrowings			**215,737**		**149,445**
Total current loans and borrowings, including interest accrued			**10,176,533**		6,321,139
Total loans and borrowings			**45,701,745**		**37,966,058**

Information about property, plant and equipment pledged as collateral for the Group's loans and borrowings is disclosed in Note 14.

As at 31 December 2022 the Group had RUB 16,466,667 thousand (31 December 2021: RUB 18,550,000 thousand) of undrawn committed borrowing facilities available in RUB on fixed and floating rate basis until March 2023-August 2027 in respect of which all conditions have been met. Proceeds from these facilities may be used to finance operating and investing activities, if necessary.

In 2022 the Group repaid bonds issued during 2019-2020 and due in 2023-2025 in the amount of RUB 3,750,293 thousand.

In 2021 the Group repaid bonds issued during 2016-2017 and due in 2021 in the amount of RUB 1,175,155 thousand.

The following issues of unsecured bonds were also placed by the Group on Moscow exchange in 2019-2022:

- an issue made in April 2019 in the amount of RUB 5,000,000 thousand bearing coupon rate of 9.35% p.a. and maturing in April 2029 with an option for the bondholders to claim early repayment in April 2022. In October and November 2021 bonds were partially repaid in the amount of RUB 2,162,329 thousand. In April 2022 bonds were partially repaid in the amount of RUB 2,445,494 thousand. An option for the bondholders to claim early was prolonged till April 2025 bearing coupon rate of 9.9% p.a;
- an issue made in December 2019 in the amount of RUB 5,000,000 thousand bearing coupon rate of 7.85% p.a. and maturing in November 2024;
- an issue made in November 2020 in the amount of RUB 5,000,000 thousand bearing coupon rate of 7.50% p.a. and maturing in October 2030 with an option for the bondholders to claim early repayment in November 2023. In December 2022 bonds were partially repaid in the amount of RUB 1,304,799 thousand;
- an issue made in November 2022 in the amount of RUB 8,500,000 thousand bearing coupon rate of 11.5% p.a. and maturing in November 2032 with an option for the bondholders to claim early repayment in May 2026.

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 year-end, confirming that the banks waive their rights to demand early redemption.

At 31 December 2022 and 31 December 2021 and during the years then ended the Group complied with all its loan covenants.

25 Lease liabilities

'000 RUB	2022	2021
Balance at 1 January	**24,063,037**	**24,639,106**
Additions	**2,170,785**	1,225,111
Modifications and reassessments	**1,631,120**	3,018,204
Repayment	**(7,170,232)**	(6,578,102)
Interest expense	**2,075,250**	1,917,591
Foreign exchange gain	**(225,247)**	(158,873)
Disposals	**91**	-
Balance at 31 December	**22,544,804**	**24,063,037**
Non-current lease liabilities	**16,924,142**	19,077,160
Current lease liabilities	**5,620,662**	**4,985,877**

Interest expense in the amount of RUB 2,073,350 thousand (2021: RUB 1,875,913 thousand) has been charged to finance costs.

Total cash outflow for leases in 2022 amounted to RUB 7,612,899 thousand (2021: RUB 7,014,011 thousand).

Some property leases contain variable payment terms that are linked to sales generated by a store. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Expense relating to variable lease payments not included in lease liabilities included in selling, general and administrative expenses for 2022 was RUB 420,488 thousand (2021: RUB 337,885 thousand).

Expenses relating to short-term leases and to leases of low-value assets that are not included in lease liabilities, both included in selling, general and administrative expenses, amounted to RUB 577 thousand (2021: RUB 1,371 thousand) and RUB 27,180 thousand (2021: RUB 14,140 thousand), respectively.

26 Trade and other payables

'000 RUB	31 December 2022	31 December 2021
FINANCIAL LIABILITIES AT AMORTISED COST		
Trade payables	**26,771,109**	27,109,929
Other financial payables	**184,761**	190,008
Total financial liabilities at amortised cost	**26,955,870**	**27,299,937**
Payables to staff	**1,397,271**	1,387,210
Taxes payable other than income tax	**1,683,457**	785,391
Advances received from lessees	**520,096**	407,139
Contract liability related to gift cards	**80,251**	75,079
Total trade and other payables	**30,636,945**	**29,954,756**

The Group's contract liabilities relate to contracts with customers for periods of less than one year. RUB 75,079 thousand of revenue was recognised in the current reporting period related to the contract liabilities as at 31 December 2021, all of which related to gift cards.

The Group's exposure to currency and liquidity risks related to trade and other payables is disclosed in Note 28.

