

Public Joint Stock Company “M.video”

Consolidated Financial Statements
for the year ended 31 December 2022

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

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PUBLIC JOINT STOCK COMPANY “M.VIDEO”

STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of Public Joint Stock Company “M.video” (the “Company”) and its subsidiaries (the “Group”) as at 31 December 2022, and the consolidated results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”).

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

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group’s consolidated financial position and financial performance; and
- Making an assessment of the Group’s ability to continue as a going concern.

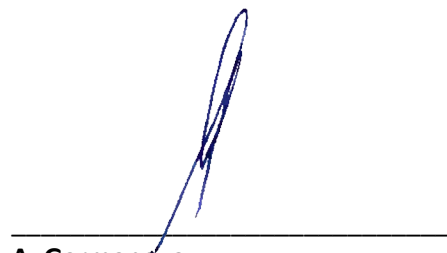
Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group’s transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards of Russian Federation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2022 were approved on 28 April 2023.



B. Uzhakhov
Chief Executive Officer



A. Garmanova
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of Public Joint Stock Company "M.video":

Opinion

We have audited the consolidated financial statements of Public Joint Stock Company "M.video" (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other 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 present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Auditor's Independence Rules* and the *Auditor's Professional Ethics Code*, that are relevant to our audit of the financial statements in the Russian Federation together with the ethical requirements of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the matter was determined to be a key audit matter**Recognition of supplier bonuses**

The Group receives significant amounts of supplier incentives and bonuses (hereinafter “supplier bonuses”).

We consider this to be a key audit matter because judgment is required to determine:

- The commercial substance of supplier bonuses received by the Group;
- The moment when the Group has fulfilled all of its obligations to suppliers;
- Their classification as those reducing the cost of sales or offsetting other costs and the period over which the related reduction or offset should be recognised.
- Whether recognition criteria have been met for the bonuses accrued and whether bonuses recognised are fully recoverable from suppliers.

This requires a thorough understanding of the contractual arrangements and complete and accurate source data and effective internal controls. The variety of arrangements with suppliers and types of supplier bonuses received by the Group means that this area of accounting is complex and gives rise to potential errors in the source data and related calculations.

In the reporting period, the Group identified that the supplier bonuses in the amount of RUB 7,776 million accrued as at 31 December 2021 could not be recovered. As a result of the analysis performed, the Group concluded that these were not appropriately recognised as at 31 December 2021 and, in accordance with the requirements of IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, retrospectively adjusted this prior period error. Due to the long period of time that has elapsed since the initial recognition of the bonuses, significant judgement was required in determining whether the adjustment represented a prior period error rather than a change in accounting estimate.

How the matter was addressed in the audit

During the audit we:

- Obtained an understanding of the Group’s internal processes and controls around accounting for supplier bonuses and changes implemented by the Group in those processes and controls in the reporting period. We also assessed whether recognition of supplier bonuses was in line with the Group’s accounting policies and IFRS;
- Examined the commercial substance of supplier bonuses by means of a sample-based analysis of contracts with suppliers, the primary documents confirming the Group’s right to receive supplier bonuses;
- Circularised a sample of suppliers to get assurance that the amounts of recorded supplier bonuses and balances owed at year-end were accurate and complete. Where responses were not received, we completed alternative procedures such as tracing amounts recorded to documents confirming the Group’s rights to a particular bonus;
- Recomputed management’s calculation of supplier bonuses allocated to year-end inventories based on their commercial substance.

Regarding the prior period error we:

- Critically examined the quantitative and qualitative analysis performed by management, including relevant calculations and underlying judgments;
- Obtained and analysed official letters received by the Group in 2022-2023 from its suppliers containing suppliers’ refusal to pay certain bonuses accrued by the Group in 2021 on the basis of absence of contractual rights to such bonuses, as well as analysed relevant reconciliation acts and commercial agreements;

Why the matter was determined to be a key audit matter**How the matter was addressed in the audit**

The Group's principal accounting policy in respect of the supplier bonuses is disclosed in Note 3. Management judgments involved in estimating supplier bonuses recognised are disclosed in Note 5. Information about adjustments to comparative figures as a result of error is disclosed in Note 2.

- Conducted interviews with management and employees of the commercial department, finance department, corporate and legal department and a number of other Group employees;
- Assessed the completeness and accuracy of disclosures and their compliance with IFRS requirements

Net realisable value of inventories

Inventories are carried at the lower of cost and net realisable value.

As at 31 December 2022 the value of inventories held by the Group was RUB 112 871 million.

The valuation of inventories was identified as a key audit matter because it involves significant judgement, in particular, with respect to the estimated selling price, estimated cost to sell of items held and compensations received from suppliers for damaged goods. The assessment process is subjective and includes studying the historical performance of the inventories, current operational plans as well as industry and customer specific trends.

The Group's principal accounting policy in respect of the net realisable value of inventories is disclosed in Note 3. Information regarding to inventory are disclosed in Note 13.

During the audit we:

- Obtained an understanding of the Group's processes and procedures related to the measurement of inventories;
- Verified the value of a sample of inventories to confirm it is held at the lower of cost and net realisable value, through comparing to supplier invoices and sales prices and performing critical assessment of costs to sell estimate;
- Reviewed, recalculated and critically assessed the reasonableness of inventory provision considering historical performance and analysed the amount of provision as a percentage of gross inventory balance year to year; and
- Assessed the completeness and accuracy of historical data used by management in developing its estimates.
- Analysed the completeness and accuracy of disclosures and their compliance with IFRS requirements

Accounting for leases

In course of its operating activities, the Group enters into a large number of lease agreements for its stores and warehouses. Given variety and complexity of terms of the underlying leases, significant judgment is required in assessing lease terms and determining discount rates.

During the audit we:

- Obtained an understanding of internal processes and controls regarding lease accounting, and in particular, accounting for modifications, including the review of early termination options on leases;
- Analysed and challenged key assumptions and judgments used by management while determining the lease term, including the probability of exercising the renewal and termination options, and the discount rate;

Why the matter was determined to be a key audit matter

In 2022 the Group renegotiated a few of its lease agreements which led to the need to account for lease modifications and to recognise the revaluation of right-of-use assets and lease liabilities. Considering the significant number of contracts for which terms were renegotiated, and judgments required in accounting for modifications, we identified lease accounting as a key audit issue.

Information on the right-of-use assets and lease liabilities is disclosed in Notes 3, 5 and 9 to the consolidated financial statements.

How the matter was addressed in the audit

- Recalculated a sample of lease agreements with renegotiated terms to get assurance that accounting principles are applied consistently, revaluation of right-of-use assets and lease liabilities is recorded in accurate amounts; and
- Analysed completeness and accuracy of disclosures and their compliance with the requirements of IFRS 16 “Leases”.

Non-current assets impairment assessment

Goodwill of RUB 50 007 million and intangible assets with indefinite useful life represented by trademarks of RUB 9 140 million as at 31 December 2022 are tested for impairment annually. Also, at the end of each reporting period, the Group assesses whether there is evidence of impairment of other non-current assets in cash-generating units (“CGUs”) and, if any, makes an estimate of the recoverable amount of the assets.

Estimation of the value-in-use for both individual assets and CGUs requires a number of significant judgments and estimates including assessment of future margins, discount rate and growth rates. Also, considering the significance of the goodwill amount and the impact of the new coronavirus disease on the global and Russian economy, we have identified non-current assets impairment as a key audit matter.

Refer to Notes 7, 5 and 34 to the consolidated financial statements.

During the audit we:

- Obtained an understanding of key controls over the assessment of non-current assets impairment indicators and test for goodwill impairment;
- Considered indications that may evidence possible impairment of individual assets and cash-generating units;
- Compared the data used by management in impairment models with approved budgets and forecasts;
- Assessed reasonableness of the assumptions used in management’s forecasts based on actual results, market data and trends;
- Performed sensitivity analysis of impairment models for key assumptions in the ranges of their possible change;
- Analysed completeness and accuracy of disclosures and their compliance with the requirements of IAS 36 “Impairment of assets”.

Other Information

Management is responsible for other information. Other information includes the information contained in the 2022 issuer's report on equity securities, but does not include the consolidated financial statements and our auditor's report thereon. We anticipate that the report will be made available to us after the date of this auditor's report.

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 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, upon reading the report, we conclude that the other information is materially misstated, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management 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, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives 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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s 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 Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the 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 auditor’s report. However, future events or conditions may cause the Company 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.

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, related safeguards.

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 auditor’s 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 communication.

Supplementary financial information

Our audit was conducted for the purpose of forming an opinion on the Group’s consolidated financial statements as a whole. Management is responsible for the preparation of information accompanying the consolidated financial statements, which is presented as supplementary financial information on pages 68-71. This information is provided for the purposes of additional analysis and is not a required part of the consolidated financial statements for year ended 31 December 2022 prepared in accordance with IFRS.

The supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Vladimir Biryukov
(ORNZ № 21906100113),
Engagement partner,
Acting based on the power of attorney issued by the General Director on 06.07.2022
authorizing to sign off the audit report on behalf of AO “Business Solutions and Technologies”
(ORNZ № 12006020384)

28 April 2023

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

(in millions of Russian Rubles)

	Notes	31 December 2022	31 December 2021*
NON-CURRENT ASSETS			
Property, plant and equipment	8	13 104	17 675
Investment property		178	194
Intangible assets	10	26 484	27 830
Goodwill	7	50 007	50 007
Right-of-use assets	9	59 750	74 075
Financial assets	11	15	5 575
Deferred tax assets	18	9 830	6 961
Other non-current assets	12	381	1 647
Total non-current assets		159 749	183 964
CURRENT ASSETS			
Inventories	13	112 871	163 638
Accounts receivable	14	17 972	39 014
Advances issued	14	5 988	1 622
Income tax receivable		239	2 637
Other taxes receivable	15	6 879	33 910
Other current assets		97	68
Cash and cash equivalents	16	30 196	12 053
Assets held for sale		–	8
Total current assets		174 242	252 950
TOTAL ASSETS		333 991	436 914
EQUITY			
Share capital	17	1 798	1 798
Additional paid-in capital		4 576	4 576
Treasury shares	17	(526)	(557)
Retained earnings		532	11 012
Total equity		6 380	16 829
NON-CURRENT LIABILITIES			
Lease liabilities	9	57 670	68 628
Non-current borrowings and other financial liabilities	19	13 951	28 964
Deferred tax liabilities	18	50	94
Other liabilities		487	577
Total non-current liabilities		72 158	98 263
CURRENT LIABILITIES			
Trade accounts payable		135 668	237 324
Current borrowings and other financial liabilities	19	81 715	40 174
Other payables and accrued expenses	20	13 090	18 003
Liabilities to customers	22	6 048	7 998
Lease liabilities	9	15 662	15 797
Income tax payable		–	9
Other taxes payable	21	2 883	2 353
Provisions	23	387	164
Total current liabilities		255 453	321 822
Total liabilities		327 611	420 085
TOTAL EQUITY AND LIABILITIES		333 991	436 914

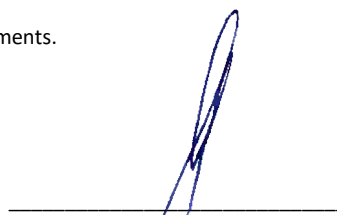
* Some amounts were restated (Note 2).

The Notes form an integral part of these consolidated financial statements.

