X5 Corporate Center PJSC

IFRS Condensed Consolidated Interim Financial Statements and Review Report

for the six months ended 30 June 2024 and as at such date

Translation of the original Russian version

Condensed Consolidated
Interim Financial Statements
of X5 Corporate Center PJSC
and its Subsidiaries

Translation of the original Russian version

Contents | Page

НОВЫЕ ВЫЗОВЫ
НОВЫЕ РЕШЕНИЯ

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Review report on interim financial information

Translation of the original Russian version

To shareholders and the Board of Directors
of X5 Corporate Center PJSC

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of X5 Corporate Center PJSC and its subsidiaries, which comprise the condensed consolidated interim statement of financial position as at 30 June 2024, condensed consolidated interim statement of profit or loss, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of cash flows, and condensed consolidated interim statement of changes in equity for the six-month period then ended, as well as selected explanatory notes (the "interim consolidated financial information").

Management of X5 Corporate Center PJSC is responsible for the preparation and presentation of this interim consolidated financial information in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

Scope of review

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

Translation of the original Russian version

Conclusion

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

Marina Yurievna Golovkina,
Partner,
TSATR – Audit Services
Limited Liability Company

14 August 2024

Details of the auditor

Name: TSATR – Audit Services Limited Liability Company
Record made in the Unified State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: 75 Sadovnicheskaya Embankment, Moscow, 115035, Russia.
TSATR – Audit Services Limited Liability Company is a member of Self-Regulatory Organization of Auditors Association Sodruzhestvo. TSATR – Audit Services Limited Liability Company is included in the control copy of the register of auditors and audit organisations, under main registration number 12006020327.

Details of the audited entity

Name: X5 Corporate Center Public Joint Stock Company
Record made in the Unified State Register of Legal Entities on 1 July 2024, State Registration Number 1247700463911.
Address: 28 Srednyaya Kalitnikovskaya St., Bld. 4, Internal Urban Territory Municipal District Nizhegorodsky, Moscow, 109029, Russia.

(expressed in millions of Russian Roubles unless otherwise stated)

	Notes	30 June 2024	31 December 2023
Assets			
Non-current assets			
Property, plant and equipment	9	381,340	364,391
Right-of-use assets	10	573,607	576,463
Investment property		3,456	4,560
Goodwill	11	122,516	121,513
Other intangible assets	9	42,410	40,750
Other non-current assets		5,126	4,725
Deferred tax assets		28,704	30,058
		1,157,159	**1,142,460**
Current assets			
Inventories		251,418	236,826
Indemnification asset		3,374	4,888
Trade and other receivables and prepayments	12	38,216	36,928
Income tax receivable		680	738
VAT and other taxes receivable		13,743	13,261
Short-term financial investments	7	126,070	116,076
Cash and cash equivalents	7	45,908	39,104
		479,409	**447,821**
Total assets		**1,636,568**	**1,590,281**
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	16	316,181	316,181
Reorganisation reserve		(312,190)	(312,190)
Other capital reserves		(2,139)	(1,689)
Retained earnings		268,565	215,277
		270,417	**217,579**
Total equity		**270,417**	**217,579**
Non-current liabilities			
Long-term borrowings	15	143,395	127,396
Long-term lease liabilities	10	601,657	592,546
Deferred tax liabilities		6,252	5,328
Other non-current liabilities	13	2,964	9,536
		754,268	**734,806**
Current liabilities			
Trade payables		302,325	290,232
Short-term borrowings	15	70,522	100,859
Interest accrued		1,515	1,456
Short-term lease liabilities	10	72,915	78,416
Short-term contract liabilities	14	1,931	1,458
Income tax payable		7,333	8,444
Provisions and other liabilities	13	155,342	157,031
		611,883	**637,896**
Total liabilities		**1,366,151**	**1,372,702**
Total equity and liabilities		**1,636,568**	**1,590,281**

Igor Shekhterman
Chief Executive Officer

14 August 2024

(expressed in millions of Russian Roubles unless otherwise stated)

	Notes	Six months ended 30 June 2024	2023
Revenue	5, 18	1,851,711	1,468,407
Cost of sales		(1,400,539)	(1,112,782)
Gross profit		**451,172**	**355,625**
Selling, general and administrative expenses		(354,378)	(283,121)
Expenses on expected credit losses on financial assets		(126)	(55)
Lease/sublease and other operating income	19	14,602	11,018
Operating profit		**111,270**	**83,467**
Finance costs	20	(53,135)	(36,375)
Finance income	20	10,570	3,273
Foreign exchange gain/(loss)		693	(3,940)
Profit before taxation		**69,398**	**46,425**
Income tax expense	21	(15,765)	(10,655)
Profit for the period		**53,633**	**35,770**
Profit for the period attributable to:			
Equity holders of the parent		53,288	35,738
Non-controlling interests		345	32

Igor Shekhterman
Chief Executive Officer

14 August 2024

(expressed in millions of Russian Roubles unless otherwise stated)

	Six months ended 30 June	
	2024	**2023**
Profit for the year	53,633	35,770
Total comprehensive income for the year, net of tax	**53,633**	**35,770**
Total comprehensive income for the year attributable to:		
Equity holders of the parent	53,288	35,738
Non-controlling interests	345	32

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Igor Shekhterman
Chief Executive Officer

14 August 2024

(expressed in millions of Russian Roubles unless otherwise stated)

	Notes	Six months ended 30 June 2024	2023
Profit before taxation		**69,398**	**46,425**
Adjustments for:			
Depreciation, amortisation and impairment of property, plant and equipment, right-of-use assets, investment properties, other intangible assets, and goodwill		88,270	79,420
Gain on disposal of property, plant and equipment, investment properties, and intangible assets, and gain on derecognition of right-of-use assets		(683)	(829)
Net finance costs	20	42,565	33,102
Expenses on expected credit losses on financial assets		126	55
Impairment of prepayments		154	50
Foreign exchange (gain)/loss		(693)	3,940
Other non-cash items		1,071	(1,889)
Net cash from operating activities before changes in working capital		**200,208**	**160,274**
(Increase)/decrease in trade and other receivables, and prepayments, and VAT and other taxes receivable		(1,016)	2,586
(Increase)/decrease in inventories		(14,134)	3,267
Increase/(decrease) in trade payables		12,155	(16,884)
Decrease in other payables and contract liabilities		(1,747)	(2,610)
Net cash flows from operations		**195,466**	**146,633**
Interest paid		(51,395)	(37,239)
Interest received		606	3,326
Income tax paid		(14,717)	(7,112)
Net cash flows from operating activities		**129,960**	**105,608**
Cash flows from investing activities			
Purchase of property, plant and equipment and initial direct costs associated with right-of-use assets		(63,704)	(32,635)
Acquisition of businesses, net of cash acquired	6	(2,058)	(8,974)
Proceeds from disposal of property, plant and equipment, investment properties, and intangible assets		2,319	1,294
Proceeds from disposal of other investment assets		–	53
Purchase of other intangible assets		(8,597)	(7,697)
Payments for financial investments	7	(30)	(32,232)
Proceeds from the principal portion of the net investment in the lease		90	–
Other payments for investing activities		(231)	–
Net cash flows used in investing activities		**(72,211)**	**(80,191)**
Cash flows from financing activities			
Proceeds from borrowings	15	60,017	30,044
Repayment of borrowings	15	(74,931)	(37,734)
Other payments for financing activities		(245)	–
Dividends paid to non-controlling interests		(520)	–
Payments of the principal portion of lease liabilities		(35,252)	(33,735)
Net cash flows used in financing activities		**(50,931)**	**(41,425)**
Effect of exchange rate changes on cash and cash equivalents		(14)	23
Net increase/(decrease) in cash and cash equivalents		**6,804**	**(15,985)**
Movements in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		39,104	41,732
Net increase/(decrease) in cash and cash equivalents		6,804	(15,985)
Cash and cash equivalents at the end of the period		**45,908**	**25,747**