27 Reconciliation of movements of liabilities to cash flows arising from financing activities

The table below sets out an analysis of liabilities from financing activities and the movements in the Group's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing in the consolidated statement of cash flows:

'000 RUB	Note	Loans and borrowings	Lease liabilities	Dividends payable	Total
Balance at 1 January 2022		**37,966,058**	**24,063,037**	**-**	**62,029,095**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from loans and borrowings		17,772,121	-	-	17,772,121
Repayment of loans and borrowings		(9,958,485)	-	-	(9,958,485)
Interest paid on loans and borrowings		(3,966,907)	-	-	(3,966,907)
Repayment of principal amount of lease liabilities		-	(5,094,982)	-	(5,094,982)
Interest paid on lease liabilities		-	(2,075,250)	-	(2,075,250)
Dividends paid		-	-	(480,594)	(480,594)
Other financial payments		(80,560)	-	-	(80,560)
Total cash flows from financing activities		**3,766,169**	**(7,170,232)**	**(480,594)**	**(3,884,657)**
NON-CASH CHANGES					
Additions to lease liabilities	25	-	2,170,785	-	2,170,785
Modifications and reassessments of lease liabilities	25	-	1,631,120	-	1,631,120
Accrued interest	10,25	4,067,851	2,075,250	-	6,143,101
Disposals	25	-	91	-	91
Difference between the par value of the placed bond and the actual cost of the bond redemption (income)		(19,572)	-	-	(19,572)
Dividends declared	22	-	-	480,594	480,594
Effect of changes in foreign exchange rates		(78,761)	(225,247)	-	(304,008)
Total non-cash changes		**3,969,518**	**5,651,999**	**480,594**	**10,102,111**
Balance at 31 December 2022		**45,701,745**	**22,544,804**	**-**	**68,246,549**

'000 RUB	Note	Loans and borrowings	Lease liabilities	Interest rate swap liability	Total
Balance at 1 January 2021		**36,431,557**	**24,639,106**	**193,821**	**61,264,484**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from loans and borrowings		13,133,144	-	-	13,133,144
Repayment of loans and borrowings		(11,550,024)	-	-	(11,550,024)
Interest paid on loans and borrowings		(2,930,762)	-	-	(2,930,762)
Repayment of principal amount of lease liabilities		-	(4,660,511)	-	(4,660,511)
Interest paid on lease liabilities		-	(1,917,591)	-	(1,917,591)
Other financial payments		(211,319)	-	-	(211,319)
Total cash flows from financing activities		**(1,558,961)**	**(6,578,102)**	**-**	**(8,137,063)**
NON-CASH CHANGES					
Additions to lease liabilities	25	-	1,225,111	-	1,225,111
Modifications and reassessments of lease liabilities	25	-	3,018,204	-	3,018,204
Accrued interest	10,25	3,072,393	1,917,591	-	4,989,984
Derecognition of hedge		-	-	(193,821)	(193,821)
Effect of changes in foreign exchange rates		21,069	(158,873)	-	(137,804)
Total non-cash changes		3,093,462	6,002,033	(193,821)	8,901,674
Balance at 31 December 2021		**37,966,058**	**24,063,037**	**-**	**62,029,095**

28 Financial risk management

(a) Overview

The risk management function within the Group is carried out with respect to financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures in order to minimise operational and legal risks.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, trade receivables, bonuses receivable and other financial receivables.

(i) Exposure to credit risk

The carrying amounts of financial assets in the consolidated statement of financial position represent the Group's maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was:

'000 RUB	Note	Carrying amount	
		31 December 2022	**31 December 2021**
Long-term refundable deposits to lessors	18	570,419	336,248
Trade and other receivables	20	2,574,357	2,737,224
Cash and cash equivalents	21	11,476,773	9,217,267
Total		**14,621,549**	**12,290,739**

Due to the fact that the Group's principal activities are located in the Russian Federation, the credit risk is mainly associated with its domestic market. The credit risks associated with foreign counterparties are considered to be remote, as there are only few foreign counterparties and they were properly assessed for creditworthiness.

(ii) Trade and other receivables

The Group has no considerable balance of trade receivables because the majority of its customers are retail consumers, who are not provided with any credit. The Group's trade receivables primarily include receivables from tenants and receivables connected to provision of services. Other receivables are primarily represented by bonuses receivable from suppliers. The Group manages credit risk in respect of those bonuses receivable by maintaining a stable suppliers base and monitoring collectability of amounts due on an ongoing basis.

To measure the ECL for trade and other receivables, those have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2022 and 31 December 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The ECL for bonuses receivable from suppliers is determined on portfolio level based on historical default percentages applied to the total amount of bonuses receivable from suppliers, adjusted to reflect relevant current and forward-looking information.

The credit loss allowance as at 31 December 2022 determined with the use of provision matrix is summarised in the table below.

'000 RUB	Gross amount	ECL	Carrying amount
Trade receivables	339,854	(7,081)	332,773
Bonuses receivable from suppliers	2,045,886	(14,480)	2,031,406
Other financial receivables	223,556	(13,378)	210,178
Total	**2,609,296**	**(34,939)**	**2,574,357**

The credit loss allowance as at 31 December 2021 determined with the use of provision matrix is summarised in the table below.

'000 RUB	Gross amount	ECL	Carrying amount
Trade receivables	332,703	(21,213)	311,490
Bonuses receivable from suppliers	2,185,494	(16,098)	2,169,396
Other financial receivables	285,470	(29,132)	256,338
Total	**2,803,667**	**(66,443)**	**2,737,224**

When preparing the provision matrix for the balances receivable as at 31 December 2021, the Group considered the extent to which the COVID-19 outbreak in the reporting period has affected the industry in which the Group operates and its debtors and concluded that there was no notable deterioration of the debtors' credit profile that would require a significant adjustment to the calculated expected credit loss rates with regard to forward-looking information.