Signed on 28 April 2023 by:



B. Uzhakhov
Chief Executive Officer



A. Garmanova
Chief Financial Officer

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

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

(in millions of Russian Rubles, except earnings per share)

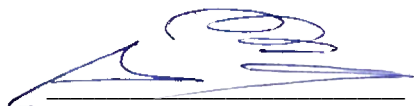
	Notes	2022	2021*
REVENUE	24	402 462	476 364
COST OF SALES	25	(319 355)	(388 785)
GROSS PROFIT		83 107	87 579
Selling, general and administrative expenses	26	(76 417)	(87 804)
Other operating income	27	2 090	6 403
Other operating expenses	28	(1 032)	(414)
OPERATING PROFIT		7 748	5 764
Finance income	29	1 367	164
Finance expenses	29	(21 472)	(14 417)
Gain from change in fair value of financial instruments measured at fair value through profit or loss		–	4 576
Loss from disposal of financial assets	11	(1 013)	–
Share of profit/(loss) of an associate and a joint venture		–	(945)
PROFIT BEFORE INCOME TAX EXPENSE		(13 370)	(4 858)
Income tax expense	18	3 071	855
NET LOSS for the period, being TOTAL COMPREHENSIVE LOSS for the period		(10 299)	(4 003)
BASIC EARNINGS PER SHARE (in Russian Rubles)	30	(57,75)	(22,92)
DILUTED EARNINGS PER SHARE (in Russian Rubles)	30	(57,75)	(22,86)
NET PROFIT for the period, being TOTAL COMPREHENSIVE INCOME for the period excluding share of profit/(loss) of an associate and a joint venture **		(10 299)	(3 058)

* Some amounts were restated (Note 2).

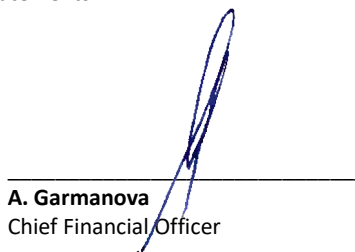
** Information provided for reference and additional analysis purposes only (Note 3).

The Notes form an integral part of these consolidated financial statements.

Signed on 28 April 2023 by:



B. Uzhakhov
Chief Executive Officer



A. Garmanova
Chief Financial Officer

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

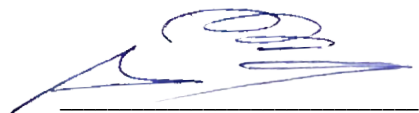
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022
(in millions of Russian Rubles)**

	Notes	Share capital	Additional paid-in capital	Treasury shares	Retained earnings	Total
Balance as at 1 January 2021		1 798	4 576	(749)	28 014	33 639
Dividends	17	-	-	-	(13 030)	(13 030)
Accrual of compensation under share-based payments	32	-	-	-	223	223
Settlements under share-based payments	32	-	-	192	(192)	-
Total comprehensive income for the year*		-	-	-	(4 003)	(4 003)
Balance as at 31 December 2021*		1 798	4 576	(557)	11 012	16 829
Accrual of compensation under share-based payments	32	-	-	-	(150)	(150)
Settlements under share-based payments	32	-	-	31	(31)	-
Total comprehensive income for the year		-	-	-	(10 299)	(10 299)
Balance as at 31 December 2022		1 798	4 576	(526)	532	6 380

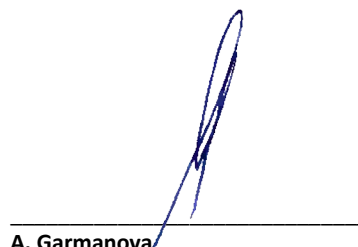
* Some amounts were restated (Note 2).

The Notes form an integral part of these consolidated financial statements.

Signed on 28 April 2023 by:



B. Uzhakhov
Chief Executive Officer



A. Garmanova
Chief Financial Officer

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022
(in millions of Russian Rubles)**

	Notes	<u>2022</u>	<u>2021*</u>
OPERATING ACTIVITIES			
Net profit for the year		(10 299)	(4 003)
<i>Adjustments for:</i>			
Income tax expense	18	(3 071)	(855)
Depreciation and amortisation	26	27 060	25 338
Gain on disposal of investment in joint venture	27	–	(3 571)
Loss on disposal of financial assets	11	1 013	–
Gain on equity instruments at fair value through profit or loss		–	(4 576)
Change in allowance for advances paid		147	52
Change in allowance for obsolete and slow-moving inventories and inventory losses, net of surpluses		262	1 523
Interest income	29	(1 335)	(142)
Interest expenses	29	21 472	14 417
Income from subsidies	27	(515)	(2 520)
Share of (profit)/loss of an associate and a joint venture		–	945
Net foreign exchange income		534	(22)
Other non-cash reconciling items, net		(588)	(346)
		<u>34 680</u>	<u>26 240</u>
Operating cash flows before movements in working capital			
Decrease/(increase) in inventories		50 505	(18 166)
Decrease in accounts receivable and advances issued		16 529	1 018
Decrease/(increase) in other taxes receivable		25 951	(8 009)
(Decrease)/increase in trade accounts payable		(103 393)	35 915
(Decrease)/increase in other payables and accrued expenses		(4 124)	1 679
(Decrease)/increase in liabilities to customers		(1 950)	1 394
Increase/(decrease) in other liabilities		46	(677)
Increase/(decrease) in other taxes payable		521	(90)
Other changes in working capital, net		1 270	(781)
		<u>20 035</u>	<u>38 523</u>
Cash generated by operations			
Return/(payment) of income tax		2 752	(4 456)
Interest paid		(19 032)	(14 172)
		<u>3 755</u>	<u>19 895</u>
Net cash from operating activities			

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

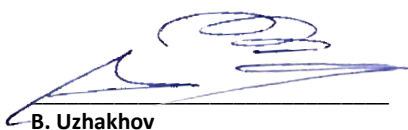
**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022
(in millions of Russian Rubles)**

	Notes	<u>2022</u>	<u>2021*</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(762)	(5 662)
Proceeds from sale of property, plant and equipment		784	185
Purchase of intangible assets		(5 274)	(8 905)
Interest received		1 335	142
Proceeds from disposal of financial assets	11	4 514	-
Proceeds from disposal of investment in joint venture		-	4 134
Loans issued to joint venture		-	(400)
Repayment of loans by joint venture		-	400
Net cash outflow from purchase of subsidiary	6	<u>(204)</u>	<u>(1 041)</u>
Net cash used in investing activities		<u>393</u>	<u>(11 147)</u>
FINANCING ACTIVITIES			
Dividends paid	17	-	(13 030)
Proceeds from bonds		5 000	19 000
Proceeds from borrowings	19	95 263	89 684
Repayment of borrowings	19	(73 919)	(84 788)
Repayment of lease liabilities	9	<u>(12 349)</u>	<u>(15 006)</u>
Net cash used in financing activities		<u>13 995</u>	<u>(4 140)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		18 143	4 608
CASH AND CASH EQUIVALENTS, at the beginning of the year		<u>12 053</u>	<u>7 445</u>
CASH AND CASH EQUIVALENTS, at the end of the year		<u><u>30 196</u></u>	<u><u>12 053</u></u>

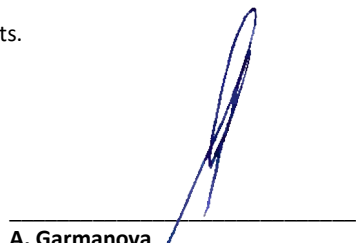
* Some amounts were restated (Note 2).

The Notes form an integral part of these consolidated financial statements.

Signed on 28 April 2023 by:



B. Uzhakhov
Chief Executive Officer



A. Garmanova
Chief Financial Officer

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of Russian Rubles)

1. GENERAL INFORMATION

The consolidated financial statements of Public Joint Stock Company “M.video” (the “Company”) and its subsidiaries (the “Group”) for the year ended 31 December 2022 were authorised for issue by management on 28 April 2023.

The Company is incorporated in the Russian Federation.

Following the initial public offering in November 2007, the Company’s ordinary shares were admitted to trading on MICEX stock exchange (Moscow Exchange) in the Russian Federation.

The Group is operating a chain of household appliance and consumer electronics stores and online stores in the Russian Federation. The Group specialises in the sale of TV, audio, video, Hi-Fi, home appliances and digital equipment, as well as related services. The Group comprises a chain of owned and leased stores.

The Group is operating under two brands: M.video and Eldorado.

The accompanying consolidated financial statements include assets, liabilities and operating result of the Company and its subsidiaries as at 31 December 2022 and 2021:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			31 December 2022	31 December 2021
LLC “MVM”	Retailing	Russian Federation	100	100
ILC “Bovesto”	Holding company	Russian Federation	100	100
LLC “Invest-Realty”	Operating lease of real estate	Russian Federation	100	100
LLC “Rentol”	Operating lease of real estate	Russian Federation	100	100
LLC “Trade center “Permskiy”	Operating lease of real estate	Russian Federation	100	100
LLC “BT HOLDING”	Holding company	Russian Federation	100	100
MVEL Investition GmbH	Holding company	Germany	–	100
LLC “MV FINANCE”	Financial company	Russian Federation	100	100
LLC “Direct Credit Center”	Financial company	Russian Federation	100	100
LLC “M tech”	Financial company	Russian Federation	100	100
LLC “Aliance Credit”	Financial company	Russian Federation	100	100
LLC “DC Finance”	Financial company	Russian Federation	–	100

In 2022, MVEL Investition GmbH was wound up. LLC “DC Finance” was reorganised in the form of takeover to LLC “Direct Credit Center”

In 2022, BOVESTO Limited was redomiciled from the Republic of Cyprus to the Russian Federation and was renamed to ILC “Bovesto”.

In 2022, LLC “Direct Credit” was renamed to LLC “M tech”.

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Shareholders

As at 31 December 2022 and 2021, the registered shareholders of the Company and their respective ownership and voting interests were as follows:

	<u>2022</u>	<u>2021</u>
ERICARIA HOLDINGS LIMITED	50,0000%	50,0000%
Media-Saturn-Holding GmbH	15,0000%	15,0000%
PJSC "SFI"	10,3735%	–
WERIDGE INVESTMENTS LIMITED	–	10,3735%
Treasury shares	0,7720%	0,8171%
Various shareholders	23,8545%	23,8094%
Total	<u>100%</u>	<u>100%</u>

As of 31 December 2022, the ultimate controlling party of the Company is Said Mikhailovich Gutseriev.

On 21 July 2022, PJSC "SFI" acquired 10,3735% stake from WERIDGE INVESTMENTS LIMITED.

2. BASIS OF PREPARATION

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”).

Basis of Accounting

The consolidated financial statements have been prepared on a historical cost basis as modified by the valuation of financial instruments in accordance with International Financial Reporting Standard 9 *Financial Instruments* (“IFRS 9”) and International Financial Reporting Standard 13 *Fair Value Measurement* (“IFRS 13”) and valuation of property, plant and equipment items measured at fair value which was used as deemed cost of the property, plant and equipment as at the date of transition to IFRS on 1 January 2006.

The Group’s entities maintain their accounting records in compliance with the local legislation on accounting and reporting adopted in jurisdictions of the countries in which they were founded and registered. The accounting principles and reporting procedures and these jurisdictions may differ from generally accepted IFRS principles. Accordingly, financial statements of individual entities of the Group have been adjusted to ensure that the consolidated financial statements are presented in accordance with IFRS.

These consolidated financial statements are presented in millions of Russian Rubles (hereinafter, “mln rubles”), except for per share amounts which are in Rubles or unless otherwise indicated.

Functional and presentation currency

The consolidated financial statements are presented in Russian Rubles (“RUB”), the functional currency of each operating company of the Group.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of Russian Rubles)

Adoption of New Standards and Interpretations

The accounting policies applied in the preparation of these consolidated financial statements are consistent with those used in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2021.

Amendments to the following standards that are mandatory for adoption in the annual periods beginning on or after 1 January 2022 have not resulted in any significant changes to accounting policy, financial performance, and financial results of the Group:

- Amendments to IFRS 3 *Reference to the Conceptual Framework*
- Amendments to IAS 16 *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to IFRS 1, 9, 16 and IAS 41 – Annual Improvements to IFRS Standards 2018–2020

The Group has not made early adoption of standards, interpretations or amendments that have been issued but are not yet effective.