Igor Shekhterman
Chief Executive Officer

14 August 2024

(expressed in millions of Russian Roubles unless otherwise stated)

	Attributable to equity holders of the parent						
	Share capital	Reorganisation reserve	Other capital reserves	Retained earnings	Total shareholders' equity	Non-controlling interests	Total
At 1 January 2023	**316,181**	**(312,190)**	**394**	**136,978**	**141,363**	**–**	**141,363**
Profit for the period	–	–	–	35,738	**35,738**	32	**35,770**
Total comprehensive income for the period	**–**	**–**	**–**	**35,738**	**35,738**	**32**	**35,770**
Acquisition of subsidiaries	–	–	–	–	**–**	(82)	**(82)**
Purchase commitments for non-controlling interests' shares	–	–	(903)	–	**(903)**	–	**(903)**
Impact of changes in non-controlling interests with purchase commitments	–	–	(50)	–	**(50)**	50	**–**
At 30 June 2023	**316,181**	**(312,190)**	**(559)**	**172,716**	**176,148**	**–**	**176,148**
At 1 January 2024	**316,181**	**(312,190)**	**(1,689)**	**215,277**	**217,579**	**–**	**217,579**
Profit for the period	–	–	–	53,288	**53,288**	345	**53,633**
Total comprehensive income for the period	**–**	**–**	**–**	**53,288**	**53,288**	**345**	**53,633**
Changes in purchase commitments for non-controlling interests' shares	–	–	(275)	–	**(275)**	–	**(275)**
Impact of changes in non-controlling interests with purchase commitments	–	–	(175)	–	**(175)**	175	**–**
Dividends to non-controlling interests	–	–	–	–	**–**	(520)	**(520)**
At 30 June 2024	**316,181**	**(312,190)**	**(2,139)**	**268,565**	**270,417**	**–**	**270,417**

Igor Shekhterman
Chief Executive Officer

14 August 2024

(expressed in millions of Russian Roubles unless otherwise stated)

1 PRINCIPAL ACTIVITIES AND THE GROUP STRUCTURE

These condensed consolidated interim financial statements are for X5 Corporate Center PJSC (the "Company") and its subsidiaries (the "Group").

The Company was registered in the Russian Federation (Moscow) in September 2007 as NEOTORG LLC and renamed to X5 Management Company LLC in September 2017 and to X5 Corporate Center LLC in February 2018. The procedure for reorganising X5 Corporate Center LLC into X5 Corporate Center PJSC through transformation was completed on 1 July 2024 (as recorded in the Unified State Register of Legal Entities under State Registration Number 1247700463911 on 1 July 2024).

The Company is registered at the following address: 28 Srednyaya Kalitnikovskaya St., Bld. 4, Internal Urban Territory Municipal District Nizhegorodsky, Moscow, 109029, Russia.

In accordance with the Decision of the Arbitration Court of the Moscow Region dated 3 May 2024 (Case No. A41-26836/24), in line with Federal Law No. 470-FZ, *On Specifics of the Regulation of Corporate Relations in Business Entities that are Economically Significant Organisations*, dated 4 August 2023, the corporate rights of X5 Retail Group N.V., a legal entity established under the laws of the Netherlands and registered with the Trade Register of the Netherlands Chamber of Commerce on 5 September 1975, Registration Number 33143036, with a statutory seat at Zuidplein 196, Floor 24, 1077 XV Amsterdam, the Netherlands, in respect of its interest in the Company (a 99.994187% stake in the Company's share capital, with a par value of RUB 316,162,310,775.72) were suspended. On 20 May 2024, the 99.994187% stake was transferred to the Company and, under Federal Law No. 470-FZ, was to be distributed, on expiry of four months counting from 3 May 2024, among persons becoming direct shareholders in the Company, pro rata to their indirect interests in the Company's share capital, or, with respect to shares not distributed among persons becoming direct holders of the respective shares, to be recognised as the Company's treasury shares. On expiry of the period for which X5 Retail Group N.V.'s corporate rights were suspended under the court's decision dated 3 May 2024, non-distributed shares will be returned to X5 Retail Group N.V., or, if X5 Retail Group N.V. demands compensation for such shares, will continue to be held by the Company.

The principal activity of the Group is the development and operation of grocery retail stores. As at 30 June 2024, the Group operated 25,466 stores across 74 Russian regions, including Pyaterochka proximity stores (the format also includes Pokupochka, PokupALKO, Victoria, Victoria Kvartal, and CASH stores), Perekrestok supermarkets, Chizhik hard discounters, Krasny Yar and Slata stores, Vprok.ru online hypermarket and express delivery dark stores (including Pyaterochka and Perekrestok joint dark stores), and Mnogo Lososya dark kitchens.

Number of stores:

	30 June 2024	**31 December 2023**
Pyaterochka – proximity store	21,997	21,308
Chizhik – hard discounter	1,785	1,500
Perekrestok – supermarket	987	972
Krasny Yar and Slata stores	612	610
Mnogo Lososya – dark kitchen	72	70
Joint dark stores	10	9
Vprok.ru Perekrestok – online hypermarket	3	3
Total stores	**25,466**	**24,472**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2024 have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS), specifically IAS 34 *Interim Financial Reporting*. The condensed consolidated interim financial statements do not include all information and data to be disclosed in annual financial statements and should be read in conjunction with the Group's annual IFRS consolidated financial statements as at 31 December 2023.

(expressed in millions of Russian Roubles unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The accounting policy used when preparing these condensed consolidated interim financial statements is in line with the policy applied to preparing the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of new standards that are mandatory for annual financial periods beginning on 1 January 2024. Management prepared these condensed consolidated interim financial statements on a going concern basis. In making this judgment, management considered the Group's financial position, current intentions, profitability of operations, access to financial resources (Note 24), and the sanctions imposed against certain entities and individuals.

On 14 August 2024, the CEO approved the release of the condensed consolidated interim financial statements. The statements will be published on 15 August 2024. The condensed consolidated interim financial statements have been reviewed but not audited.

2.2 Foreign currency translation and transactions

(a) Functional and presentation currency

The functional currency of the Group's entities is the national currency of the Russian Federation, the Russian Rouble ("RUB"). The presentation currency of the Group is the Russian Rouble ("RUB"), which management believes is the most useful currency to adopt for users of these condensed consolidated interim financial statements.

(b) Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the official exchange rate of the Central Bank of the Russian Federation ("CBRF") at the respective reporting dates. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into the functional currency at period-end official exchange rates of the CBRF are recognised in the statement of profit or loss. Translation at period-end rates does not apply to non-monetary items.

2.3 Taxes

Income taxes in the interim periods are accrued using the tax rate expected to apply to the total annual profit or loss.

2.4 Intangible assets (brand and private labels)

Brand and private labels acquired in a business combination are recognised initially at fair value. Except for the "Pyaterochka" brand, brands and private labels are amortised using the straight-line method over their useful lives. The useful life of the "Pyaterochka" brand is estimated to be indefinite-lived, as there is no foreseeable limit to the period over which the brand is expected to generate net cash inflows for the Group.

	Useful lives
Brands "Victoria," "Victoria Kvartal," "Deshevo"	3 years
Brands "Pokupochka," "PokupALKO"	2 years
Brands "Krasny Yar," "Baton," "Slata," "KhlebSol"	3 years
Private labels	1–8 years

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In preparing the condensed consolidated interim financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities as well as income and expenses. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies as well as the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2023.

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

Tax legislation

Russian tax, currency, and customs legislation is subject to varying interpretations (Note 25).