(iii) Cash and cash equivalents

The Group assesses credit risk for cash and cash equivalents based on external ratings that are available publicly. Cash and cash equivalents are mainly held with banks which are rated from Baa3 to Ca based on Moody's rating.

The Group operates in retail industry which assumes that cash from the customers flows to the Group normally at the point of sale at the moment when the revenue is recognized. Therefore, cash flow risk is considered as remote.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.
The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity risk management is a responsibility of the Treasury under the supervision of the Group's Financial Director. The Group's liquidity risk management objectives are as follows:

- Maintaining financial independence: a share of one creditor in debt portfolio should not exceed 30%;
- Maintaining financial stability: the Net Debt / EBITDA ratio should not exceed 5.0 (at some agreements 5.5), where Net Debt is the total of long-term and short-term loans and borrowings and lease liabilities

less cash and cash equivalents as presented in the consolidated financial statements;
- Monitoring of compliance with debt covenants;
- Planning: timely preparation of operating, investing and financing cash flow forecasts on rolling basis.

(i) Exposure to liquidity risk

The table below shows liabilities at 31 December 2022 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross loan commitments. Such undiscounted cash flows may differ from the amount included in the consolidated statement of financial position because the consolidated statement of financial position amounts are based on discounted cash flows. Where the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

31 December 2022						
'000 RUB	Carrying amount	Contractual cash flows	Demand and less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
FINANCIAL LIABILITIES AT AMORTISED COST						
Secured bank loans	11,384,387	14,479,556	533,576	1,257,448	12,688,532	
Unsecured bonds	17,776,960	21,540,117	2,008,245	5,700,389	13,831,483	
Unsecured bank facilities	16,537,548	20,482,625	764,537	3,780,026	15,938,062	
Unsecured loans from third parties	2,850	2,894	44	2,850	-	-
Lease liabilities	22,544,804	33,037,739	3,747,596	3,559,353	14,094,751	11,636,039
Trade and other payables	26,955,870	26,955,870	26,955,870	-	-	-
Total future payments, including future principal and interest payments	**95,202,419**	**116,498,801**	**34,009,868**	**14,300,066**	**56,552,828**	**11,636,039**

As at 31 December 2022, the Group's current liabilities exceeded its current assets by RUB 6,431,960 thousand (31 December 2021: RUB 7,622,429 thousand). An excess of current liabilities over current assets is usual for the retail industry. The Group uses excess of trade and other payables over inventory to finance its operating and investing activities. The Group has reviewed its cash flow forecasts in the context of current and projected market conditions, as well as available undrawn credit facilities disclosed in Note 24, and is confident that it will be able to meet its obligations as they fall due.

31 December 2021						
'000 RUB	Carrying amount	Contractual cash flows	Demand and less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
FINANCIAL LIABILITIES AT AMORTISED COST						
Secured bank loans	12,856,141	16,689,291	1,029,019	1,120,722	12,677,323	1,862,227
Unsecured bonds	12,982,154	14,587,568	3,449,979	386,904	10,750,685	-
Unsecured bank facilities	10,985,897	12,689,941	673,762	1,162,315	10,853,864	-
Unsecured loans from related parties	1,139,016	1,146,213	1,146,213	-	-	-
Unsecured loans from third parties	2,850	2,891	41	2,850	-	-
Lease liabilities	24,063,037	34,892,651	3,425,963	3,408,019	14,897,149	13,161,520
Trade and other payables	27,299,937	27,299,937	27,299,937	-	-	-
Total future payments, including future principal and interest payments	**89,329,032**	**107,308,492**	**37,024,914**	**6,080,810**	**49,179,021**	**15,023,747**

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Management sets limits on the value of risk that may be accepted. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

(i) Currency risk

The Group holds its business in the Russian Federation and mainly collects receivables nominated in Russian Roubles. However, financial assets and liabilities of the Group are also denominated in other currencies, primarily US Dollar, Euro.

Thus, the Group is exposed to currency risk, which may materially influence the financial position and financial results of the Group through the change in carrying value of financial assets and liabilities and amounts on foreign exchange rate gains or losses. The Group ensures that its exposure is kept to an acceptable level by keeping the proportion of financial assets and liabilities in foreign currencies to total financial liabilities at an acceptable level. From time to time the Group converts assets and liabilities from one currency to another.