Restatement of comparative information

(A) In 2022, the Group identified that certain bonuses from suppliers recognised as at 31 December 2021 were inappropriately accrued based on preliminary estimates that were not further confirmed by final agreements with suppliers. Based on analysis that was finalised in 2023 and included, among other matters, a detailed review of supplier agreements and other supporting documents as well as negotiations with the suppliers, the Group concluded that these accrued bonuses should be derecognised and, following provisions of IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” made a retrospective restatement of comparative information in these consolidated financial statements.

As a result, in its consolidated financial statements the Group has adjusted the comparative data for the lines “Cost of sales” (by the amount of derecognised bonuses) and “Income tax expense” (deferred tax impact) of consolidated statement of profit or loss and other comprehensive income for the year, ended 31 December 2022. In consolidated statement of financial position, “Accounts receivable” and “Deferred tax assets” were restated in the respective period.

(B) As a result of the adjustment described above in p. (a), cost of sales for 2021 was modified thus affecting the percentage for obsolete and NRV inventory provisions. In the consolidated financial statements the Group adjusted comparative data for the lines “Cost of sales” (by the amount of obsolete and NRV provisions) and “Income tax expense” (by the effect of the adjustment to deferred tax) in consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021. In the consolidated statement of financial position, “Inventory” and “Deferred tax assets” were restated in the respective period.

(C) In the consolidated financial statements for the year ended 31 December 2022, according to the IFRS requirements the Group recognised compensation from suppliers to retail staff engaged in promotion of goods as supplier bonuses decreasing cost of sales instead of decreasing payroll expenses included in selling, general and administrative expenses. In the respective period the Group reclassified such compensation from payroll expenses to cost of sales in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022.

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Such adjustments were recognised by the Group retrospectively. Changes in comparative data in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021 are as follows:

	<u>Amount before adjustments</u>	<u>Adjustment (A)</u>	<u>Adjustment (B)</u>	<u>Reclassification (C)</u>	<u>Amount after adjustments</u>
Cost of sales	(381 419)	(7 776)	(202)	612	(388 785)
Gross profit	94 945	(7 776)	(202)	612	87 579
Selling, general and administrative expenses	(87 192)	–	–	(612)	(87 804)
Operating profit	13 742	(7 776)	(202)	–	5 764
Profit before income tax	3 120	(7 776)	(202)	–	(4 858)
Income tax expense	(740)	1 555	40	–	855
Net profit and other comprehensive income	2 380	(6 221)	(162)	–	(4 003)
BASIC EARNINGS PER SHARE (in Russian rubles)	13,36	(34,92)	(0,91)	0,00	(22,47)
DILUTED EARNINGS PER SHARE (in Russian rubles)	13,32	(34,82)	(0,91)	0,00	(22,41)

Changes in the consolidated statement of financial position as at 31 December 2021:

	<u>Amount before adjustments</u>	<u>Adjustment (A)</u>	<u>Adjustment (B)</u>	<u>Amount after adjustments</u>
NON-CURRENT ASSETS				
Deferred tax assets	5 366	1 555	40	6 961
Total non-current assets	182 369	1 555	40	183 964
CURRENT ASSETS				
Inventory	163 840	–	(202)	163 638
Account receivables	46 865	(7 851)	–	39 014
Account receivables for income tax	2 637	40	(40)	2 637
Total current assets	261 003	(7 811)	(242)	252 950
TOTAL ASSETS	443 372	(6 256)	(202)	436 914
EQUITY				
Retained earnings	17 395	(6 181)	(202)	11 012
Total equity	23 212	(6 181)	(202)	16 829
NON-CURRENT LIABILITIES				
Total non-current liabilities	98 263	–	–	98 263
CURRENT LIABILITIES				
Account payables for income tax	2 428	(75)	–	2 353
Total current liabilities	321 897	(75)	–	321 822
Total liabilities	420 160	(75)	–	420 085
TOTAL EQUITY AND LIABILITIES	443 372	(6 256)	(202)	436 914

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of Russian Rubles)

Changes of consolidated statement of cash flows for the year ended 31 December 2021 resulting from the above adjustments are as follows:

	Amount before adjustments	Adjustment (A)	Adjustment (B)	Amount after adjustments
CASH FLOWS FROM OPERATING ACTIVITIES				
Total Net profit/(loss) for the year	2 380	(6 221)	(162)	(4 003)
Adjustments:				
Income tax expense	740	(1 555)	(40)	(855)
Inventory losses, net of surplus	1 321	–	202	1 523
Exchange rate differences	–	(22)	–	(22)
Other non-cash items, net	(368)	22	–	(346)
Operating cash flow before movements in working capital	34 016	(7 776)	–	26 240
Increase in accounts receivable and advances issue	(6 833)	7 851	–	1 018
Increase of other taxes accounts receivable	(15)	(75)	–	(90)
Cash generated by operations	38 523	–	–	38 523
Net cash from operating activities	19 895	–	–	19 895

The financial performance as at 31 December 2020 and for the year then ended remained unchanged.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power over the investee to affect its returns.

The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

Subsidiaries are fully consolidated from the date of acquisition, being the date when the Group obtains control, and continue to be consolidated until the date when such control ceases.

All intra-group transactions, balances, income and expenses or profits and losses resulting from intra-group transactions are eliminated in full on consolidation.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of Russian Rubles)

Going concern

In preparing the consolidated financial statements management has performed an assessment of the Group's ability to continue as a going concern, covering the period of 12 months, from the reporting date.

Within such assessment, management of the Group considered the following:

- The Group has outstanding bank borrowings and bonds of 95 666 as of 31 December 2022, out of which 74 215 are due in 2023 (Note 19);
- The Group resulted in net loss of 10 299 for 2022;
- As at 31 December 2022, the Group has breached a number of covenants set forth in credit agreements (Note 19), which gives banks the unconditional right to demand early repayment of the respective debts. After reporting date the Group received letters from the majority of banks, stating that the banks' would not exercise their right to demand for early repayment as a result of covenants' breach as at 31 December 2022, which cover more than 93% of total amount of debt outstanding at the reporting date;
- As at 31 December 2022, the Group had unused credit facilities of 57 854 for which, however, were not legally committed by the banks (Note 19);
- The Group's budget for 2023 approved by the Board of Directors provides for the growth of the business profitability and repayment of Group's current liabilities according to documented and/or statutory deadlines while maintaining financial covenants at the level that exceeds limits, established by the credit agreements.

During the assessment of the Group's ability of going concern, management has taken into consideration that after the reporting date the Group:

- Refinanced or redeemed all of its loan and bond liabilities with contractual maturities after 31 December 2022 for the total amount of 38 129;
- Issued long-term non-convertible ruble-denominated bonds with a fixed coupon rate for a total amount of 7 000 with redemption in April 2026;
- Met its key budget performance measures in the 1st quarter of 2023;
- Started negotiations with its banks in order to revise covenant limits in its credit agreements, however as at the date of approval of these consolidated financial statements the process has not been completed.

Based on the assessment, which included consideration of the facts mention above and all the relevant information available at the date of issuance of consolidated financial statements, the Group's management concluded that the going concern assumption is appropriate. However, due to frequent and significant changes in operating environment, as well as events, which are outside of the Group's control, the Group's going concern assessment is subject to a higher degree of uncertainty.

Foreign currencies

Standalone financial statements of each of the Group's entities are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of Russian Rubles)

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are recorded at exchange rates prevailing at transaction dates. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the exchange rate prevailing on the date when the most recent fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise. Exchange differences arising on loans and borrowings and lease agreements are reported as part of finance cost, while exchange differences related to operating items are included into other operating income or expenses.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Initial cost includes expenditure that is directly attributable to the acquisition of the items.

Major replacements or modernisations of property, plant and equipment are capitalised and depreciated over their estimated useful lives. All other repair and maintenance expenditure is recognised in the consolidated statement of profit or loss and other comprehensive income during the financial period in which it is incurred.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	20-30 years
Leasehold improvements	7 years
Trade equipment	3-5 years
Security equipment	3 years
Computer and Telecomm	3 years
Other fixed assets	3-5 years

Leasehold improvements are depreciated over the shorter of useful life or the related lease term.

Trade equipment and leasehold improvements are depreciated over the estimated useful life specified above unless there is a plan to fully renovate the store prior to reaching the predetermined estimated useful life. In this situation, the net book value of trade equipment will be depreciated over the remaining estimated useful life being the period of time up to the planned renovation works.

The fixed assets’ residual value and useful lives are reviewed and adjusted, if necessary, at each balance sheet date.

Where there are indicators that an asset’s or a cash generating unit’s carrying amount exceeds its estimated recoverable amount, it is written down to its recoverable amount.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss and other comprehensive income.

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Construction in progress comprises the cost of equipment in the process of installation and other costs directly relating to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Depreciation of these assets, on the same basis as for other property assets, commences when the assets are ready for their intended use.

Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over estimated useful lives of these intangible assets. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The estimated useful lives per class of intangible assets are as follows:

Software licenses, development and web site	1-10 years
Trademarks	5-10 years

The Group owns the trademark “Eldorado” acquired through a business combination. It has an indefinite useful life as there is no foreseeable limit to the period when the asset is expected to generate economic benefits for the Group.

Internally-generated intangible assets

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- The probability that the asset will generate future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which it is incurred

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. The useful life of intangible assets is determined on the basis of expert opinion, taking into account the speed of software change in the modern economic environment and ranges from 1 to 5 years. The useful life is regularly reviewed.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of Russian Rubles)

Impairment of non-current assets

At each balance sheet date the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. 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 risk specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price if available or other fair value indicators.

For non-current assets, the CGU is deemed to be a group of stores located in one city. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Impairment test for goodwill, intangible assets with indefinite useful life and those intangible assets that are not yet available for use, is performed by the Group annually at each year-end by comparing their carrying amount with the recoverable amount calculated as discussed above. If the carrying amount of such assets does not yet include all the cash outflows to be incurred before they are ready for use, the estimate of future cash outflow includes an estimate of any further cash outflow that is expected to be incurred before the asset is ready for use.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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Deferred tax liabilities are not recognised for taxable temporary differences associated with investments in subsidiaries, associate companies and joint ventures as the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis. Deferred tax assets and deferred tax liabilities resulting from accounting for leases in accordance with IFRS 16 are presented in the consolidated financial statements on a net basis.

Current and deferred income tax for the period

Current and deferred income tax are recognised as an expense or income in the consolidated statement of profit or loss and other comprehensive income, except when they relate to items credited or debited directly to equity (in which case the tax is also recognised directly in equity) or where they arise from the initial accounting for a business combination. For business combinations, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over cost.

Joint arrangements

The Group may carry out joint arrangements in the form of joint ventures.

A joint venture is a joint arrangement where the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venture is a legal entity where the Group has a share together with other participants. The investment in joint venture is accounted for using the equity method.

The Group’s share in profit or loss and other comprehensive income of a joint venture is presented in the consolidated statement of profit or loss and other comprehensive income from the date the joint control was obtained and until the date of its termination.

If the Group’s share in losses exceeds the book value of the interest in the joint venture, the Group discontinues recognising its share of further losses. If a joint venture subsequently reports profits, than the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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Investments to associates or joint ventures are recognised using equity method starting from the date when the company becomes an associate or a joint venture. The excess of acquisition cost of the investment over the Group's share in fair value of identifiable assets and liabilities as at the acquisition date results in goodwill included in the carrying amount of such investments. If the Group's share in the net fair value of acquired identifiable assets and liabilities exceeds the acquisition cost of the investment after the revaluation, the amount of such excess is recognised in statement of profit or loss in the period, in which the investment is acquired.

If there is any indication of impairment for the Group's net investments to an associate or joint venture, the requirements of IAS 36 are applied to determine whether the impairment loss should be recognised. If necessary the carrying amount of the investment (including goodwill) is tested for impairment according to IAS 36 by comparing its recoverable amount (the higher of value in use and fair value less cost of disposal) with carrying amount. The recognised impairment loss is not allocated to any asset (including goodwill) that is a part of carrying amount of the investment. Reversal of impairment loss is recognised according to IAS 36 if the recoverable amount is increased subsequently.