Property, plant and equipment, right-of-use assets, investment properties, and goodwill

The Group periodically assesses whether there is any indication that non-current assets may be impaired. The Group estimates the recoverable amount of an asset or cash-generating unit and groups of cash-generating units (for the purposes of goodwill impairment testing), and if it is less than the carrying amount of the asset or cash generating unit and groups of cash-generating units, an impairment loss is recognised in the consolidated statement of profit or loss. For the six months ended 30 June 2024, the Group recognised an impairment loss in the amount of RUB 1,544 million (six months ended 30 June 2023: a net impairment loss of RUB 812 million) and reversed a previously recognised impairment loss of RUB 31 million, mainly related to buildings (six months ended 30 June 2023: reversed a previously recognised impairment loss in the amount of RUB 168 million, mainly related to buildings) based on actual results.

Revenue recognition – Loyalty programmes

The Group estimates the amount of obligations related to customer loyalty programmes by allocating transaction price to loyalty points based on the stand-alone selling price of the points. The stand-alone selling price of the points is reduced for the expected amount of the points that will expire unredeemed.

The Group estimates the stand-alone selling price of the points awarded under loyalty programmes. The stand-alone selling price of the loyalty points issued is calculated by multiplying to the estimated redemption rate and to the monetary value assigned to the points. In estimating the redemption rate, the Group considers breakage which represents the portion of the points issued that will never be redeemed. The Group applies statistical projection methods in its estimation using customers' historical redemption patterns as the main input. The redemption rate is updated monthly, and the liability for the unredeemed points is adjusted accordingly. The Group ensures that the value assigned to the loyalty points is commensurate to the stand-alone selling price of the products eligible for redemption (i.e. the value of each point is equivalent to the stand-alone selling price of any product eligible for redemption divided by the number of points required).

Points issued under the loyalty programmes normally expire in six months from their recognition. However, due to periodic changes in customer redemption patterns, estimates of the stand-alone selling price are subject to significant uncertainty.

Any significant changes in customers' redemption patterns will impact the estimated redemption rate. As at 30 June 2024, the estimated liability for unredeemed points was RUB 1,477 million (31 December 2023: RUB 1,109 million).

4 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS AND NEW ACCOUNTING PRONOUNCEMENTS

In preparing the condensed consolidated interim financial statements, the Group followed the same accounting policies and methods of computation as compared with those applied in the consolidated financial statements for the year ended 31 December 2023, except for the adoption of new standards and interpretations and revision of the existing standards as of 1 January 2024.

The following amendments to IFRSs effective for financial years beginning on or after 1 January 2024 do not have a material impact on the Group and do not result in change of the Group's accounting policy:

- Amendments to IAS 1 *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* and *Non-current Liabilities with Covenants*;
- Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures – Supplier Finance Arrangements*;
- Amendments to IFRS 16 *Leases – Lease Liability in a Sale and Leaseback.*

The Group has not early adopted any other standard, interpretation, or amendment that has been issued but is not yet effective for interim and/or annual reporting periods beginning on or after 1 January 2024.

5 SEGMENT REPORTING

The Group identifies retail chains of each format (Note 1) as separate operating segments in accordance with the criteria set forth in IFRS 8.

The following significant operating functions are decentralised across formats:

- Category management, including purchasing, pricing, assortment management, and promotion management;
- Distribution centre logistics;
- Format expansion and development.

The formats' general managers are determined as segment managers in accordance with IFRS 8. The chief operating decision makers are the Chief Executive Officer and the President of the Company. The chief operating decision makers review each format's internal reporting in order to assess performance and allocate resources.

The chief operating decision makers assess the performance of the operating segments based on a measure of sales and adjusted earnings before interest, tax, depreciation, amortisation and impairment pre-IFRS 16 (EBITDA pre-IFRS 16) excluding expenses related to the long-term incentive (LTI) and other compensation programme for key management personnel. EBITDA pre-IFRS 16 is calculated by adjusting operating profit to include depreciation, amortisation and impairment of property, plant and equipment, right-of-use assets, investment properties, other intangible assets and goodwill, fixed lease expenses, fixed non-lease components of lease contracts, to exclude gain on derecognition of right-of-use assets and lease liabilities, and to exclude the adjustment of gain/loss from sale of assets under sale and leaseback transactions for the proportion of the rights retained. Adjusted capital expenditures include additions of property, plant and equipment, investment properties, and intangible assets, adjusted to replace capitalised depreciation of right-of-use assets with capitalisation of fixed lease expenses, acquisitions of property, plant and equipment, investment properties, and intangible assets through business combinations as well as goodwill acquired through such business combinations.

The accounting policies used for segments are the same as the accounting policies applied for these condensed consolidated interim financial statements except for inclusion of foreign exchange loss or gain related to goods sold by segments during the period in EBITDA pre-IFRS 16 of the segments, with elimination of this effect as part of adjustments and other unallocated functions.

(expressed in millions of Russian Roubles unless otherwise stated)

5 SEGMENT REPORTING (continued)

The segment information for the six months ended 30 June 2024, comparative figures for earlier periods, and reconciliation of EBITDA pre-IFRS 16 to profit for the year are provided as follows:

Six months ended 30 June 2024	Pyaterochka	Perekrestok	Other segments	Corporate centre	Centralised functions	Adjustments and other unallocated functions	Total
Revenue (Note 18)	**1,443,669**	**239,706**	**167,064**	**5**	**1,267**	**–**	**1,851,711**
EBITDA pre-IFRS 16, excl. LTI and other compensation for key management personnel	**130,080**	**17,608**	**(7,450)**	**(5,365)**	**(4,783)**	**(877)**	**129,213**
LTI and other compensation for key management personnel							**(1,618)**
EBITDA pre-IFRS 16							**127,595**
Fixed lease expenses and fixed non-lease components of lease contracts							**71,405**
Gain on derecognition of right-of-use assets and lease liabilities							**630**
Reversal of adjustment for the proportion of the rights retained under sale and leaseback transactions							**(90)**
Depreciation, amortisation and impairment							**(88,270)**
Operating profit							**111,270**
Net finance costs							**(42,565)**
Net foreign exchange result							**693**
Profit before income tax							**69,398**
Income tax expense							**(15,765)**
Profit for the period							**53,633**
Adjusted capital expenditures	37,945	5,460	7,622	680	15,316	–	**67,023**
30 June 2024							
Inventories	195,194	32,622	23,602	–	–	–	**251,418**

Six months ended 30 June 2023	Pyaterochka	Perekrestok	Other segments	Corporate centre	Centralised functions	Adjustments and other unallocated functions	Total
Revenue (Note 18)	**1,166,433**	**202,185**	**98,558**	**2**	**1,229**	**–**	**1,468,407**
EBITDA pre-IFRS 16, excl. LTI	**93,667**	**13,745**	**(3,460)**	**(2,632)**	**(3,450)**	**4,897**	**102,767**
LTI							**(2,142)**
EBITDA pre-IFRS 16							**100,625**
Fixed lease expenses and fixed non-lease components of lease contracts							**61,694**
Gain on derecognition of right-of-use assets and lease liabilities							**568**
Depreciation, amortisation and impairment							**(79,420)**
Operating profit							**83,467**
Net finance costs							**(33,102)**
Net foreign exchange result							**(3,940)**
Profit before income tax							**46,425**
Income tax expense							**(10,655)**
Profit for the period							**35,770**
Adjusted capital expenditures	33,372	2,793	5,175	683	7,026	–	**49,049**
31 December 2023							
Inventories	187,038	31,525	18,263	–	–	–	**236,826**

(expressed in millions of Russian Roubles unless otherwise stated)

6 ACQUISITION OF BUSINESSES

Acquisitions in 2024

Acquisition of Forward

In January 2024, the Group acquired 100% of shares in Forward Trade LLC, which is engaged in the wholesale and delivery of food products from warehouses, as well as in Kon-Trust Plus LLC and Forward-Market LLC, which distribute alcoholic beverages in the Republic of Bashkortostan.