Exposure to currency risk

The Group's exposure to currency risk in relation to the USD, the major foreign currency for the Group's Russian subsidiaries, was as follows based on notional amounts:

'000 RUB	31 December 2022	31 December 2021
Trade and other receivables	**1,754**	1,320
Cash and cash equivalents	**28,950**	29,101
Lease liabilities	**-**	(324,892)
Trade and other payables	**(279,002)**	(389,016)
Total	**(248,298)**	**(683,487)**

The Group's exposure to currency risk in relation to the EUR was as follows based on notional amounts:

'000 RUB	31 December 2022	31 December 2021
Trade and other receivables	**1**	1,636
Cash and cash equivalents	**2**	288
Lease liabilities	**(1,459,682)**	(2,142,710)
Trade and other payables	**(102,224)**	(233,153)
Total	**(1,561,903)**	**(2,373,939)**

Sensitivity analysis

A 20% weakening/strengthening of the RUB against the USD at 31 December 2022 would have decreased/increased equity and profit or loss by RUB 49,660 thousand (31 December 2021: 20% weakening/strengthening of the RUB against the USD would have decreased/increased equity and profit or loss by RUB 136,697 thousand).

A 20% weakening/strengthening of the RUB against the EUR at 31 December 2022 would have decreased/increased equity and profit or loss by RUB 312,381 thousand (31 December 2021: 20% weakening/strengthening of the RUB against the EUR would have decreased/increased equity and profit or loss by RUB 474,788 thousand).

This analysis was performed only for the foreign currency denominated monetary balances in the consolidated statement of financial position related to the Group's entities whose functional currency is the RUB and is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

(ii) Interest rate risk

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments at their carrying amounts was:

'000 RUB	31 December 2022	31 December 2021
FIXED RATE INSTRUMENTS		
Cash and cash equivalents	**11,053,679**	8,894,506
Loans and borrowings	**(38,849,812)**	(37,966,058)
Lease liabilities	**(22,544,804)**	(24,063,037)
VARIABLE RATE INSTRUMENTS		
Loans and borrowings	**(6,851,933)**	-

Cash flow sensitivity analysis for variable rate instruments

A change of 500 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

'000 RUB	Profit or loss		Equity	
	500 bp increase	500 bp decrease	500 bp increase	500 bp decrease
31 DECEMBER 2022				
Variable rate instruments	(342,597)	342,597	-	-
Cash flow sensitivity (net)	**342,597**	**(342,597)**	**-**	**-**

(e) Offsetting of financial assets and financial liabilities

The Group may enter into sales and purchase agreements with the same counterparty in the normal course of business. The related amounts receivable and payable do not always meet the criteria for offsetting in the consolidated statement of financial position. This is because, while generally there is an intention to settle on net basis, the Group may not have any currently legally enforceable right to offset recognised amounts, because the right to offset may be enforceable only on the occurrence of future events. In particular, in accordance with the Russian civil law an obligation can be settled by offsetting against a similar claim if it is due, has no maturity or is payable on demand, unless otherwise stated in the agreement.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

'000 RUB	Trade and other receivables	Trade and other payables
31 DECEMBER 2022		
Gross amounts before offsetting	4,528,600	28,910,113
Amounts offset	(1,954,243)	(1,954,243)
Net amounts presented in the consolidated statement of financial position	**2,574,357**	**26,955,870**
Amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria	(1,148,843)	(1,148,843)
Net amount	**1,425,514**	**25,807,027**

'000 RUB	Trade and other receivables	Trade and other payables
31 DECEMBER 2021		
Gross amounts before offsetting	4,319,091	28,881,804
Amounts offset	(1,581,867)	(1,581,867)
Net amounts presented in the consolidated statement of financial position	**2,737,224**	**27,299,937**
Amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria	(1,728,810)	(1,728,810)
Net amount	**1,008,414**	**25,571,127**

The net amounts presented in the consolidated statement of financial position disclosed above form part of trade and other receivables and trade and other payables, respectively. Other amounts included in these line items do not meet the criteria for offsetting and are not subject to the agreements described above.

Amounts offset comprise mainly trade payables for goods and bonuses receivable from suppliers.

(f) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements, except for statutory requirement in relation to minimum level of share capital and requirement in respect of positive net assets of LLC "O'KEY" for external loan agreement; the Group follows all requirements.

29 Capital commitments

The Group has capital commitments to acquire property, plant and equipment, mostly relating to construction of stores, and intangible assets amounting to RUB 1,363,338 thousand as at 31 December 2022 (31 December 2021: RUB 586,007 thousand).

The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover these and any similar commitments.

30 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 by tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decisions about the review was made. Under certain circumstances reviews may cover longer periods.

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. The 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 31 December 2022, the Group has other possible obligations of approximately 1.1% of revenue (31 December 2021: 1.3% of revenue) 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 consolidated financial statements if these are challenged by the authorities.

31 Related party transactions

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Related parties of the Group fall into the following categories:
1. The Company's major indirect shareholders (Note 1);
2. Other related parties under control of the major indirect shareholders;
3. Members of the Board of Directors of the Company and other key management personnel.

(a) Transactions with key management personnel

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

'000 RUB	2022	2021
SHORT-TERM EMPLOYEE BENEFITS:		
Salaries and short-term bonuses	**395,924**	449,958
Social security contributions	**24,781**	16,386
Other short-term payments	**58,968**	20,000
LONG-TERM EMPLOYEE BENEFITS:		
Long-term service bonus	**-**	170,497
Total	**479,672**	**656,841**

In addition, members of the Company's Board of Directors received remuneration in the amount of RUB 67,051 thousand for the year ended 31 December 2022 (2021: RUB 62,264 thousand) which is included in legal and professional expenses.