The Group ceases to use the equity method, when the company is not an associate or joint venture any more. Difference between carrying amount of associate or joint venture as at the date of termination of using of equity method and fair value of all the remaining participation shares and all income from disposal of participation shares in associate or joint venture is considered in determining gain or loss from disposal of associate or joint venture. Besides that the amounts previously recognised in other comprehensive income attributable to the disposed associate or joint venture are accounted for by the Group in the same manner that would be required if the associate were to dispose the related assets and liabilities itself. Accordingly, if profit or loss previously recognised in other comprehensive income by an associate or a joint venture is reclassified to profit or loss on disposal of the related assets and liabilities, the Group reclassifies profit or loss from equity to profit or loss (as a reclassification adjustment) at the time of disposal of such associate or joint venture.

If the Group has transactions with an associate or joint venture, profit or loss arising from transactions with the associate or joint venture, is recognised in the consolidated financial statements of the Group only to the extent of share in associate or joint venture, not owned by the Group.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Contingent consideration transferred by the Group in a business combination is measured at fair value at the acquisition date and is included in the total consideration transferred in a business combination.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see above) less accumulated impairment losses, if any.

Amortisation of goodwill is not performed, however it is tested for impairment not less than annually.

For the purposes of impairment testing, goodwill is allocated to the groups of cash-generating units (CGU) that are expected to benefit from the synergies of the combination. CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss recognised for goodwill is not reversed in subsequent periods.

If the CGU is disposed the related amount of goodwill is considered for profit or loss on disposal.

Government grants

Government grants are recognised in the Group’s financial statements only if there is reasonable assurance that all the conditions necessary to obtain them are met and the grants will be received.

Grants are associated with obtaining loans at preferential interest rates

Grant income arising as the difference between the market interest rate and contractual interest rate on loans received for the payment of wages and financing of current activities is estimated for the entire period of the loan and recognised in other operating income over the periods in which the corresponding expenses compensated by grants are incurred.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques, which include using recent arm’s length market transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis, or other valuation models.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of Russian Rubles)

Financial assets

Financial assets are classified into the following specified categories:

- Those to be measured at fair value (through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

A financial asset shall be measured at fair value through profit or loss (FVTPL), unless it is measured at amortized cost or fair value through other comprehensive income. However, the Group, on initial recognition of certain investments in equity instruments that would otherwise be measured at fair value through profit or loss, may elect, without the right to reverse it, to present subsequent changes in their fair value in other comprehensive income.

Financial assets are measured at amortised value if both of the following conditions are met:

- (a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets,
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset must be measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In particular, this category includes interests in other companies that are not included in the category at fair value through profit or loss.

All regular routine purchases or sales of financial assets are recognised on a trade date basis. Regular routine purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe established by regulation or convention in the marketplace.

For equity investments (shares, interests, etc.) at fair value through other comprehensive income, cumulative gains or losses in other comprehensive income can never be subsequently reclassified to profit or loss for the period.

All regular way purchases and sales of financial assets are recognised on the trade date. Regular way purchases or sales are purchases or sales of financial assets that require the delivery of the assets within the time limits set by regulations or market practice.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

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Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Discount rate presents minimum return on investment, when the investor do not prefer the alternative investment of the same resources with the same risk level.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus (for financial asset not at fair value through profit or loss (FVTPL) transaction costs directly attributable to the acquisition of the financial asset.

Transaction costs of the financial assets carried at FVTPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flows characteristics of the asset. The major part of the Group's debt instrument are represented by trade accounts and loans receivable and are measured at amortised cost applying the effective interest rate as these instruments are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

Impairment of financial assets

Financial assets, other than those as at FVTPL, are assessed for indicators of impairment at each balance sheet date.

The Group always recognises lifetime ECL for trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring in the financial instrument at the reporting date with the risk of default occurring on the financial instrument at the date of initial recognition. In making such an assessment, the Group analyses the change in the risk of default

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over the expected life of the financial instrument, taking into account reasonable and verifiable information available without excessive cost or effort that indicates a significant increase in credit risk since the initial recognition of the relevant instrument (including using forward-looking information).

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default;
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The carrying value of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of provision account. When a trade receivable is considered uncollectible, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against the provision account. Changes in the carrying amount of the provision account are recognised in profit or loss.

If in the following reporting periods impairment loss is reduced, and this reduction relates to the event that has taken place after the loss is recognised, then previously recorded impairment loss is recovered by adjustment in profit or loss. Meanwhile carrying value of the financial assets on the recovery date must not exceed depreciated value that would have been reported if the impairment loss had not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded as the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL. Otherwise financial liabilities are measured subsequently at amortised cost using the effective interest method.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities only if the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Value added tax

Value added tax (“VAT”) related to sales is payable to tax authorities on the earliest of (a) cash received from customers in advance or (b) transfer of the goods or rendering services to customers. Input VAT is generally recoverable against sales VAT upon receipt of the VAT invoice. Input VAT on construction in progress can be reclaimed upon receipt of VAT invoices for the particular stage of work performed or, if the construction in progress project cannot be broken down into stages, on receipt of VAT invoices upon completion of the contracted work.

VAT is generally allowed to be settled on a net basis. VAT related to sales and purchases which have not been settled at the balance sheet date is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where a provision has been made for the impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

At each reporting date the Group reviews outstanding balance of input VAT for recoverability and creates impairment provision for the amounts which recoverability is doubtful.

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Inventories

Inventories are recorded at the lower of average cost or net realisable value. In-bound freight related costs from the suppliers incurred to deliver inventories to the Group’s central distribution warehouse are included as part of the net cost of merchandise inventories. Certain supplier bonuses that are not reimbursement of specific, incremental and identifiable costs to promote a supplier’s products are also included in the cost of inventory. Other costs associated with storing and transporting merchandise inventories from the central distribution warehouse to the retail stores are expensed as incurred and included either in “Cost of sales” (costs of transporting merchandise from central distribution warehouses to the retail stores) or in “Selling, general and administrative expenses” (all other costs).

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks, in transit, including credit card payments, on hand in stores and short-term deposits with an original maturity of three months or less.

Repayments and receipts of loans and borrowings during a period of less than 3 months are presented on a gross basis in the consolidated statement of cash flows.

Borrowing costs

The borrowing costs are capitalised by the Group as part of the cost of the asset when the costs are directly attributable to the acquisition, construction of a qualifying asset. Borrowing costs are capitalised provided that these costs could have been avoided if the Company had not made capital investments.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

As a rule, warranty for goods are provided directly by the manufacturer of the goods of the relevant brand, or by the brand owners through official representatives in the Russian Federation.

If the supplier is unable to provide warranty services for goods sold in Russia, the Group accrues an appropriate provision for warranty service costs. Such expenses are recognised in accounting at the date of sale of the relevant goods. The amount of provision is determined based on management's assessment of the expenses necessary to cover the relevant obligations of the Group.

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Revenue recognition

Revenue is recognised by the Group as the promised goods or services are transferred to customers in an amount that corresponds to the expected consideration to which the Group is entitled in exchange for the goods and services. The estimated cost of customer returns, discounts and VAT are deducted from the revenue. Revenues from sales of goods to companies within the Group are not recognised for the purposes of the consolidated financial statements.

Revenue from the sale of goods is recognised on a 5-step approach as introduced in IFRS 15:

- The Group identifies the contract with the customer;
- The Group identifies the performance obligations in the contract;
- The transaction price is determined by the Group;
- The transaction price is allocated to the performance obligations in the contracts;
- Revenue is recognised only when the Group satisfies a performance obligation.

The Group recognises revenue when or as a performance obligation is satisfied, i.e. when control over goods or services representing the Group's obligation is transferred to a customer: when the goods are sold in retail stores (offline retail revenue) or delivered to customers for online sales including in-store pick-up (online retail revenue).

The Group cooperates with banks to provide consumer loans to customers to finance the purchase of goods. Partner banks pay the Group a commission fee for the volume of loans provided and additional services. The Group recognises revenue at the time of providing the lending service to the buyer.

The Group provides customers with a guarantee of the quality of goods sold instead of certain manufacturers. Under this warranty, the Group warrants to the buyer that the delivered product will meet the requirements of the contract and perform as specified in the contract. And in the event of a manufacturing defect, the Group undertakes to repair or replace the product sold.

Loyalty programs

The Group operates customer loyalty programs “M.Clubs” and “Eldoradosty” which allow customers to accumulate points when they purchase goods in the Group's retail stores. The Group concluded that under IFRS 15 the points give rise to a separate performance obligation because they provide a material right to the customer and allocated a portion of the transaction price to the loyalty points awarded to customers based on the relative stand-alone selling price.

Agent fees

The Group recognises as revenue any sales performed as an agent at net amounts (i.e. at the amount of commission owed to the Group). Such fees include sales of goods, telephone and television service contracts, insurance policies and other services fees.

Gift cards

The Group sells gift cards to its customers in its retail stores and through its website. Gift cards have an expiration date and have to be used within the specified time period. The Group recognises income from gift cards at the earlier of: (i) the gift card is redeemed by the customer; or (ii) when the gift card expires.

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Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Interest income is included in the finance cost in the consolidated statement of profit or loss and other comprehensive income.

Cost of sales

The cost of sales includes the cost of goods and services purchased from suppliers, the cost of delivering goods to distribution centers, costs associated with transporting goods from distribution centers to stores, allowance for obsolete and slow-moving inventory, allowance for shortages and supplier bonuses. The cost of rendered services includes costs related to the services, such as salaries of employees directly providing services, the cost of services purchased from service providers, salaries of credit brokers, expenses for credit broker services.

Supplier bonuses

The Group receives supplier bonuses in the form of cash payments or other allowances for various programs, primarily volume incentives, reimbursements for advertising expenses and other costs as well as contributions towards margin protection during specific marketing and promotional activities and other fees. The Group has agreements in place with each vendor setting forth the specific conditions for each allowance or payment. Depending on the arrangement, the Group either recognises the allowance as a reduction of current costs or defers the payment over the period the related merchandise is sold.

If the payment is a reimbursement of specific, incremental and identifiable costs incurred to promote a supplier's products, it is offset against those related costs; otherwise, it is treated as a reduction to the cost of merchandise.

Supplier bonuses earned by achieving a certain volume of purchases are recorded when it is reasonably certain that the Group will reach these volumes. Such payments are accounted for as a reduction of inventory purchases and recognised in the consolidated statement of profit or loss and other comprehensive income when the related inventory is sold.

Markdown reimbursements related to merchandise that has been sold, contributions towards promotional activities and similar payments are negotiated and documented by the Group's buying teams and are credited directly to cost of goods sold in the period the performance conditions for their receipt are met by the Group.

Pre-opening expenses

Expenses incurred in the process of opening new stores, which do not meet capitalisation criteria under IAS 16 Property, Plant and Equipment are expensed as incurred. Such expenses include rent, utilities and other operating expenses.

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Share-based payments

Cash-settled share-based payments

The Group's liabilities for cash-settled share-based payments are recorded as “Cash-settled share-based payments” and initially measured at the fair value of these liabilities. Revaluation of fair value of the liabilities is performed at the end of each reporting period until the repayment of these liabilities, as well as at redemption date. Changes in fair value are recognised in profit or loss for the period.

Equity-settled share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the restated estimate, with corresponding adjustment to provision account.

Employee benefits

Remuneration to employees in respect of services rendered during the reporting period is recognised as an expense in that reporting period. The Group contributes to the Russian Federation state pension, medical and social insurance funds on behalf of all its current employees (a defined contribution plan) by paying social security contributions (“SSC”). The Group's only obligation is to pay contributions to the funds as they fall due. As such, the Group has no legal obligation to pay and does not guarantee any future benefits to its Russian employees. Any related expenses are recognised in the consolidated statement of profit or loss and other comprehensive income as they become due. Contribution for each employee varies from 15.1% to 30% depending on the annual gross remuneration of each employee. The Group does not operate any employer sponsored pension plans.