For the six months ended 30 June 2024, revenue from the acquired businesses for the period from the acquisition date amounted to RUB 1,542 million. Net loss from the date of acquisition was RUB 39 million. It is impracticable for the Group to disclose the impact of the acquisition on the Group's net profit as the acquired businesses did not prepare financial statements in accordance with the Group's accounting policies prior to the acquisition.

Details of assets and liabilities of the acquired businesses and the related goodwill were as follows:

	Provisional fair values at the acquisition date
Property, plant and equipment (Note 9)	80
Investment property	56
Other intangible assets (Note 9)	1
Right-of-use assets (Note 10)	268
Other non-current assets	2
Inventories	342
Trade and other receivables, and prepayments	426
Income tax receivable	9
VAT and other taxes receivable	14
Cash and cash equivalents	15
Lease liabilities (Note 10)	(268)
Deferred tax liabilities	(1)
Trade payables	(282)
Short-term borrowings	(45)
Short-term contract liabilities	(2)
Income tax payable	(1)
Provisions and other liabilities	(262)
Net assets acquired	**352**
Goodwill (Note 11)	–
Purchase consideration	**352**
Net cash outflow arising from the acquisition	**337**

The Group assigned provisional fair values to the net assets acquired. The Group will finalise the purchase price allocation within a 12-month period from the acquisition date, which is not yet finished at the date of approval of these condensed consolidated interim financial statements.

The purchase consideration transferred in the reporting period comprised consideration paid in cash of RUB 352 million.

Other acquisitions

During the six months ended 30 June 2024, the Group acquired 100% of several businesses of other retail chains in Russian regions. The acquisitions were individually immaterial.

(expressed in millions of Russian Roubles unless otherwise stated)

6 ACQUISITION OF BUSINESSES (continued)

Acquisitions in 2024 (continued)

For the six months ended 30 June 2024, revenue from the acquired businesses for the period from the acquisition date amounted to RUB 1,404 million. As the businesses were not acquired as separate legal entities, it is impracticable to disclose net profit from the date of acquisition. These businesses did not prepare relevant financial information immediately before the acquisition, therefore, it is impracticable to disclose revenue and net profit of the Group for the six months ended 30 June 2024 as though the acquisition date had been the beginning of that period.

Details of assets and liabilities of the acquired businesses and the related goodwill were as follows:

	Provisional fair values at the acquisition date
Right-of-use assets (Note 10)	2,123
Deferred tax assets	249
Lease liabilities (Note 10)	(2,123)
Net assets acquired	**249**
Goodwill (Note 11)	996
Purchase consideration	**1,245**
Net cash outflow arising from the acquisition	**1,032**

The Group assigned provisional fair values to the net assets acquired. The Group will finalise the purchase price allocation within a 12-month period from the acquisition date, which is not yet finished at the date of approval of these consolidated financial statements.

The purchase consideration transferred in the reporting period comprised RUB 1,032 million and RUB 213 million as cash consideration and deferred consideration, respectively.

The goodwill recognised was attributable to: i) the business concentration in the Russian regions, ii) expected cost synergies from the business combination, and iii) acquired traffic from existing customers. The goodwill related to this acquisition was allocated to the Pyaterochka segment in the amount of RUB 996 million.

During the six months ended 30 June 2024, the Group transferred RUB 689 million as deferred payments for the prior period acquisitions.

Acquisitions in 2023

Acquisition of Tamerlan

In April 2023, the Group acquired 100% of shares in Tamerlan LLC, which operates a retail chain in the south of Russia. At the acquisition date, the retail chain operated 298 stores under brands “Pokupochka” and “PokupALKO.”

During the six months ended 30 June 2024, the Group finalised the purchase price allocation for Tamerlan LLC.

(expressed in millions of Russian Roubles unless otherwise stated)

6 ACQUISITION OF BUSINESSES (continued)

Acquisitions in 2023 (continued)

Details of assets and liabilities of the acquired business and the related goodwill were as follows:

	Provisional fair values at the acquisition date as at 31 December 2023	Finalised fair values at the acquisition date as at 30 June 2024	Effect of change in purchase price allocation on the consolidated statement of financial position as at 30 June 2024
Property, plant and equipment (Note 9)	4,611	4,611	–
Other intangible assets (Note 9)	188	188	–
Right-of-use assets (Note 10)	2,751	2,751	–
Inventories	2,449	2,449	–
Trade and other receivables, and prepayments	2,117	2,117	–
Income tax receivable	80	80	–
VAT and other taxes receivable	48	48	–
Cash and cash equivalents	259	259	–
Lease liabilities (Note 10)	(2,751)	(2,751)	–
Deferred tax liabilities	(398)	(398)	–
Trade payables	(2,455)	(2,455)	–
Short-term borrowings	(1,962)	(1,962)	–
Interest accrued	(2)	(2)	–
Income tax payable	(96)	(96)	–
Provisions and other liabilities	(1,411)	(1,418)	(7)
Net assets acquired	**3,428**	**3,421**	**(7)**
Goodwill (Note 11)	4,557	4,564	7
Purchase consideration	**7,985**	**7,985**	**–**

Other acquisitions

During the six months ended 30 June 2023, the Group acquired 100% of several businesses of other retail chains in Russian regions. The acquisitions were individually immaterial.

For the six months ended 30 June 2023, revenue from the acquired businesses for the period from the acquisition date amounted to RUB 799 million. As the businesses were not acquired as separate legal entities, it is impracticable to disclose net profit from the date of acquisition. These businesses did not prepare relevant financial information immediately before the acquisition, therefore, it is impracticable to disclose revenue and net profit of the Group for the six months ended 30 June 2024 as though the acquisition date had been the beginning of that period.

(expressed in millions of Russian Roubles unless otherwise stated)

6 ACQUISITION OF BUSINESSES (continued)

Acquisitions in 2023 (continued)

Details of assets and liabilities of the acquired businesses and the related goodwill were as follows:

	Finalised fair values at the acquisition date
Right-of-use assets (Note 10)	2,405
Deferred tax assets	93
Lease liabilities (Note 10)	(2,405)
Net assets acquired	93
Goodwill (Note 11)	379
Purchase consideration	**472**
Net cash outflow arising from the acquisition	**291**

The purchase consideration transferred in the reporting period comprised RUB 291 million and RUB 181 million as cash consideration and deferred consideration, respectively.

The goodwill recognised was attributable to: i) the business concentration in the Russian regions, ii) expected cost synergies from the business combination, and iii) acquired traffic from existing customers. The goodwill related to this acquisition was allocated to the Pyaterochka segment in the amount of RUB 379 million.

During the six months ended 30 June 2023, the Group transferred RUB 73 million as deferred payments for the prior period acquisitions.

7 CASH AND CASH EQUIVALENTS, SHORT-TERM FINANCIAL INVESTMENTS

	30 June 2024	31 December 2023
Bank current accounts – Roubles	22,611	8,015
Bank current accounts − other currencies	171	46
Cash in transit – Roubles	11,734	17,480
Cash in hand – Roubles	10,560	13,130
Deposits – Roubles	832	433
Total	**45,908**	**39,104**

The bank accounts represent current accounts. Cash in transit is cash transferred from retail outlets to bank accounts and bank card payments being processed.

The Group assessed the credit quality of outstanding cash and cash equivalent balances as high and considered that there was no significant individual exposure. The maximum exposure to credit risk at the reporting date was the carrying amount of cash and bank account balances.