(b) Transactions with other related parties

(i) Revenue

'000 RUB	Income		Receivables	
	2022	2021	31 December 2022	31 December 2021
Sale of services	**1,760**	1,751	**473**	2,871
Total	**1,760**	**1,751**	**473**	**2,871**

All outstanding balances with other related parties are to be settled in cash within six months of the reporting date. None of the balances are secured or impaired.

(ii) Expenses

'000 RUB	Expenses	
	2022	2021
Variable lease expenses and expenses relating to short-term and low value leases	**33,265**	91,219
Interest expense on lease liabilities	**127,593**	61,423
Interest expense on loans and borrowings	**56,100**	84,239
Other services received	**11,375**	56,875
Total	**228,333**	**293,756**

(iii) Leases with other related parties

Lease liabilities under related party arrangements were as follows:

'000 RUB	31 December 2022	31 December 2021
Lease liabilities due to other related parties, including:	**1,651,238**	514,100
Current lease liabilities	**444,160**	468,815
Non-current lease liabilities	**1,207,078**	**45,285**

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

(iv) Loans and borrowings

'000 RUB	31 December 2022	31 December 2021
Loans and borrowings	**-**	**1,139,016**

The loans from other related parties are denominated in USD, bear interest at 12% per annum have been fully paid on 31 August 2022. In 2022 accrued and fully paid interest amounted to RUB 56,100 thousand.

32 Fair value disclosures

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

1. Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities;
2. 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
3. Level 3 measurements are valuations not based on observable market data (that is, unobservable inputs).

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

(a) Recurring fair value measurements

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

Investment property. Fair value of the investment property is updated by the Group annually on 31 December applying the income approach and market approach. Refer to Note 13.

(b) Non-recurring fair value measurements

As at 31 December 2022, 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 disposals approach. Refer to Note 14.

(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 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 2022 and 2021.

33 Significant accounting policies

The principal accounting policies set out below have been consistently applied to all the periods presented in these consolidated financial statements and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those investees, that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the cost cannot be recovered.

Loans between Group entities and related foreign exchange gains or losses are eliminated upon consolidation. However, where the loan is between Group entities that have different functional currencies, the foreign exchange gain or loss cannot be eliminated in full and is recognised in the consolidated profit or loss, unless the loan is not expected to be settled in the foreseeable future and thus forms part of the net investment in foreign operation. In such a case, the foreign exchange gain or loss is recognised in other comprehensive income.

(b) Foreign currency

(i) Foreign currency transactions and balances

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the Central Bank of the Russian Federation ("CBRF") at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBRF including foreign exchange gains and losses on borrowings and cash and cash equivalents, as well as any other foreign exchange gains and losses are recognised in profit or loss as a separate line item.

Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to RUB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to RUB at exchange rates at the dates of the transactions.

Foreign currency differences are recognised directly in other comprehensive income. Since 1 January 2005 the Group's date of transition to IFRSs, such differences have been recognised in the foreign currency translation reserve. When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

(c) Financial instruments

(i) Non-derivative financial assets and financial liabilities – initial recognition

Non-derivative financial instruments represented by cash and cash equivalents, loans given, trade and other receivables and lease receivables are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at amortised cost (AC), resulting in an immediate accounting loss.

(ii) Non-derivative financial assets – classification and subsequent measurement

All of the Group's non-derivative financial assets belong to the AC measurement category. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI").

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model.

(iii) Financial assets impairment – credit loss allowance for ECL

The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC. The Group measures ECL and recognises net impairment losses on financial assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the consolidated statement of financial position net of the allowance for ECL.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade and lease receivables. For other financial assets the Group applies a three stage model for impairment, based on changes in credit quality since initial recognition.

(iv) Financial assets – write-off

Non-derivative financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

(v) Financial assets – derecognition

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

(vi) Financial liabilities – measurement categories

Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments, if any (iii) financial liabilities at FVOCI: this classification is applied to financial instruments carried at fair value (swaps).

(vii) Financial liabilities – derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

(viii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

(ix) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

(x) Trade and other receivables

Trade and other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method.

(xi)Trade and other payables

Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

(xii) Loans and borrowings

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at AC using the effective interest method.

(xiii) Capitalisation of borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of assets that are not carried at fair value and that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets.

The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred on the specific borrowings less any investment income on the temporary investment of these borrowings are capitalised.

(d) Transactions with owners

(i) Ordinary shares/share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. Any excess of the fair value of consideration received over the par value of shares issued is recorded as additional paid-in capital in equity.

(ii) Distributions to owners/ contributions from owners

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the consolidated financial statements are authorised for issue are disclosed in the subsequent events note.