Dividends

Dividends are recognised as a liability in the period in which they have been declared by the shareholders in a general meeting and become legally payable. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue.

Treasury shares

If the Group reacquires its own equity instruments, those instruments (“treasury shares”) are recognised as a deduction to equity at cost, being the consideration paid to reacquire the shares. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Such treasury shares may be acquired and held by the Company or by the subsidiaries of the Company.

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Leases

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the lease commencement date, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period when the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Lease term – the Group as a lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised. The lease term determined by management can be different from contractual lease term. The Group's lease terms are up to 10 years.

Alternative Performance Measures (“APMs”)

In the consolidated financial statements management has adopted various APMs. These measures are not defined by the International Financial Reporting Standards and therefore may not be directly comparable with other companies' APMs, including those in the Group's industry.

APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

Management believes that these APMs assist in providing additional useful information on the underlying trends, performance and position of the Group. APMs are also used to enhance the comparability of information between reporting periods and provide useful information on core retail business of the Group by adjusting for uncontrollable factors which affect IFRS measures, to aid users in understanding the Group's performance.

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Consequently, APMs are used by the Board of Directors and management for performance analysis, planning, reporting and incentive-setting purposes.

The APMs used by the Group are discussed below:

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Profit measure	Net profit for the period being total comprehensive income for the period excluding share of profit/(loss) of an associate and a joint venture	Exclude share of profit/(loss) of an associate and a joint venture	This is a key performance and management incentive metric. This measure excludes share of profit/(loss) of an associate and a joint venture. This measure is used to exclude the performance of companies that are not part of the Group and whose financial performance the Group cannot control.

Reconciliation of APMs discussed above to the closest equivalent IFRS measure is as follows:

	2022	2021
Net loss for the period being total comprehensive loss for the period	(10 299)	(4 083)
Add: share of (profit)/loss of an associate and a joint venture	-	945
Net loss for the period being total comprehensive loss for the period excluding share of profit/(loss) of an associate and a joint venture	(10 299)	(3 138)

4. NEW AND REVISED STANDARDS IN ISSUE NOT YET ADOPTED

At the time of approval of these consolidated financial statements, the Group has not applied the following new and revised IFRS issued but not yet effective:

- IFRS 17 *Insurance Contracts* (including Amendments to IFRS 17 dated June 2020 and December 2021),
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*,
- Amendments to IAS 1 *Classification of Liabilities as Current and Non-current*,
- Amendments to IAS 1 and Practical guide 2 *Disclosures in accounting policies*,
- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*,
- Amendments to IAS 12 *Deferred tax related to assets and liabilities arising from a single transaction*,
- Amendments to IFRS 16 *Lease Obligation in Leaseback Transactions*,
- Initial application of IFRS 17 and IFRS 9 *Comparative information* (Amendment to IFRS 17),
- Extension of the temporary exemption from the application of IFRS 8 (Amendments to IFRS 4).

The Group's management does not expect that these standards and interpretations will have material impact on the consolidated financial position or consolidated results of operations in the future.

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5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY

In the application of the Group’s accounting policies described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, including, but not limited to, the uncertainties and ambiguities of the Russian legal and taxation systems and the difficulties in securing contractual rights as defined in contracts. Actual results may differ from these estimates.

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

Significant estimates and assumptions

Supplier bonuses

Management makes estimates in determining the amount and timing of recognition of income received from suppliers for various programs, including volume incentives and reimbursements for specific programs such as markdowns, margin protection and advertising. In determining the amount of volume-related bonuses recognised in any period, management estimates the probability that the Group will meet contractual target volumes, based on historical and forecast performance. There is usually less uncertainty involved in determining the amount of income to be recognised for promotional and other bonuses.

Management assesses its performance against the obligations conditional on earning the income, with the income recognised either over time as the obligations are met, or recognised at the point when all obligations are met, dependent of the contractual requirements. Income from supplier bonuses is recognised as a credit within cost of sales unless it relates to compensation of specific, incremental and identifiable costs incurred to promote a supplier’s products, in which case it is offset against those expenses. Where the income earned relates to inventories which are held by the Group at period ends, the income is included within the cost of those inventories. At this moment the Group recognise the income from suppliers’ bonuses at the time of receipt of primary accounting documents from suppliers instead of estimations. The documents are received before the closing of the corresponding period, which includes supplier bonuses.

As described in Note 2, during the reporting period, the Group discovered that part of the bonuses receivable from suppliers recognised as at 31 December 2021 was incorrectly accrued based on preliminary estimates that were not subsequently confirmed in the final agreements with suppliers, and adjusted comparative information in these consolidated financial statements.

Currently, the Group is guided by preliminary estimates to a lesser extent, recognising income from bonuses at the time of receipt of primary documents from suppliers. Documents are received before the close of the corresponding period to which the suppliers' bonuses relate.

Inventory valuation

In accordance with the Group’s accounting policy management reviews the inventory balances to determine if inventories can be sold at amounts exceeding or equal to their carrying amounts plus costs to sell. This review includes identification of slow-moving inventories, obsolete inventories

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and partially or fully damaged inventories. The identification process includes assessing historical performance of the inventory and analysis of sales of merchandise at prices below their carrying amounts less costs to sell in the recent years. Damaged stock is either provided for or written off depending on the extent of damage. Management makes an allowance for any items considered to be obsolete. The allowance represents the difference between the cost of inventory and its estimated net realisable value.

The net realisable value (Note 13) allowance is calculated using the following methodology:

- Stock held for resale – comparison of expected selling price versus the carrying value on a stock keeping unit basis;
- Damaged goods – examination of historical data relating to discounts associated with damaged goods and comparison to book value at the balance sheet date, and also examination of historical data on compensations, received from suppliers for damaged goods;
- Stock held at service centers – an allowance is applied based on management’s estimate of the carrying value of the inventory and based on historical data on sales of respective inventories and compensations, received from suppliers in relation to stock held at service centers;
- Additional allowance is accrued if there is actual evidence of a decline in selling prices after the end of the reporting period to the extent that such decline confirms conditions existing at the end of the reporting period.

If actual results differ from management’s expectations with respect to the selling of inventories at amounts equal to or less than their carrying amounts, management would be required to adjust the carrying amount of inventories.

Revenue attributed to loyalty programs

The Group accounts for customer loyalty points as a separate component of the sale transaction in which they were granted. As a result, a portion of the fair value of consideration received from customers for goods related to bonus points is recognised in the consolidated statement of financial position as deferred revenue. Bonus points are recognised as revenue during the period when they are used or cancelled in accordance with the terms of the loyalty program. Therefore, management has to make assumptions about expected redemption rates, which can be based on accumulated statistics from previous periods. This assessment is carried out under conditions of high uncertainty, which exists at each reporting date, since bonus points are cancelled after the specified time (Note 22).

Impairment of intangible assets with an indefinite useful life

In accordance with IAS 36, the Group tests an intangible asset with an indefinite useful life for impairment by comparing its recoverable amount to its carrying amount annually, and whenever there is an indication that an intangible asset may be impaired.

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Significant judgments made in applying the Group’s accounting policies

Determining the lease term of contracts with renewal and termination options – Group as lessee

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

The Group has several lease contracts that include termination options. The Group applies judgement in evaluating whether it is reasonably certain not to exercise the option to terminate the lease. That is, it considers all relevant factors that create an economic incentive whether or not to exercise termination option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability whether or not to exercise the option to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset). Periods when it is reasonably certain that termination options will be exercised are not included in lease term.

Classification of supplier financing arrangements

As mentioned in Note 35, for the purpose of liquidity risk management the Group uses various instruments to manage working capital and obtain the necessary payment deferral from suppliers, including factoring agreements, commercial loans and bills of exchange. Management reviews each instrument for classification as trade payables or financial liabilities. In its analysis, the Group considers such factors as the commercial substance of the instrument, its effect on working capital, the consistency of the received payment deferral with market conditions, the presence or absence of collateral, etc.

6. BUSINESS COMBINATIONS

Acquisition of subsidiaries

On 13 October 2021, the Group acquired a subsidiary from a related party:

	<u>Main activity</u>	<u>Date of acquisition</u>	<u>Ownership acquired (%)</u>	<u>Consideration paid</u>
LLC “Direct Credit Center”	Financial company	13.10.2021	100%	<u>1 795</u>
				<u><u>1 795</u></u>

LLC “Direct Credit Center”, which is the parent company of Direct Credit Group (“Direct Credit Group”), was acquired as part of further expansion of the Group's activities in the field of fintech and improvement of its own customer service. At the acquisition date, Direct Credit Group was a related party of the Group.

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Assets acquired and liabilities assumed at the acquisition date

The Group determined fair values of assets acquired and liabilities assumed on a preliminary basis with the involvement of an independent qualified appraiser:

	<u>Direct Credit Group</u>
Current assets	
Inventory	1
Cash and cash equivalents	550
Accounts receivable and other assets	304
Non-current assets	
Property, plant and equipment	39
Intangible assets	409
Right-of-use assets	8
Deferred tax assets	41
Current liabilities	
Accounts payable	(557)
Provisions	(24)
Lease liabilities	(8)
Fair value of net assets acquired, net	<u><u>763</u></u>

The Group carried out the final redistribution of the purchase price in the reporting period and its results do not differ from the preliminary ones.

Goodwill from acquisition

	<u>Direct Credit Group</u>
Remuneration paid	1 795
Less: fair value of acquired identifiable net assets	(763)
Goodwill	<u><u>1 032</u></u>

Goodwill arising on the acquisition of Direct Credit Group relates to potential synergies associated with savings on staff salary costs, as well as due to the recognition of the M.video customer base as part of goodwill, which is not recognised as a separate intangible asset. It is expected that the benefits of such synergies will be received by all CGUs of the Group.

Consideration for the acquisition is paid in cash. As of 31 December 2021, the unpaid portion of the consideration for the acquisition of Direct Credit Group amounted to 204.

Net cash outflow on acquisition of subsidiaries

	<u>Direct Credit Group</u>
Remuneration paid in cash	1 591
Net of acquired cash and cash equivalents	(50)
Total	<u><u>1 041</u></u>

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7. GOODWILL

At 31 December 2022, the Group performed an impairment test for goodwill related to the acquisition of Eldorado, Media Markt and Direct Credit businesses as well as “Eldorado” trademark.

For the purpose of impairment testing, the CGUs (being each group of stores located in one city) were grouped at the level of the Group’s single operating segment. The recoverable amount of CGUs was determined as value in use.

Cash flows were projected based on budgets approved by the Group. A forecast period of 5 years was used, as it was determined by the Group’s management as an acceptable planning horizon period.

Cash flows beyond 5 years are extrapolated using growth rates comparable to the forecast growth rates of the consumer price index.

The assumptions used to calculate the value in use for which the recoverable amount is most sensitive are: EBITDA annual growth in the average at 5%, the pre-tax discount rate applicable to the projected cash flows of 15,7% and terminal growth rates of 3%.

Management reviewed the impact of changes in key assumptions on recoverable amount. Changes in key assumptions that could result in a possible impairment of specified non-current assets are not probable under current market conditions.