Short-term financial investments at 30 June 2024 represent irrevocable bank deposits in Russian Roubles with maturity not more than a year that earn interest income at the rates in the range of 16.5%–17.5% per annum (31 December 2023: at the rates in the range of 16.5%–17.5% per annum).

	30 June 2024	31 December 2023
Short-term financial investments	126,070	116,076
Total	**126,070**	**116,076**

(expressed in millions of Russian Roubles unless otherwise stated)

8 RELATED PARTY TRANSACTIONS

In considering each possible related party relationship, attention is directed to the substance of the relationship and 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.

Following the decision of the Arbitration Court of the Moscow Region dated 3 May 2024 (Case No. A41-26836/24) (Note 1), entities that, together with the Group, had been under common control of the parent, and entities and persons that had been related parties due to their relationship with the parent, X5 Corporate Center PJSC, ceased to be related parties for the Company.

There were no significant changes in the composition and volume of transactions and outstanding balances between the Group and its related parties compared with the Group's consolidated financial statements as at 31 December 2023.

As at 30 June 2024, there were no trade payables to entities under the control of an entity with significant influence over the Company (31 December 2023: RUB 732 million) and no other receivables and prepayments (31 December 2023: RUB 9,062 million); other payables totalled RUB 5 million (31 December 2023: RUB 575 million); and there were no loans received and interest payable (31 December 2023: RUB 27 million and RUB 15 million, respectively).

For the six months ended 30 June 2024, purchases from entities under the control of an entity with significant influence over the Company, net of vendor allowances, amounted to RUB 2,559 million (six months ended 30 June 2023: RUB 2,882 million); interest expenses were RUB 2 million (six months ended 30 June 2023: RUB 4 million); other income was RUB 33 million (six months ended 30 June 2023: nil).

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Group. During the six months ended 30 June 2024, the Group reviewed the composition of its key management personnel and now considers the sole executive bodies, the Company's Board of Directors, and key executives whose activities significantly impact the achievement of the Group's strategic goals to be key management personnel as defined in IAS 24 *Related Party Disclosures*.

The total compensation to key management personnel consists of a base salary, and benefits under a short-term incentive (STI) programme and a performance-related long-term incentive (LTI) programme as presented in the table below.

	Six months ended 30 June	
	2024	**2023**
Short-term employee benefits	5,976	2,632
Long-term employee benefits	1,446	1,306
Social security costs	1,127	592
Total	**8,549**	**4,530**

(expressed in millions of Russian Roubles unless otherwise stated)

9 PROPERTY, PLANT AND EQUIPMENT, AND OTHER INTANGIBLE ASSETS

	2024		2023	
	Property, plant and equipment	Other intangible assets	Property, plant and equipment	Other intangible assets
Cost				
At 1 January	**741,431**	**95,243**	**639,969**	**84,287**
Additions	57,559	7,841	32,858	6,204
Assets from acquisitions of businesses (Note 6)	80	1	4,630	197
Disposals	(24,199)	(77)	(10,856)	(499)
At 30 June	**774,871**	**103,008**	**666,601**	**90,189**
Accumulated depreciation and impairment				
At 1 January	**(377,040)**	**(54,493)**	**(324,365)**	**(45,960)**
Depreciation charge	(38,142)	(5,929)	(34,296)	(5,113)
Impairment charge	(1,284)	(253)	(775)	(19)
Reversal of impairment	27	–	105	63
Disposals	22,908	77	10,076	455
At 30 June	**(393,531)**	**(60,598)**	**(349,255)**	**(50,574)**
Net book value at 1 January	**364,391**	**40,750**	**315,604**	**38,327**
Net book value at 30 June	**381,340**	**42,410**	**317,346**	**39,615**

Depreciation charge, impairment charge, and reversal of impairment were included in selling, general and administrative expenses in the consolidated statements of profit or loss for the six months ended 30 June 2024 and 30 June 2023.

For the six months ended 30 June 2024, the increase in other intangible assets was due to software purchases worth RUB 7,841 million (six months ended 30 June 2023: RUB 6,204 million allocated to software purchases).

The impairment charge for the six months ended 30 June 2024 and 30 June 2023 arose primarily from the impairment of assets related to stores closed during the period and the impairment of obsolete equipment. No other impairment indicators were identified. At the same time, the Group recognised a reversal of previously recognised impairment losses due to improvement in the recoverable amount of certain assets.

10 LEASES

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets (land and buildings)	Lease liabilities
At 1 January 2023	**508,543**	**(591,160)**
Additions	63,879	(63,415)
Acquisition of businesses (Note 6)	4,903	(4,903)
Depreciation expense	(39,504)	–
Derecognition (decrease in the scope of the lease and terminations of lease agreements)	(178)	744
Interest accrued	–	(28,056)
Payments	–	61,791
Effect of changes in foreign exchange rates	–	(1,675)
At 30 June 2023	**537,643**	**(626,674)**

(expressed in millions of Russian Roubles unless otherwise stated)

10 LEASES (continued)

	Right-of-use assets (land and buildings)	Lease liabilities
At 1 January 2024	**576,463**	**(670,962)**
Additions	39,339	(39,085)
Acquisition of businesses (Note 6)	2,391	(2,391)
Depreciation expense	(42,913)	–
Derecognition (decrease in the scope of the lease and terminations of lease agreements)	(1,673)	2,303
Interest accrued	–	(36,465)
Payments	–	71,717
Effect of changes in foreign exchange rates	–	311
At 30 June 2024	**573,607**	**(674,572)**

Expenses related to short-term leases for the six months ended 30 June 2024 amounted to RUB 53 million (six months ended 30 June 2023: RUB 59 million). Expenses related to variable lease payments not included in the measurement of lease liabilities amounted to RUB 17,573 million for the six months ended 30 June 2024 (six months ended 30 June 2023: RUB 11,845 million). Variable lease payments are mainly linked to sales generated from a store. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base.

Total cash outflow for leases for the six months ended 30 June 2024 amounted to RUB 89,339 million (six months ended 30 June 2023: RUB 73,675 million).

Maturity analysis of the lease liabilities is disclosed in Note 23.

As at 30 June 2024, potential future cash outflows of RUB 4,243 million (undiscounted) (31 December 2023: RUB 4,243 million) have not been included in the lease liability because the Company is reasonably certain that the leases will be terminated.

11 GOODWILL

Movements in goodwill arising on the acquisition of businesses at 30 June 2024 and 30 June 2023 were:

	2024	2023
Cost		
Gross carrying amount at 1 January	**182,539**	**173,708**
Acquisition of businesses (Note 6)	1,003	4,613
Gross carrying amount at 30 June	**183,542**	**178,321**
Accumulated impairment losses		
Accumulated impairment losses at 1 January	**(61,026)**	**(60,779)**
Accumulated impairment losses at 30 June	**(61,026)**	**(60,779)**
Carrying amount at 1 January	**121,513**	**112,929**
Carrying amount at 30 June	**122,516**	**117,542**

Goodwill impairment test

For the purposes of impairment testing, goodwill is allocated to groups of cash-generating units (groups of CGUs) being store chains of each format and dark kitchens. This represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

(expressed in millions of Russian Roubles unless otherwise stated)

11 GOODWILL (continued)

Goodwill impairment test (continued)

The group of CGUs to which goodwill has been allocated is tested for impairment annually or more frequently if there are indications that the particular group of CGUs might be impaired. Goodwill is tested for impairment at the group of CGUs level by comparing the carrying amounts of a particular group of CGU assets, including allocated goodwill, with their value in use.

During the six months ended 30 June 2024, there were no events, including the potential impact of sanctions, indicating that goodwill may be impaired. The Group will perform the next annual goodwill impairment testing on 31 December 2024.