(e) Property, plant and equipment and construction in progress

(i) Recognition and measurement

Items of property, plant and equipment, except for land, are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at 1 January 2005, the date of transition to IFRSs, was determined by reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within "other operating income and expense" in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Land and construction in progress are not depreciated. Other items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives of significant items of property, plant and equipment for the current and comparative periods are as follows:

Buildings	30 years
Machinery and equipment, auxiliary facilities	2-20 years
Leasehold improvements	the lowest of the useful life or the term of underlying lease
Other fixed assets	2-10 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(f) Investment property

Investment property is property held by the Group to earn rental income or for capital appreciation or both, including land held for a currently undetermined future use, and which is not occupied by the Group. Properties that are mainly occupied by the Group and insignificant portion of which is leased out to third parties mainly for offering additional customer service are presented within property, plant and equipment.

Investment property, including assets under construction for future use as investment property, is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value with any change therein recognised in profit or loss within "other operating income and expenses". If fair value of investment property under construction is not reliably determinable, the Group measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

Fair value of the Group's investment property is the price that would be received from sale of the asset in an orderly transaction, without deduction of any transaction costs. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition. Market value of the Group's investment property is determined based on reports of independent appraisers, who hold recognised and relevant professional qualifications and who have recent experience in the valuation of property in the same location and category.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

Earned rental income is recorded in profit or loss for the year within revenue.

(g) Intangible assets

(i) Intangible assets

Intangible assets that are acquired by the Group have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets primarily include capitalised computer software, patents and licenses. Acquired computer software, licenses and patents are capitalised on the basis of the costs incurred to acquire and bring them to use.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the profit or loss as incurred.

(iii) Amortisation

Amortisation is based on the cost of the asset less its estimated residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

software	1-7 years
other intangible assets	1-5 years

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(h) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset.

The Group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purposes the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

- The Group has the right to operate the asset; or
- The Group designed the asset in a way that predetermines how and for what purpose it will be used.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The estimated useful lives of right-of-use asset are as follows:

Trade premises	3-17 years
Land	2-47 years
Other	1-5 years

At the commencement date, lease liabilities are measured at an amount equal to the present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The following variable payments are not included in the calculation of lease liability:

- payments under land lease agreements, the calculation of which depends on the cadastral value of the land plot and other coefficients established by government decrees;
- payments for utilities and other services, determined upon the fact of consumption;
- variable lease payments that depend on turnover.

Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.

The right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs.

The lease liability is measured at amortised cost using the effective interest method. The carrying amount of liability is remeasured to reflect any reassessment, lease modification or revised in-substance fixed payments. It is remeasured when there is (i) a change in future lease payments arising from a change in an index or a rate;(ii) a change in the lease term depending on the reassessment of whether the Group will exercise extension or termination options; and (iii) lease modifications, when the modification is not accounted for as a separate lease. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and refrigeration equipment.

Some property leases contain variable payment terms that are linked to sales generated by a store. Such variable lease payments are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Group presents right-of-use assets and lease liabilities in the separate lines in the consolidated statement of financial position.

Lease payments including repayment of principal lease liability and accrued interest are classified consistently with payments of other financial liabilities in the consolidated statement of cash flows.

Lease payments which were not included in the measurement of the lease liabilities (including certain variable payments, short-term leases and leases of low-value assets) are presented as operating cash flows.

(i) Inventories

Cost of goods for resale includes costs of purchase (comprising of the purchase price, including import duties and other non-recoverable taxes, transport and handling costs, and any other directly attributable costs, less relevant supplier discounts, bonuses and similar items), as well as other costs such as internal handling, packaging and transport to the extent that it directly relates to bringing the goods to the location and condition ready for sale.

Where the goods for resale assume conversion, which is the case for the Group's self-produced catering products, their cost also includes items specifically attributable to units of production (for example, direct labour, direct expenses and sub-contracted work), as well as a systematic allocation of fixed and variable production overheads incurred in the converting them into products ready for sale.

The cost of inventories is based on the moving weighted average principle.

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(j) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss within other operating income and expenses. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

In testing a cash-generating unit for impairment, the Group identifies all the corporate assets that relate to the cash-generating unit under review. If a portion of the carrying amount of a corporate asset can be allocated on a reasonable and consistent basis to that unit, the Group compares the carrying amount of the unit, including the portion of the carrying amount of the corporate asset allocated to the unit, with its recoverable amount. If a corporate asset cannot be allocated on a reasonable and consistent basis to the cash-generating unit, the Group assesses the impairment of this corporate asset on an individual basis.

(k) Employee benefits

(i) Short-term employee benefits

Wages, salaries, contributions to the state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services) are measured on an undiscounted basis and accrued in the year in which the associated services are rendered by the employees of the Group. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

A liability is recognised for the amount expected to be paid under short-term bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Long-term employee benefits

Long-term employee benefits represent long-term service bonuses. Long-term employee benefits are expensed evenly during the periods in which they are earned by employees.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(m) Revenue

Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is recognised net of VAT, returns and discounts.

(i) Revenue from contracts with customers

Revenue from contracts with customers is represented by sales of trading stock, including retail sales of goods and sales of self-produced catering products. The major source of sales of trading stock is retail revenue.

Revenue from sale of goods and self-catering products is recognised when control of the goods and products has transferred to the customer, normally for the customers it is occurred in the store at the point of sale. No element of financing is deemed present, as payment of the transaction price is due immediately.