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8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at 31 December 2022 and 2021 comprised the following:

	Land and buildings	Leasehold improvements	Construction in progress and equipment to be installed	Trade equipment	Security equipment	Computer and Telecomm	Other fixed assets	Total
Cost								
As at 31 December 2020	10 516	9 191	620	11 660	3 140	6 253	2 593	43 973
Additions	–	–	5 633	–	–	–	–	5 633
Assets acquired in a business combination	–	–	–	–	–	–	39	39
Transfers	46	939	(4 793)	1 885	565	1 007	351	–
Disposals	(258)	(93)	–	(226)	(53)	(60)	(74)	(764)
Reclassification to assets held for sale	(50)	–	–	–	–	–	–	(50)
As at 31 December 2021	10 254	10 037	1 460	13 319	3 652	7 200	2 909	48 831
Additions	–	–	793	–	–	–	–	793
Transfers	36	(64)	(1 855)	1 518	254	282	(171)	–
Disposals	(643)	(183)	–	(389)	(85)	(511)	(78)	(1 889)
Reclassification to assets held for sale	8	–	–	–	–	–	–	8
As at 31 December 2022	9 655	9 790	398	14 448	3 821	6 971	2 660	47 743
Accumulated depreciation								
As at 31 December 2020	4 527	5 845	–	7 571	2 386	4 701	1 918	26 948
Charge for the year	776	748	–	1 457	455	979	403	4 818
Disposals	(113)	(60)	–	(214)	(52)	(56)	(73)	(568)
Reclassification to assets held for sale	(42)	–	–	–	–	–	–	(42)
As at 31 December 2021	5 148	6 533	–	8 814	2 789	5 624	2 248	31 156
Charge for the year	743	716	–	1 824	485	844	334	4 946
Disposals	(354)	(94)	–	(378)	(84)	(508)	(77)	(1 495)
Transfers	–	–	–	347	–	–	(347)	–
Impairment	–	12	–	16	1	2	1	32
As at 31 December 2022	5 537	7 167	–	10 623	3 191	5 962	2 159	34 639
Net book value								
As at 31 December 2021	5 106	3 504	1 460	4 505	863	1 576	661	17 675
As at 31 December 2022	4 118	2 623	398	3 825	630	1 009	501	13 104

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Depreciation expenses were included in “Selling, general and administrative expenses” (Note 26).

Assets with net book value of 394 were disposed of by the Group for the year ended 31 December 2022 (for the year ended 31 December 2021: 196) and mainly related to closed stores. Profit on disposal of these items of 81 (for the year ended 31 December 2021: loss 10) was recorded within other operating expenses (Note 28).

As at 31 December 2022 and 2021, the Group did not have any PPE items pledged as collateral.

In 2022 based as a result of impairment test the impairment loss was recognized amounted to 32.

9. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Set out below is the carrying value of right-of-use assets of the Group and changes for the period:

	<u>Land</u>	<u>Stores</u>	<u>Warehouses</u>	<u>Vehicles</u>	<u>Other assets</u>	<u>Total</u>
Cost						
As at 31 December 2020	386	92 609	8 349	234	935	102 513
New lease agreements	1	9 007	2	–	5	9 015
Modifications	(53)	11 986	1 077	19	90	13 119
Disposals	(17)	(2 253)	(52)	(2)	(277)	(2 601)
Assets acquired in a business combination	–	–	–	–	8	8
Reassessment of termination options	3	(2 242)	–	–	–	(2 239)
As at 31 December 2021	320	109 107	9 376	251	761	119 815
New lease agreements	14	2 483	1 314	133	36	3 980
Modifications	103	(2 612)	(250)	8	46	(2 705)
Disposals	(25)	(2 315)	(465)	(163)	(14)	(2 982)
Reassessment of termination options	–	1 204	–	–	–	1 204
As at 31 December 2022	412	107 867	9 975	229	829	119 312
Accumulated amortisation and impairment						
As at 31 December 2020	31	27 984	2 381	175	349	30 920
Charge for the period	30	14 960	1 387	58	132	16 567
Disposals	(4)	(1 555)	(52)	(2)	(134)	(1 747)
As at 31 December 2021	57	41 389	3 716	231	347	45 740
Charge for the period	26	13 988	1 532	61	150	15 757
Impairment loss/ (reversal of impairment loss), net	–	63	–	–	–	63
Disposals	(8)	(1 388)	(431)	(162)	(9)	(1 998)
As at 31 December 2022	75	54 052	4 817	130	488	59 562
Net book value						
As at 31 December 2021	263	67 718	5 660	20	414	74 075
As at 31 December 2022	337	53 815	5 158	99	341	59 750

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Set out below is an overview of a book value of lease liabilities of the Group and changes for the period:

	<u>2022</u>	<u>2021</u>
As at 1 January	84 425	80 753
New lease agreements	3 940	8 862
Modifications	(2 948)	13 552
Disposals	(1 160)	(962)
Assets acquired in a business combination	-	8
Interest expenses	7 502	6 058
Payments of principle and interest	(19 631)	(21 277)
Extinguishment of lease liabilities by lease concessions	-	(330)
Reassessment of termination options	1 204	(2 239)
As at 31 December	<u>73 332</u>	<u>84 425</u>
Current	15 662	15 797
Non-current	57 670	68 628

The Group has lease agreements for retail premises, office buildings, warehouses, land, vehicles and other equipment.

In 2022, the Group recognised expenses related to variable lease payments in the amount of 2 302 (2021: 2 242).

Undiscounted obligations as at 31 December 2022 and 2021 comprised the following:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Minimum lease payments, including:		
Current portion (less than 1 year)	22 361	23 606
More than 1 to 5 years	54 423	59 412
Over 5 years	19 161	27 192
Total minimum lease payments	<u>95 945</u>	<u>110 210</u>

The Group has lease contracts that include termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio. Management exercises significant judgement in determining whether these termination options are reasonably certain to be (or not to be) exercised.

Set out below are the undiscounted potential future rental payments as at 31 December 2022 and 2021 relating to periods following the exercise date of termination options that are not included in the lease term:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Termination options expected to be exercised:		
Within 5 years	6 241	8 656
Over 5 years	11 451	13 536
Total	<u>17 692</u>	<u>22 192</u>

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10. INTANGIBLE ASSETS

Intangible assets as at 31 December 2022 and 2021 comprised the following:

	Software licenses, capitalised development costs and web site	Trademarks	Total
Cost			
As at 31 December 2020	19 232	9 165	28 397
Additions	9 506	1	9 507
Assets acquired in a business combination	409	–	409
Disposals	(1 854)	(1)	(1 855)
As at 31 December 2021	27 293	9 165	36 458
Additions			
Assets acquired in a business combination	5 276	1	5 277
Disposals	(2 119)	(7)	(2 126)
As at 31 December 2022	30 450	9 159	39 609
Accumulated amortisation			
As at 31 December 2020	6 502	25	6 527
Charge for the year	3 949	1	3 950
Disposals	(1 848)	(1)	(1 849)
As at 31 December 2021	8 603	25	8 628
Charge for the year	6 619	2	6 621
Disposals	(2 116)	(8)	(2 124)
As at 31 December 2022	13 106	19	13 125
Net book value			
As at 31 December 2021	18 690	9 140	27 830
As at 31 December 2022	17 344	9 140	26 484

In 2022, the Group incurred capital expenses in the total amount of 5 277 which for the most part were related to the development of the front-office / back-office system, new web site platform implementation, development of software for automation of business processes and purchase of software licenses.

Amortisation expense has been included in “Selling, general and administrative expenses” (Note 26).

As at 31 December 2022, the Group did not have any pledged intangible assets.

As at 31 December 2021, trademarks with carrying value of 9 132 were pledged as collateral under the Group’s loan agreements (Note 19).

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11. FINANCIAL ASSETS

Financial assets of the Group as at 31 December 2022 consisted of loans issued in the amount of 15 (31 December 2021: 49). Financial assets as at 31 December 2021 also included the Group’s 10% interest in LLC “MARKETPLACE”, ex-joint venture of 5 527. Investment in equity of LLC “MARKETPLACE” is carried at fair value with changes in fair value recognised in profit and loss.

As shares of LLC “MARKETPLACE” are not quoted on a recognised stock exchange, the Group’s internal specialists determine the fair value of this investment on the basis of Level 3 inputs using discounted cashflow method. The Group has also completed a peer analysis of estimated fair value against peer companies with shares quoted on recognised stock exchanges.

In 2022, the Group sold a 10% shares in LLC “Marketplace” to a third party for a cash consideration in the amount of 4 514. The difference between the sale price and the book value of investments at the date of disposal is reflected in the Proceeds from disposal of financial assets line item.

In April 2021, the Group sold a 40% interest in LLC “MARKETPLACE”. The consideration received by the Group amounted to 4 134, and the book value of the disposed interest was 563. As a result of the transaction, gain of 3 571 was recorded as part of other operating income. In addition, in April 2021, the new participant made an additional contribution to the capital of LLC “MARKETPLACE”, as a result of which the Group's share decreased to 10%, and it lost significant influence on the activities of LLC “MARKETPLACE”.

12. OTHER NON-CURRENT ASSETS

Other non-current assets as at 31 December 2022 and 2021 comprised the following:

	31 December 2022	31 December 2021
Advances paid for non-current assets	301	1 374
Long-term advances paid for rent	75	130
Investment in an associate and a joint venture	15	15
Advances paid to related parties (Note 33)	–	131
Less: impairment allowance for long-term advances paid for rent	(10)	(3)
Total	381	1 647

13. INVENTORIES

Inventories as at 31 December 2022 and 2021 comprised the following:

	31 December 2022	31 December 2021*
Goods for resale	110 602	160 956
Right of return assets	2 109	2 521
Other inventories	160	161
Total	112 871	163 638

* Some amounts were restated (Note 2).

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Cost of inventories recognised as an expense in the amount of 312 692 and 314 470 and inventory losses net of surpluses in the amount of 293 and 395 for the years ended 31 December 2022 and 2021, respectively, were recorded within cost of sales in the consolidated statement of profit or loss and other comprehensive income.

In 2022, 32 were recognised as income (2021: 926 as expenses) in respect of inventories carried at their net realisable value. This amount is included in cost of sales line item in the consolidated statement of profit or loss and other comprehensive income.

14. ACCOUNTS RECEIVABLE AND ADVANCES ISSUED

Accounts receivable and advances issued as at 31 December 2022 and 2021 comprised the following:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Accounts receivable		
Bonuses receivable from suppliers	16 834	30 887
Accounts receivable from related parties (Note 33)	907	1 204
Other accounts receivable	431	7 133
Expected credit losses for accounts receivable	<u>(200)</u>	<u>(210)</u>
Total accounts receivable	<u>17 972</u>	<u>39 014</u>
Advances issued		
Advances issued to suppliers and prepaid expenses	6 119	1 570
Advances issued to related parties (Note 33)	–	72
Impairment allowance for advances issued	<u>(131)</u>	<u>(20)</u>
Total advances issued	<u>5 988</u>	<u>1 622</u>
Total	<u>23 960</u>	<u>40 636</u>

As at 31 December 2022 and 2021, the Group did not have accounts receivable past due but not impaired.

Movements in the allowance for doubtful accounts receivable and advances issued comprised the following:

	<u>2022</u>	<u>2021</u>
Balance at the beginning of the year	239	649
Impairment losses recognised on accounts receivable and advances issued	133	58
Acquired in a business combination	–	7
Amounts written off as uncollectible	(16)	(464)
Amounts recovered during the year	<u>(15)</u>	<u>(11)</u>
Balance at the end of the year	<u>341</u>	<u>239</u>

In determining the recoverability of accounts receivable the Group considers any change in the credit quality of receivables and advances issued from the date the credit was initially granted up to the reporting date. Details about concentration of credit risk and related management activities are disclosed in Note 35.

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15. OTHER TAXES RECEIVABLE

Other taxes receivable as at 31 December 2022 and 2021 comprised the following:

	<u>31 December 2022</u>	<u>31 December 2021*</u>
VAT recoverable	6 856	33 903
Other taxes receivable	<u>23</u>	<u>7</u>
Total	<u>6 879</u>	<u>33 910</u>

* Some amounts were restated (Note 2).

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2022 and 2021 comprised the following:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Cash at banks	27 028	5 972
Cash in transit	2 567	4 224
Cash on hand in stores and petty cash	429	589
Short-term bank deposits	<u>172</u>	<u>1 268</u>
Total	<u>30 196</u>	<u>12 053</u>

Cash in transit represents acquiring and cash collected from the Group's stores and not yet deposited into the bank accounts at the year-end.