12 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2024	31 December 2023
Trade receivables	14,843	14,593
Other receivables	15,693	14,378
Allowance for expected credit losses on trade and other receivables	(633)	(741)
Total trade and other receivables	**29,903**	**28,230**
Prepayments	4,585	6,367
Advances made to trade suppliers	4,281	2,877
Allowance for impairment of prepayments and advances	(553)	(546)
Total short-term advances and prepayments	**8,313**	**8,698**
Total	**38,216**	**36,928**

During the six months ended 30 June 2024, the Group performed a detailed analysis of how sanctions may impact expected credit losses, identifying no material impacts.

13 OTHER NON-CURRENT AND CURRENT LIABILITIES

Other non-current liabilities	30 June 2024	31 December 2023
Purchase commitments for non-controlling interests	–	4,484
Liabilities related to LTI programmes for key employees	1,285	3,123
Other payables	1,441	1,410
Total long-term financial instruments	**2,726**	**9,017**
Long-term contract liabilities	42	41
Taxes other than income tax	196	478
Total long-term non-financial instruments	**238**	**519**
Total	**2,964**	**9,536**

(expressed in millions of Russian Roubles unless otherwise stated)

13 OTHER NON-CURRENT AND CURRENT LIABILITIES (continued)

Provisions and other current liabilities	**30 June 2024**	**31 December 2023**
Other payables and accruals	38,942	42,021
Purchase commitments for non-controlling interests	4,759	–
Accrued salaries and bonuses	35,385	38,583
Payables to landlords	2,401	2,438
Payables for property, plant and equipment, other intangible assets, and acquisition of businesses	20,272	27,896
Total short-term financial instruments	**101,759**	**110,938**
Taxes other than income tax	43,773	37,350
Provisions and liabilities for non-income tax uncertainties	7,672	6,663
Advances received	2,138	2,080
Total short-term non-financial instruments	**53,583**	**46,093**
Total	**155,342**	**157,031**

14 CONTRACT LIABILITIES

	30 June 2024	**31 December 2023**
Short-term contract liabilities		
Short-term contract liabilities related to loyalty programmes	1,477	1,109
Advances received from wholesale customers	84	76
Advances received from other customers	370	273
Total	**1,931**	**1,458**

15 BORROWINGS

The Group had the following borrowings at 30 June 2024 and 31 December 2023:

	Final maturity year*	**Fair value**		**Carrying amount**	
		2024	**2023**	**2024**	**2023**
Short-term					
RUB Bonds X5 FINANCE series 001P-12	2024	1,510	1,494	1,566	1,566
RUB Bonds X5 FINANCE series 002P-01	2024	9,837	9,626	9,949	9,929
RUB Bonds X5 FINANCE series 002P-02	2025	18,620	–	19,984	–
RUB Bonds X5 FINANCE series 002P-03	2025	13,152	–	13,990	–
RUB Bilateral Loans	2024	24,482	87,109	25,033	89,364
Total short-term borrowings		**67,601**	**98,229**	**70,522**	**100,859**
Long-term					
RUB Bonds X5 FINANCE series 002P-02		–	19,296	–	19,975
RUB Bonds X5 FINANCE series 002P-03		–	13,545	–	13,983
RUB Bonds X5 FINANCE series 003P-02	2026	20,234	20,342	19,974	19,968
RUB Bonds X5 FINANCE series 003P-03	2026	9,524	9,849	9,976	9,970
RUB Bonds X5 FINANCE series 003P-04	2026	9,985	–	9,971	–
RUB Bonds X5 FINANCE series 003P-05	2027	9,999	–	9,973	–
RUB Bilateral Loans	2025–2027	93,088	63,650	93,501	63,500
Total long-term borrowings		**142,830**	**126,682**	**143,395**	**127,396**
Total borrowings		**210,431**	**224,911**	**213,917**	**228,255**

* In case of the Group's Bonds – the final maturity / offer year.

(expressed in millions of Russian Roubles unless otherwise stated)

15 BORROWINGS (continued)

The weighted average effective interest rate on the Group's total borrowings for the six months ended 30 June 2024 was 13.34% per annum (six months ended 30 June 2023: 7.80%).

All borrowings as at 30 June 2024 are shown net of related transaction costs of RUB 135 million, which are amortised over the term of the loans using the effective interest method (31 December 2023: RUB 116 million). Borrowing costs capitalised for the six months ended 30 June 2024 amounted to RUB 16 million and were included in additions within the "Property, plant and equipment" and "Other intangible assets" line items in Note 9 (six months ended 30 June 2023: RUB 6 million). The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was approximately equal to the weighted average effective interest rate for the period.

Change in total borrowings in the amount of RUB 14,338 million for the six months ended 30 June 2024 equals to the proceeds from borrowings in the amount of RUB 60,017 million; repayment of borrowings in the amount of RUB 74,931 million (the consolidated statement of cash flows); increase due to acquisitions classified as purchase of assets and liabilities in the amount of RUB 506 million; increase due to acquisitions of businesses recorded as part of the purchase price allocation (Note 6) in the amount of RUB 45 million; and other non-cash movements in the amount of RUB 17 million plus amortisation of transaction costs in the amount of RUB 42 million.

Change in total borrowings in the amount of RUB 5,537 million for the six months ended 30 June 2023 equals to the proceeds from borrowings in the amount of RUB 30,044 million; repayment of borrowings in the amount of RUB 37,734 million (the consolidated statement of cash flows); increase due to acquisitions recorded as part of the purchase price allocation (Note 6) in the amount of RUB 1,962 million; and other non-cash movements in the amount of RUB 151 million plus amortisation of transaction costs in the amount of RUB 40 million.

In accordance with some loan agreements, the Group maintains an optimal leverage ratio by tracking the maximum level of the Net Debt/EBITDA pre-IFRS 16 covenant (4.00x/4.25x during 2 quarters after the acquisition). At 30 June 2024, the Group complied with this covenant, as the Net Debt/EBITDA pre-IFRS 16 ratio was equal to 0.70x (31 December 2023: 0.89x). The EBITDA metric specified in all loan agreements is equal to EBITDA pre-IFRS 16 (for calculation, please refer to Note 5).

16 SHARE CAPITAL

As at 30 June 2024, the Group's share capital amounted to RUB 316,181 million (31 December 2023: RUB 316,181 million, with 99.994187% owned by X5 Retail Group N.V. (Note 1)).

On 1 July 2024, following the Company's reorganisation through transformation (Note 1), its share capital was converted into 271,572,872 ordinary shares with a par value of RUB 1,164.26 each.

17 EARNINGS PER SHARE

Until 1 July 2024, the Company had no issued shares, as it was a limited liability company. On 1 July 2024, the Company was transformed into X5 Corporate Center PJSC and issued 271,572,872 shares (Note 1).

Estimated earnings per share for the reporting periods were calculated by dividing the profit or loss for the respective period attributable to equity holders of the Company by the number of ordinary shares as at 1 July 2024.