In accordance with the Russian consumer protection legislation, the customers have the right of return of goods in a range of categories within 14 days after the purchase. Such estimated returns are assessed at each reporting date. Based on historical data about returns, it is probable that a significant reversal in the cumulative revenue recognised will not occur.

Gift cards and award points issued by the Group are recorded as a contract liability within trade and other payables upon sale when prepaid by customers until they are redeemed or expire.

In the reporting period, the Group's hypermarkets business maintained a loyalty program where retail customers were able to accumulate award points on purchases of certain goods which entitled them to a discount on future purchases in the hypermarkets. Also, from time to time, the Group holds promotional campaigns where the Group provides discount coupons to the customers that purchase goods with total value above a pre-determined amount. The discount coupons entitle the customers to a free purchase or a discount on selected goods immediately after the campaign ends. Such award points and coupons represent a material right to the customers and give rise to a separate performance obligation to deliver the customers additional or discounted goods. The total transaction price is allocated on the portfolio basis to the initial and the additional performance obligations on a relative stand-alone selling price basis. The estimated stand-alone selling price of the award points is determined with reference to the extent to which future performance is not expected to be required because the customer does not redeem the points awarded.

(ii) Rental income

The Group leases out trade premises under operating lease. Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term. Lease incentives granted are recognised as an integral part of the total rental income.

(n) Cost of goods sold

Cost of goods sold includes the cost of goods for resale and self-produced catering products sold to customers.

The Group receives various types of bonuses from suppliers of goods, primarily in the form of volume discounts, slotting fees and counter services to suppliers related to the purchases made. These bonuses decrease the cost of the goods and are recorded as reduction of cost of sales as the related goods are sold.

Losses from inventory shortages are recognised in cost of goods sold.

(o) Finance income and costs

Finance income comprises interest income on issued loans and bank deposits. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and lease liabilities and unwinding of the discount on provisions, if any. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(p) Income tax

Income taxes have been provided in the consolidated financial statements in accordance with the respective legislation enacted or substantively enacted by the end of the reporting period. Income tax comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they are recognised in other comprehensive income or directly in equity because they relate to transactions that are also recognised, in the same accounting period, in other comprehensive income or directly in equity.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years. Taxes other than on income are recorded within general, selling and administrative expenses or cost of sales, based on their function.

Deferred tax is recognised in respect of tax loss carried forward and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

This exemption is not applied to initial recognition of lease assets and liabilities under IFRS 16. A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In accordance with the tax legislation of the Russian Federation, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies, therefore deferred tax assets and liabilities are offset only within the individual companies of the Group.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

(q) Earnings per share

Earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of participating shares outstanding during the year.

(r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. Operating segments whose revenue, results or assets are ten percent or more of all the segments are reported separately.

(s) Value added tax

Input VAT is generally reclaimable against sales VAT when the right of ownership on purchased goods is transferred to the Group or when the services are rendered to the Group. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases which has not been settled at the balance sheet date (VAT deferred) is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for the ECL of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

(t) Presentation of the consolidated statement of cash flows

The Group reports cash flows from operating activities using direct method. Cash flows from investing activities are presented net of VAT. VAT paid to suppliers of non-current assets and VAT in proceeds from sale of non-current assets are presented in line "VAT paid" within cash flows from operating activities.

(u) New accounting pronouncements

Certain new standards and amendments to standards have been issued that are mandatory for the annual periods beginning on or after 1 January 2023 or later, and which the Group has not early adopted:
- COVID-19-Related Rent Concessions Amendment to IFRS 16 issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Group accounts for deferred tax on leases and decommissioning liabilities applying the 'integrally linked' approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the statement of financial position. Under the amendments, the Group will recognise a separate deferred tax asset and a deferred tax liability. As at 31 December 2022, the taxable temporary difference in relation to the right-of-use asset is RUB (2,610,919) thousand (Note 12) and the deductible temporary difference in relation to the lease liability is RUB 4,689,130 thousand (Note 12), resulting in a net deferred tax asset of RUB 2,078,211 thousand. Under the amendments, the Group will present a separate deferred tax liability of RUB 2,610,919 thousand and a deferred tax asset of RUB 4,689,130 thousand. There will be no impact on retained earnings on adoption of the amendments.
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).

The Group is currently assessing the impact of the new standards and amendments to standards on its consolidated financial statements.

34 Events subsequent to the reporting date

In March 2023 the Astana International Exchange ("AIX") has approved the listing of global depositary receipts ("GDRs") of the Group. Since 20 March 2023 O'KEY Group's GDR's started trading on the AIX. The Group intends to keep both its primary listing on the London Stock Exchange, which it has had since November 2010, and its secondary listing on the Moscow Exchange, where its GDRs have traded since December 2020. The Group does not plan to issue new shares in connection with its AIX listing.

Glossary

Average ticket – the figure calculated by dividing total sales, net of VAT, at all stores during the relevant year by the number of tickets in that year.