Cash was denominated in the Russian Ruble.

17. EQUITY

Share capital

As at 31 December 2022 and 2021, the Company had the following number of authorised, issued and outstanding ordinary shares:

	<u>Outstanding ordinary shares</u>	<u>Issued ordinary shares</u>	<u>Authorised ordinary shares</u>
Balance as at 31 December 2020	<u>177 792 057</u>	<u>179 768 227</u>	<u>209 768 227</u>
Settlement of share-based payments	507 285	-	-
Balance as at 31 December 2021	<u>178 299 342</u>	<u>179 768 227</u>	<u>209 768 227</u>
Settlement of share-based payments	81 135	-	-
Balance as at 31 December 2022	<u>178 380 477</u>	<u>179 768 227</u>	<u>209 768 227</u>

Each share has par value of RUB 10 per share. In 2022, the number of authorised, issued and outstanding ordinary shares remained constant.

All issued ordinary shares were fully paid.

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Additional paid-in capital

Additional paid-in capital consists of share premium which is the excess between proceeds from issuance of 30 000 000 additional ordinary shares issued at 1 November 2007 and their par value, less share issuance costs and related current and deferred income tax amounts.

Treasury shares

As at 31 December 2022, the Group owned 1 387 750 treasury shares (31 December 2021: 1 468 885 treasury shares) held at cost of 526 (31 December 2021: 557).

Dividends declared

In June 2022, the General Meeting of Shareholders of the Company decided not to pay dividends for the year 2021.

In December 2021, the General Meeting of Shareholders decided to pay dividends for 9 month 2021 in the amount of RUB 35.00 per share. Dividends attributable to repurchased ordinary shares were completely excluded during the preparation of these consolidated financial statements. The dividends payable to the holders of the outstanding ordinary shares of the Company in the total amount of 6 247 have been recognised as a decrease in equity in these consolidated financial statements.

In May 2021, the General Meeting of Shareholders decided to pay dividends for 2020 in the amount of RUB 38.00 per share. Dividends attributable to repurchased ordinary shares were completely excluded during the preparation of these consolidated financial statements. The dividends payable to the holders of the outstanding ordinary shares of the Company in the total amount of 6 783 have been recognised as a decrease in equity in these consolidated financial statements.

In 2021, dividends declared and paid to related parties amounted to 8 577.

18. INCOME TAX

The Group's income tax expense for the years ended 31 December 2022 and 2021 comprised the following:

	<u>2022</u>	<u>2021*</u>
Current tax		
Current tax expense for the current year	(191)	(523)
Sales tax	(80)	-
Income tax penalty	-	(31)
Change in provision for income tax	-	125
	<u>(271)</u>	<u>(429)</u>
Deferred tax		
Deferred tax benefit recognised in the current year	3 342	403
Previously unrecognised temporary differences	-	881
	<u>3 342</u>	<u>1 284</u>
Total income tax expense recognised in the current year	<u><u>3 071</u></u>	<u><u>855</u></u>

* Some amounts were restated (Note 2).

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The tax effect on the major temporary differences that give rise to the deferred tax assets and liabilities as at 31 December 2022 and 2021 is presented below:

	<u>31 December 2022</u>	<u>31 December 2021*</u>
Deferred tax assets		
Right-of-use assets and lease liabilities, net	3 026	2 323
Tax loss carried forward	2 712	1 604
Difference in depreciable value of property, plant and equipment	1 098	658
Supplier bonuses allocated to inventories	1 176	547
Accrued expenses	762	1 505
Salary-related accruals	524	478
Allowance for obsolete and slow-moving inventories	498	505
Deferred revenue and prepayments received for goods	455	512
Other items	330	515
Total	10 581	8 647
Tax offset	(751)	(1 686)
Net tax assets	9 830	6 961
Deferred tax liabilities		
Difference in amortisable value of intangible assets	(639)	(605)
Difference in depreciable value of property, plant and equipment	(123)	(106)
Difference in valuation of financial assets	-	(915)
Other items	(39)	(154)
Total	(801)	(1 780)
Tax offset	751	1 686
Net tax liabilities	(50)	(94)
Deferred tax assets/(liabilities), net	9 780	6 867

* Some amounts were restated (Note 2).

As at 31 December 2022 and 2021, the Group measured deferred tax assets and deferred tax liabilities using tax rate of 20%, which is the rate expected to be applied in the period in which the asset is realised or the liability is settled.

The taxation charge for the year is different from that which would be obtained by applying the statutory income tax rate to the profit before income tax expense. Below is a reconciliation of theoretical income tax expense at the statutory rate of 20% effective for 2022 and 2021 to the actual expense recorded in the Group’s consolidated statement of profit or loss and other comprehensive income:

	<u>2022</u>	<u>2021*</u>
Profit before income tax expense	(13 370)	(4 858)
Income tax expense calculated at 20%	2 674	972
Sales tax	(80)	-
Effect of expenses that are not deductible in determining taxable profit:		
<i>The effect of the sale of a financial asset</i>	665	-
<i>The effect of applying the preferential income tax rate</i>	10	(1)
<i>Inventory losses</i>	(136)	(253)
<i>Non-deductible payroll expenses</i>	(29)	(147)
<i>Income from debt forgiveness</i>	103	504
<i>Change in provision for profit tax (Note 18)</i>	-	125
<i>Loss of a joint venture</i>	-	(189)
<i>Income tax fine</i>	-	(31)
<i>Other non-deductible expenses, net</i>	(136)	(125)
Income tax expense recognised in profit or loss	3 071	855

* Some amounts were restated (Note 2).

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19. BORROWINGS AND OTHER FINANCIAL LIABILITIES

This note provides information about the contractual terms of the Group’s long-term and short-term interest-bearing bank borrowings and other financial liabilities measured at amortised cost. The borrowings described below are denominated in the Russian Ruble.

	<u>Maturity</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Non-current borrowings and other financial liabilities			
Unsecured borrowings and credit lines			
Bank GPB (JSC)	April 2024	-	5 000
PJSK CREDIT BANK OF MOSCOW	April 2024	-	5 000
		<u>-</u>	<u>10 000</u>
Other financial liabilities			
Bonds	August 2024-July 2025	13 951	18 964
		<u>13 951</u>	<u>18 964</u>
Total non-current borrowings and other financial liabilities		<u>13 951</u>	<u>28 964</u>
Current borrowings and other financial liabilities			
Secured borrowings			
Bank VTB (PJSC)	April 2022	-	2 776
		<u>-</u>	<u>2 776</u>
Unsecured borrowings and credit lines			
PJSC “Promsvyazbank”	June-December 2023	31 937	3 022
PJSK CREDIT BANK OF MOSCOW	April-December 2023	14 979	2 546
Bank VTB (PJSC)	February-April 2023	12 098	9 840
JSC “ALFA BANK”	July 2023	7 328	3 704
Bank GPB (JSC)	January 2023	5 012	8 536
PJSC “Sovcombank”	March 2022	-	7 000
PJSC “Rosbank”	February 2022	-	2 507
		<u>71 354</u>	<u>37 155</u>
Other financial liabilities			
Bonds	April 2023	10 361	243
		<u>10 361</u>	<u>243</u>
Total current borrowings and other financial liabilities		<u>81 715</u>	<u>40 174</u>
Total borrowings and other financial liabilities		<u>95 666</u>	<u>69 138</u>

As at 31 December 2022, the Group violated a number of financial covenants established in loan agreements. Thus, the entire amount of long-term credit obligations was reclassified to short-term. After the reporting date, but before the release of these financial statements, the Group received waivers for all open credit agreements, confirming that banks will not demand early repayment of the amount of debt.

In 2022, the Group issued long-term non-convertible ruble-denominated bonds with a fixed coupon rate for a total amount of 5 000 (2021: 19 000). In 2022, the Group incurred expenses related to the issue of bonds in the amount of 37 (in 2021: 46).

As at 31 December 2022, the Group unutilised uncommitted credit facilities of 57 854 (31 December 2021: 29 500). The unused limit on the issue of bonds as of 31 December 2022 is 26 000 (31 December 2021: 31 000)

As at 31 December 2022, borrowings are not secured by trademarks (the book value of trademarks as at 31 December 2021: 9 132) (Note 10).

As at 31 December 2021, 100% stake in share capital of LLC “MVM” and LLC “BT HOLDING” as well as 100% shares of BOVESTO LIMITED are pledged under credit agreements. In 2022, the credit was repaid.

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Movements in liabilities arising from financing activities

The table below presents changes in liabilities arising from financing activities, including both changes related to cash flows and changes not related to cash flows. Liabilities arising from financing activities include liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities.

	31 December 2021	Cash flows from financing activities	Interest paid	New leases and modifications	Interest expense	Other changes*	31 December 2022
Bank borrowings	49 930	21 344	(5 995)	–	6 251	(176)	71 354
Bonds	19 208	5 000	(1 609)	–	1 726	(13)	24 312
Lease liabilities	84 425	(12 349)	(7 282)	992	7 502	44	73 332
	153 563	13 995	(14 886)	992	15 479	(145)	168 998

	31 December 2020	Cash flows from financing activities	Interest paid	New leases and modifications	Interest expense	Other changes*	31 December 2021
Bank borrowings	47 928	4 896	(4 662)	–	4 196	(2 428)	49 930
Bonds	–	19 000	(546)	–	790	(36)	19 208
Dividends	–	(13 030)	–	–	–	13 030	–
Lease liabilities	80 753	(15 006)	(6 269)	19 219	6 058	(330)	84 425
	128 681	(4 140)	(11 477)	19 219	11 044	10 236	153 563

*Other changes include dividends declared, accrued expenses for bank commissions, net of income from subsidies on bank borrowings, extinguishment of lease liabilities by lease concessions.

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20. OTHER PAYABLES AND ACCRUED EXPENSES

Other payables and accrued expenses as at 31 December 2022 and 2021 comprised the following:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Salaries and bonuses	3 096	4 594
Advances received	3 000	–
Refund liabilities for goods	1 807	2 022
Contingent lease and utility expenses	1 321	1 814
Purchase of property, plant and equipment and intangible assets	1 194	5 615
Consulting expenses	407	720
Repairs and maintenance expenses	375	633
Cost of services	275	224
Other current liabilities to related parties (Note 33)	40	296
Other payables and accrued expenses	<u>1 575</u>	<u>2 085</u>
Total	<u>13 090</u>	<u>18 003</u>

21. OTHER TAXES PAYABLE

Other taxes payable as at 31 December 2022 and 2021 comprised the following:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Payroll taxes	2 071	1 246
VAT payable	541	737
Other taxes payable	<u>271</u>	<u>370</u>
Total	<u>2 883</u>	<u>2 353</u>

22. LIABILITIES TO CUSTOMERS

Liabilities to customers as at 31 December 2022 and 2021 comprised the following:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Prepayments received for goods	3 035	4 271
Deferred revenue	2 686	3 315
Other advances received	<u>327</u>	<u>412</u>
Total	<u>6 048</u>	<u>7 998</u>

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Deferred revenue for 2022 and 2021 comprised the following:

	2022					2021				
	Customer loyalty programs	Gift certificates	Other programs	Additional services	Total	Customer loyalty programs	Gift certificates	Other programs	Additional services	Total
As at 1 January	2 560	597	–	158	3 315	2 496	245	–	593	3 334
Revenue deferred during the period	14 723	2 205	369	–	17 297	23 844	2 518	1 119	–	27 481
Revenue recognised in the consolidated statement of profit or loss and other comprehensive income	(15 010)	(2 436)	(369)	(111)	(17 926)	(23 780)	(2 166)	(1 119)	(435)	(27 500)
As at 31 December	2 273	366	–	47	2 686	2 560	597	–	158	3 315

Other programs represent other discounts to the Group’s customers, mainly coupons.