	Six months ended 30 June 2024	Six months ended 30 June 2023
Profit attributable to equity holders of the parent	53,288	35,738
Number of ordinary shares in issue as at 1 July 2024	271,572,872	271,572,872
Number of ordinary shares for the purposes of diluted earnings per share as at 1 July 2024	271,572,872	271,572,872
Basic earnings per share for profit (expressed in RUB per share)	**196.22**	**131.60**
Diluted earnings per share for profit (expressed in RUB per share)	**196.22**	**131.60**

(expressed in millions of Russian Roubles unless otherwise stated)

18 REVENUE

	Six months ended 30 June 2024					
	Pyaterochka	**Perekrestok**	**Other segments**	**Corporate centre**	**Centralised functions**	**Total**
Revenue from sale of goods through own stores (at a point in time)	1,412,466	238,631	159,504	–	–	**1,810,601**
Revenue from sale of goods through franchisees (at a point in time)	30,838	1,074	–	–	–	**31,912**
Revenue from wholesale of goods (at a point in time)	193	–	3,847	–	1,254	**5,294**
Revenue from other services (over time)	172	1	3,713	5	13	**3,904**
Total	**1,443,669**	**239,706**	**167,064**	**5**	**1,267**	**1,851,711**

	Six months ended 30 June 2023					
	Pyaterochka	**Perekrestok**	**Other segments**	**Corporate centre**	**Centralised functions**	**Total**
Revenue from sale of goods through own stores (at a point in time)	1,144,828	201,062	94,349	–	–	**1,440,239**
Revenue from sale of goods through franchisees (at a point in time)	21,070	781	–	–	–	**21,851**
Revenue from wholesale of goods (at a point in time)	78	–	2,410	–	1,228	**3,716**
Revenue from other services (over time)	457	342	1,799	2	1	**2,601**
Total	**1,166 433**	**202,185**	**98,558**	**2**	**1,229**	**1,468,407**

19 LEASE/SUBLEASE AND OTHER INCOME

	Six months ended 30 June 2024	**Six months ended 30 June 2023**
Lease/sublease income	4,447	3,900
Income from sales of recyclables	5,237	3,448
Gain on derecognition of right-of-use assets and lease liabilities	630	568
Other	4,288	3,102
Total	**14,602**	**11,018**

(expressed in millions of Russian Roubles unless otherwise stated)

20 FINANCE INCOME AND COSTS

	Six months ended 30 June 2024	Six months ended 30 June 2023
Interest expense on lease liabilities	36,466	28,057
Interest expense on borrowings	14,825	9,188
Interest income	(10,552)	(3,260)
Other finance costs/(income)	1,826	(883)
Total	**42,565**	**33,102**

21 INCOME TAX

	Six months ended 30 June 2024	Six months ended 30 June 2023
Current income tax charge	13,238	10,616
Deferred income tax charge	2,527	39
Income tax charge for the period	**15,765**	**10,655**

22 SEASONALITY

The Group's business is typically exposed to seasonality, with increased customer activity levels in December leading to higher sales for the Group (approximately 25%–40% above the monthly average for the year). Most expenses follow the same trend as sales, except for utility costs, which are typically higher in winter due to increased electricity and heat consumption.

23 FINANCIAL RISK MANAGEMENT

The Group's business is exposed to a variety of financial risks, such as market risk (including currency risk and interest rate risk), credit risk, and liquidity risk. The condensed consolidated interim financial statements do not contain all the financial risk management information and disclosures required for annual consolidated financial statements; they should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2023. There have been no changes to the risk management policy since the year end.

Market risk – Currency risk

The Group is exposed to foreign exchange risk arising from foreign currency denominated assets and liabilities with respect to import purchases and lease liabilities mainly in USD and EUR. As at 30 June 2024, the Group had trade payables denominated in USD in the amount of RUB 7,967 million, in EUR in the amount of RUB 1,996 million, in CNY in the amount of RUB 1,750 million, and in other currencies in the amount of RUB 390 million (31 December 2023: denominated in USD in the amount of RUB 7,039 million, in EUR in the amount of RUB 1,154 million, and in CNY in the amount of RUB 1,270 million) and leases denominated in USD in the amount of RUB 4,096 million and in EUR in the amount of RUB 2,146 million (31 December 2023: denominated in USD in the amount of RUB 4,595 million and in EUR in the amount of RUB 3,041 million).

As at 30 June 2024, the Group had payables for property, plant and equipment denominated in USD in the amount of RUB 1,622 million, in EUR in the amount of RUB 286 million, and in CNY in the amount of RUB 23 million (31 December 2023: denominated in USD in the amount of RUB 1,657 million, in EUR in the amount of RUB 284 million, and in CNY in the amount of RUB 84 million).

As at 30 June 2024, the Group did not have any other significant assets and liabilities denominated in foreign currency, and the exposure for the Group was estimated as insignificant.

(expressed in millions of Russian Roubles unless otherwise stated)

23 FINANCIAL RISK MANAGEMENT (continued)

Market risk – Interest rate risk

As at 30 June 2024, the Group had no floating interest-bearing assets but had a 39% share of borrowings with floating interest rates based on the key rate of the Central Bank of the Russian Federation (CBRF). If the key rate had been 100 b.p. higher, the profit before tax for the six months ended 30 June 2024 would have been RUB 267 million lower. If the key rate had been 100 b.p. lower, the profit before tax for the six months ended 30 June 2024 would have been RUB 267 million higher. The Group's income and operating cash inflows were largely independent of changes in market interest rates, but part of the Group's interest expenses was marginally exposed to changes in market interest rates.

Liquidity risk

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities as at the reporting date at spot foreign exchange rates:

30 June 2024	Within 1 year	In 1 to 5 years	Over 5 years
Lease liabilities	148,640	503,905	410,314
Borrowings and interest accrued	99,734	169,131	–
Trade payables	302,325	–	–
Other financial liabilities	103,045	12,196	–
Total	**653,744**	**685,232**	**410,314**

31 December 2023	Within 1 year	In 1 to 5 years	Over 5 years
Lease liabilities	143,241	484,906	393,093
Borrowings and interest accrued	124,276	150,120	–
Trade payables	290,232	–	–
Other financial liabilities	111,998	16,718	–
Total	**669,747**	**651,744**	**393,093**

As at 30 June 2024, the Group had net current liabilities of RUB 132,474 million (31 December 2023: RUB 190,075 million), including short-term borrowings of RUB 70,522 million (31 December 2023: RUB 100,859 million).

At 30 June 2024, the Group had available bank credit lines of RUB 620,619 million (31 December 2023: RUB 549,740 million). At 30 June 2024, the Group had a RUB registered bonds programme available for issue on MOEX of RUB 150,000 million (31 December 2023: RUB 170,000 million).

24 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value.

24 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Financial assets carried at amortised cost

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received, discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty.

The carrying amount of cash and cash equivalents and trade and other financial receivables approximates their fair value. The measurement of trade and other receivables is classified within Level 3 of the fair value hierarchy.

Liabilities carried at amortised cost

The fair value of bonds is based on quoted market prices. Fair values of other liabilities are determined using valuation techniques. The fair value of other liabilities approximates their carrying amounts.

The fair value of bonds traded on the Moscow Exchange (MOEX) is determined based on active market quotations and amounted to RUB 92,861 million at 30 June 2024 (31 December 2023: RUB 74,152 million). The measurement is classified within Level 1 of the fair value hierarchy. The carrying amount of these bonds amounted to RUB 95,383 million at 30 June 2024 (31 December 2023: RUB 75,391 million) (Note 15). The fair value of borrowings amounted to RUB 117,570 million at 30 June 2024 (31 December 2023: RUB 150,759 million). The measurement is classified within Level 3 of the fair value hierarchy and is determined based on expected cash flows discounted using the interest rate of similar instruments available in the market. The carrying amount of borrowings amounted to RUB 118,534 million at 30 June 2024 (31 December 2023: RUB 152,864 million) (Note 15). The sensitivity analysis shows that an increase in the market interest rate by 10% leads to a decrease in the fair value of bilateral loans by RUB 1,289 million at 30 June 2024 (31 December 2023: RUB 1,143 million), and a decrease in the market interest rate by 10% leads to an increase in the fair value of bilateral loans by RUB 1,346 million at 30 June 2024 (31 December 2023: RUB 1,184 million). The fair value of short-term borrowings was not materially different from their carrying amounts.