Alternative Transients programme (ATP) – a universal programme system for simulation of transient phenomena of electromagnetic as well as electromechanical nature, which is used within the DA! discounters network.

Business Intelligence (BI) – comprises the strategies and technologies used by enterprises for the data analysis of business information. BI technologies provide historical, current, and predictive views of business operations.

Content management system (CMS) – computer software used to manage the creation and modification of digital content.

Corporate Social Responsibility – responsible attitude in managing our impact on a range of stakeholders: customers, colleagues, investors, suppliers, the community and the environment.

Customer relations (CRM) – a process in which a business or other organisation administers its interactions with customers, typically using data analysis to study large amounts of information.

Customer value proposition (CVP) – a business or marketing statement that describes why a customer should buy a product or use a service.

Endpoint Detection and Response (EDR) – a cybersecurity technology that continually monitors an “endpoint” (e.g. mobile, phone, laptop, Internet-of-things devices) to mitigate malicious cyber threats., which is used within the DA! discounter chain.

Every day low price (EDLP) – a pricing strategy promising consumers a low price without the need to wait for sale price events or comparison shopping.

ERP (Enterprise Resource Planning) – a modular software system designed to integrate the main functional areas of an organisation’s business processes into a unified system.

Extended warehouse management (SAP EWM) – an IT system, which is used to efficiently manage inventory in the warehouse and for supporting processing of the movement of goods, which is used in the Company’s’ distribution centres.

Global Depositary Receipt (GDR) – a bank certificate issued in more than one country for shares in a foreign company.

Global Food Safety Initiative (GFSI) – a private organisation, established and managed by the international trade association the Consumer Goods Forum under Belgian law in May 2000, the GFSI maintains a scheme to benchmark food safety standards for manufacturers as well as farm assurance standards.

Hazard Analysis and Critical Control Points (HACCP) – a systematic preventive approach to food safety from biological, chemical, and physical hazards in production processes that can cause the finished product to be unsafe, and designs measurements to reduce these risks to a safe level.

High-performance Analytical Appliance in-memory database (HANA) – an in-memory data platform that is deployable as an on-premise appliance, or in the cloud, which is used in the Company’s’ distribution centres.

HRM – a strategic approach to nurturing and supporting employees and ensuring a positive workplace environment.

Like-for-like (LFL) – the method of comparing current year sales figures to prior year sales figures excluding the expansion effect.

Network traffic analysis (NTA) – a method of monitoring network availability and activity to identify anomalies, including security and operational issues, which is used within the DA! discounter chain.

Net revenue – the amount of a company’s gross revenue plus all negative revenue items.

Planogram – a diagram that shows how and where specific retail products should be placed on retail shelves or displays in order to increase customer purchases.

Point of Sale (POS) platform – a system which allows the processing and recording of transactions between a company and their consumers, at the time in which goods and/or services are purchased.

Private label (PL) – a brand owned not by a manufacturer or producer, but by a retailer or supplier who has its goods made by a contract manufacturer under its own label.

Real disposable income – the post-tax and benefit income available to households after an adjustment has been made for price changes.

Retail Predictive Application Server (RPAS) – configurable software platform for developing forecasting and planning applications.

Selling space – the area inside stores used to sell products, excluding areas rented out to third parties, own-production areas, storage areas and the space between store entry and the cash desk line.

SKU (stock keeping unit) – a number assigned to a particular product to identify the price, product options and manufacturer of the merchandise.

Stakeholder – any individual, group, or party with an interest in an organisation and the outcomes of its actions.

Supply chain management (SCP) – the process of anticipating the demand for products and planning their materials and components, production, marketing, distribution and sale.

Third-party logistics (3PL) – a commitment of outsourcing company´s distribution services to third-party logistics businesses.

Traffic – the number of tickets issued for the period under review.

Transport management system (TMS) – software for planning and executing the physical movement of goods in the supply chain.

Quality Management System (QMS) – a formalised system that documents processes, procedures, and responsibilities for achieving quality policies and objectives.

Warehouse management systems (WMS) – a set of policies and processes intended to organise the work of a warehouse or distribution centre, and ensure that such a facility can operate efficiently and meet its objectives.

Yard Management System (YMS) – a software solution designed to monitor the movement of trailers in the yard and dock of a facility, distribution centre, or warehouse.

Abbreviations

ACORT – Association of retail trade companies
CEO – Chief Executive Officer
CJSC – Closed joint stock company
CRM – Client relationship management
DC – Distribution centre
EBITDA – Earnings before interest, taxes, depreciation and amortisation
Expert RA – Rating agency
FD – Federal district
FMCG – Fast-moving consumer goods
FY – Financial year
GDR – Global depositary receipt
HR – Human resources
IFRS – International Financial Reporting Standards
IPO – Initial public offering
IT – Information technology
JSC – Joint stock company
k – A thousand
KPI – Key performance indicators
LLC – Limited liability company
m^2 – Square metre
NGO – Non-governmental organisation
p.p. – Percentage point
Q – Quarter of the year
RUB – Russian rouble
SG&A – Selling, general and administrative expenses
WMS – Warehouse Management System
YoY – Year over year

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