25 COMMITMENTS AND CONTINGENCIES

Operating environment of the Group

Russia continues economic reforms and the development of its legal, tax, and regulatory frameworks as required by a market economy. Since late February 2022, a number of countries (including the US, UK, and EU) have imposed sanctions against certain entities and individuals in Russia after Russia officially recognised the Donetsk People’s Republic and Lugansk People’s Republic. Such sanctions can directly impact the sanctioned entities and individuals as well as entities under their control. The Group is not subject to any sanctions or restrictions at the moment but is likely to face challenges due to restrictions on financial transactions and certain imports into Russia.

The Group assessed the potential impact of sanctions imposed on Russia over its special military operation on the Group’s going concern status (Note 2), impairment of non-current assets (Notes 9 and 11), and allowance for expected credit losses (Note 12).

The future stability of the Russian economy is largely dependent upon the impact of sanctions imposed and further government reforms, events, and the effectiveness of economic, financial, and monetary measures undertaken by the government. Should the economy be in a long-term recession after the sanctions, that may affect the Group’s financial position, cash flows, and results of operations.

Capital expenditure commitments

At 30 June 2024, the Group had contracted for capital expenditure for the acquisition of property, plant and equipment and intangible assets of RUB 16,722 million (net of VAT) (31 December 2023: RUB 9,970 million).

25 COMMITMENTS AND CONTINGENCIES (continued)

Legal contingencies

The Group has been and continues to be the subject of legal proceedings and adjudications from time to time. Management believes that there are no current legal proceedings or other claims outstanding that could have a material effect on results of operations or financial position of the Group and that have not been accrued at 30 June 2024.

Tax contingencies

Russian tax, customs, and currency legislation allows for various interpretations and is subject to frequent amendments. Relevant regional and federal authorities can challenge the Group management's interpretation of legislation provisions in the context of the Group's transactions and operations. Recent trends in the interpretation and application of particular provisions of the Russian tax legislation highlight the fact that tax authorities can take a more rigid position with regards to the interpretation of the legislation and tax calculations. Therefore, tax authorities can dispute the lawfulness of transactions and accounting methods that previously raised no doubt. As a result, material additional taxes, penalties, and fines can be charged. It is impossible to forecast the amount of potential claims and to evaluate the probability of an unfavourable outcome. Generally, tax audits can cover three calendar years preceding the year in which the decision to conduct an audit is taken. In certain circumstances, a tax audit can cover earlier tax periods.

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Co-operation and Development. Starting from 1 January 2019, a significant number of domestic transactions were excluded from the transfer pricing control in Russia. Only transactions between Russian companies that apply different income tax rates on profits or special tax regimes are subject to the rules, and only if income/expenses from those transactions exceed RUB 1 billion per year. Moreover, starting from 1 January 2022, a threshold of RUB 120 million applies for cross-border transactions to be classified as controlled for transfer pricing purposes.

At the end of 2023, Federal Law No. 539-FZ on changes to the Russian Federation Tax Code was adopted. Most of the amendments affected the regulation of transfer pricing rules, increasing the administrative burden on taxpayers to prepare documentation and the penalties for non-compliance with transfer pricing legislation. The law also introduced a withholding tax at a rate of 15% on the income paid to a foreign company providing intra-group services to a Russian company. The new transfer pricing rules, as well as changes regarding withholding tax, apply to transactions leading to income/expenses recognised/paid from 1 January 2024.

On 8 August 2023, the President of Russia signed Executive Order No. 585 (the "Order") suspending the effect of certain articles of Double Tax Treaties (DTTs), including provisions concerning the taxation of all types of income (including dividends, interest, royalties, business profits, etc.) with "unfriendly" countries. The Order applies to tax treaties signed by Russia with 38 countries.

For certain types of income, Law No. 539-FZ keeps in place until the end of 2025 the benefits previously granted under the DTTs. The law does not apply to transactions between related parties.

On 14 February 2023, the Council of the European Union revised its EU list of non-cooperative jurisdictions for tax purposes (the "EU Blacklist") and decided to add Russia to the EU Blacklist. The immediate tax effect of this decision was not expected in 2023. Potentially, tax changes may lead to an increase in tax control by the EU regulatory authorities and increase the tax burden in the future.

At the beginning of 2023, the Government of the Russian Federation issued a Resolution that established the procedure for offering an instalment plan to pay contributions to social funds, for which in 2022 the Government granted the right to postpone payments by 1 year. The instalment plan provides the right to pay the amounts due on a monthly basis in equal instalments starting from 28 June 2023 until 28 May 2024.

25 COMMITMENTS AND CONTINGENCIES (continued)

Tax contingencies (continued)

On 4 August 2023, Federal Law No. 414-FZ *On Windfall Tax* was adopted. The law established the procedure for determining and paying a one-off tax on excess (windfall) profits and took effect from 1 January 2024. According to the law, Russian entities whose average profit for 2021–2022 exceeds RUB 1 billion had to file a windfall tax return with tax authorities before 25 January 2024 and pay windfall tax calculated at a rate of 10% before 29 January 2024. The law also provided for the option of voluntarily making an "advance payment" between 1 October and 30 November 2023 to form a tax credit, which the taxpayer can use to reduce the tax amount. The amount of such tax credit cannot exceed ½ of the amount of tax payable. The Group made this "advance payment" to the budget before 30 November 2023, thus taking advantage of a corresponding tax credit.

On 12 July 2024, Law No. 176-FZ was adopted, effective from 1 January 2025 and introducing the following changes:

- Raising from 20% to 25% the basic income tax rate for the income of Russian and foreign entities receiving income from sources in Russia;
- Raising from 0% to 5% the tax rate for IT companies accredited by the Russian Ministry of Digital Development, Communications, and Mass Media. The period for IT companies to benefit from a reduced rate was extended to 2025–2030;
- Introducing a progressive personal income tax scale (from 13% to 22%) and clarifying a number of benefits and special rules related to personal income tax;
- Raising the property tax rate cap to 2.5% for real estate properties for which the tax base is determined as the cadastral value and whose cadastral value exceeds RUB 300 million.

Management regularly reviews the Group's taxation compliance with applicable legislation, laws and decrees, and current interpretations published by authorities. Furthermore, management regularly assesses the potential financial exposure relating to tax contingencies not only for the periods open for tax audit but also for which the three years' tax inspection right has expired but which, under certain circumstances, may be challenged by regulatory bodies. From time to time, potential exposures and contingencies are identified, and at any point in time, a number of open matters may exist.

Management estimates that possible exposure in relation to the aforementioned risks, as well as other income tax and non-income tax risks (e.g. assessment of additional VAT liabilities) that are more than remote, but for which no liability is required to be recognised under IFRS, could be several times more than accrued liabilities and provisions reflected in the statement of financial position at that date. This estimation is provided for the IFRS requirement for disclosure of possible taxes and should not be considered as an estimate of the Group's future tax liability.

26 SUBSEQUENT EVENTS

On 1 July 2024, the procedure for reorganising X5 Corporate Center LLC into X5 Corporate Center PJSC through transformation was completed (Note 1).

On 1 July 2024, the Group placed a number of irrevocable bank deposits in the total amount of RUB 152,875 million with major Russian banks (from top 5 banks by net assets as at the date of approval of these condensed consolidated interim financial statements), maturing in Q4 2024 and earning income at rates above the key rate of the CBRF at the date of placement.

On 12 July 2024, Federal Law No. 176-FZ *On Amendments to Parts One and Two of the Tax Code of the Russian Federation and Certain Legislative Acts of the Russian Federation and Invalidation of Specific Provisions of Legislative Acts of the Russian Federation* was adopted, raising the income tax rate from 20% to 25% from 1 January 2025 (Note 25).

This law will result in changes to deferred tax assets, deferred tax liabilities, and deferred income tax charges. However, as at the publication date of these condensed consolidated interim financial statements, the Group has not finalised its assessment of this impact. This law will not affect current income tax amounts for 2024.

On 23 July 2024, Company shares were included in the first level quotation list of the Moscow Exchange.