Revenue for the year ended 31 December 2022 includes the amount of obligations under contracts with customers at the beginning of the year in the amount of 7 026 (2021: 5 939).

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23. PROVISIONS

Provisions as at 31 December 2022 and 2021 comprised the following:

	31 December 2021	Accrual of provision	Utilisation of provision	Write-off of provision	31 December 2022
Provision for litigation and fines	164	46	(39)	(70)	101
Warranty provision – repair of imported goods*	-	340	(5)	(27)	308
Total	164	386	(44)	(97)	409

	31 December 2020	Accrual of provision	Utilisation of provision	Write-off of provision	31 December 2021
Provision for litigation and fines	314	160	(57)	(253)	164
Provision for tax risks**	666	13	(13)	(666)	-
Warranty provision – repair of goods	8	-	(8)	-	-
Total	988	173	(78)	(919)	164

* The provision for liabilities to customers for warranty repairs of imported goods is made up of a short-term of 286 and a long-term of 22, which is included in the Other Non-Current Liabilities line of the Consolidated Statement of Financial Position.

**The provision for tax risks was accrued as a result of the field audit of LLC “ELDORADO” conducted by the Russian tax authorities for 2015-2017, relating to the period before LLC “ELDORADO” was acquired by the Group. The provision was included in the “Selling, general and administrative expenses”. The Group has also accrued a liability of 249 for uncertain income tax position which was reflected within income tax expense. In addition, the expected compensation for potential tax accruals from the previous owners of LLC “ELDORADO” in the amount of 50% of potential tax additional charges based on the results of the field audit (or 458) was reflected in accounts receivable in correspondence with the respective accounts of the statement of profit or loss and other comprehensive income. In connection with the correction of the results of the field audit, as at 31 December 2021, the Group adjusted the amount of the previously accrued provision for tax risks to 13, and the uncertain income tax position to 18 in correspondence with the respective accounts of the statement of profit or loss and other comprehensive income, as a result of which, in the 2021, income from the recovery of the reserve and the uncertain tax position was recognised in the amount of 653 and 231, respectively. Since the final amount of additional charges does not exceed the minimum threshold for compensation, the respective compensation receivable from the previous owners of LLC “ELDORADO” was derecognised, which is reflected within “Selling, general and administrative expenses” and “Income tax expenses” for the year ended 31 December 2021 (333 and 125, respectively).

24. REVENUE

Revenue for the years ended 31 December 2022 and 2021 comprised the following:

	2022	2021
Retail revenue	397 760	468 251
Consumer loan revenue	3 073	6 088
Rental income from investment property	246	301
Additional services revenue	111	434
Other revenue	1 272	1 290
Total	402 462	476 364

Retail revenue includes sales of goods in stores, pick-up in-store, home-delivery and commission fees.

Other revenue includes revenue from services of installation, recycling of home appliances and digital assistance.

Revenue for the year ended 31 December 2022 recognised at a point in time was 402 351 (2021: 475 930), and revenue recognised over time was 111 (2021: 434).

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25. COST OF SALES

Cost of sales for the years ended 31 December 2022 and 2021 comprised the following:

	<u>2022</u>	<u>2021</u>
Cost of goods sold		
- Cost of goods sold	312 660	379 954
- Transportation to stores	3 078	4 261
- Inventory losses net of surpluses and related compensations from suppliers	214	198
Cost of credit broker services:		
- Purchased credit broker services	39	1 880
- Payroll of credit broker staff and related taxes	1 294	212
Cost of additional services	18	41
Cost of other services	2 052	2 239
Total	<u>319 355</u>	<u>388 785</u>

26. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended 31 December 2022 and 2021 comprised the following:

	<u>2022</u>	<u>2021*</u>
Depreciation and amortisation	27 060	25 338
Payroll and related taxes	23 178	28 533
Advertising and promotional expenses, net	5 030	7 963
Bank charges	3 535	5 085
Utilities expenses	2 585	2 435
Security	2 476	2 320
Contingent lease expenses	2 170	2 262
Repairs and maintenance	2 168	2 590
Warehouse services	2 131	3 462
Consulting services	1 795	3 227
Office expenses**	568	921
Taxes other than income tax (Note 23)	539	497
Packaging and raw materials	483	399
Communication	380	388
Service center	363	333
Maintenance and other property operating costs	102	120
Travel	86	80
Training and recruitment	80	376
Other expenses	1 688	1 476
Total	<u>76 417</u>	<u>87 804</u>

* Some amounts were restated (Note 2).

**Office expenses for the year ended 31 December 2022 include expenses of 20 (2021: 283) incurred by the Group for personal protective equipment and disinfection supplies for personnel and customers.

Payroll and related taxes for the year ended 31 December 2022 include 3 647 contribution to the state pension fund (2021: 4 456) and social and medical insurance in the amount of 1 366 (2021: 1 699).

In 2022, the Group received 1 149 from its suppliers as a compensation of advertising and promotional expenses (2021: 2 211).

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Contingent lease expenses represent variable lease costs that are expensed as incurred. Contingent lease expenses for the year ended 31 December 2022 are shown net of negative variable lease payments of 0 (2021: 330) recognised upon adoption of the Amendment to IFRS 16: COVID-19-Related Rent Concessions and net of income from sublease of 160 (2021: 14).

27. OTHER OPERATING INCOME

Other operating income for the year ended 31 December 2022 includes gain from a dispute resolution in the amount of 840, compensation for lost profits in the amount of 468, income from government grants in the amount of 515 and other individually insignificant items.

Other operating income for the year ended 31 December 2021 includes gain on disposal of investment in LLC “MARKETPLACE” of 3 571, income from debt forgiveness of 2 520 (Note 19), other marketing income and other items.

28. OTHER OPERATING EXPENSES

Other operating expenses for the year ended 31 December 2022 include loss on disposal of property, plant and equipment of 0 (2021: 10), expenses on corporate events in the amount of 16 (2021: 45), charity expense of 169 (2021: 33) and other individually insignificant items.

29. FINANCE INCOME AND EXPENSES

Finance income/(expenses) for the years ended 31 December 2022 and 2021 comprised the following:

	<u>2022</u>	<u>2021</u>
Interest income	1 335	142
Exchange loss from revaluation of investments	32	22
Total financial income	1 367	164
Interest on bank borrowings, bonds and other	(13 971)	(8 019)
Interest expense on lease liabilities	(7 501)	(6 398)
Total financial expenses	(21 472)	(14 417)
Total	(20 105)	(14 253)

30. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares.

Diluted earnings per share are calculated by dividing net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period, plus the weighted average number of all potentially dilutive common shares that will be issued in the event of payment of remuneration to key management personnel in the form of shares.

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The following reflects the income and share data used in the basic and diluted earnings per share computations:

	<u>2022</u>	<u>2021</u>
Net loss attributable to equity holders of the Company	(10 299)	(4 083)
Weighted average number of ordinary share in issue (millions of shares)	<u>178,34</u>	<u>178,13</u>
Basic earnings per share (in the Russian Ruble)	(57,75)	(22,92)
Net loss attributable to equity holders of the Company, adjusted for dilution effect	(10 299)	(4 083)
Weighted average number of ordinary shares for the purpose of diluted earnings per share (millions of shares)*	<u>178,34</u>	<u>178,64</u>
Diluted earnings per share (in the Russian Ruble)	<u>(57,75)</u>	<u>(22,86)</u>

* Weighted average number of ordinary shares in 2021 for the purpose of diluted earnings per share does not include 225 471 shares by LTIP 1 due to antidilution effect.

31. SEGMENT INFORMATION

Products and services of operating segments

The activities of the Group are carried out on the territory of the Russian Federation and consist mainly of the retail trade of household appliances and electronics. Despite the fact that the Group operates through various types of stores and in various regions of the Russian Federation, the management of the Group, which makes operational decisions, analyses the operations of the Group and allocates resources by individual stores.

The group assessed the economic characteristics of individual stores, including “M.video” and “Eldorado” stores, online stores and others, and determined that the stores have similar margins, products, customers and methods of selling such products. Therefore, the Group believes that it has only one operating segment in accordance with IFRS 8 “Operating segments”. The segment’s performance measurement is based on net profit for the period being total comprehensive income for the period excluding share of profit/(loss) of an associate and a joint venture profit or loss.

32. SHARE-BASED PAYMENTS

In 2022, the Group’s long-term incentive program for key management personnel was cancelled due to changes in geopolitical and market situation and resulting need to adjust motivations mechanisms.

Final settlement of program was affected in May – June 2022. During the year ended 31 December 2022, the Group reported in equity (line item “Accrual of share-based payments”) the impact of 150 related to the cessation of the long-term motivation program, which was mainly due to actual forfeiture of the program participants (2021: expense of 192).

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33. RELATED PARTIES

Related parties include shareholders, key management, entities under common ownership and control, entities under the control of key management and entities over which the Group has significant influence.

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year and the outstanding balances owed by/to related parties as at 31 December 2022 and 2021, respectively:

	2022		31 December 2022		2021		31 December 2021	
	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Joint ventures (i)	–	–	–	–	54	25	–	–
Entities under common control (ii)	1	979	–	–	3	3 888	203	292
Entities under significant influence of the controlling shareholder (iii)	3 315	153	907	4 154	4 302	1 088	1 203	1 384
Total	3 316	1 132	907	4 154	4 359	5 001	1 406	1 676

The nature of transactions with related parties is as follows:

- (i) Joint ventures – agency fee for selling products through LLC “MARKETPLACE”, remuneration for participation in the loyalty program. Transactions with MARKETPLACE LLC are included in the disclosure up to the point when the Group lost significant influence over the company in April 2021 (Note 6);
- (ii) Entities under common control – acquisition of the Direct Credit Group, purchase and sale of Group’s goods, warehouses and trade premises rent, charity, reimbursement of tax charges and fines, etc. As indicated in Note 6, on 13 October 2021, the Group acquired a subsidiary of Direct Credit Center LLC from a related party under common control;
- (iii) Entities under significant influence of the controlling shareholder – agent services for sales of insurance policies, credit broker services. Transactions with Direct Credit Center LLC are included in the disclosure until the acquisition of the Direct Credit Group in October 2021 (Note 6).

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The following table provides the total amount of financial transactions, which have been entered into with related parties during the year periods ended 31 December 2022 and 2021 and the outstanding balances owed by/to related parties as at 31 December 2022 and 2021, respectively:

	2022		31 December 2022		2021		31 December 2021	
	Financial income from related parties	Financial expense from related parties	Amounts owed by related parties	Amounts owed to related parties	Financial income from related parties	Financial expenses from related parties	Amounts owed by related parties	Amounts owed to related parties
Entities under common control (i)	-	-	-	-	1	-	-	-
Entities controlled by a party exercising significant influence (ii)	-	385	-	-	-	395	-	5 254
Total	-	385	-	-	1	395	-	5 254

(i) Entities under common control – finance expenses and lease obligations;

(ii) Entities controlled by a party exercising significant influence – finance expenses and lease obligations;

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Terms and conditions of transactions with related parties

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. Outstanding balances at the year-end are unsecured and settlement occurs in cash. There were no guarantees received or provided on receivables and payables in favor of related parties. As at 31 December 2022 and 2021, the Group has an allowance for doubtful accounts receivable from related parties in the amount of 6. The Group performs expected credit loss analysis of related parties balances as described in Note 3.

Compensation of key management personnel of the Group

The remuneration of directors and other members of key management during the years ended 31 December 2022 and 2021 was as follows:

	<u>2022</u>	<u>2021</u>
Short-term benefits	1 321	2 104
Share-based payments (Note 32)	–	238
Total	<u>1 321</u>	<u>2 342</u>

As at 31 December 2022, outstanding payables to key management personnel amounted to 347 (31 December 2021: 258).

The number of key management personnel is 23 and 27 people in 2022 and 2021, respectively.

During the reporting period, the Group did not assume any significant obligations for pension payments or other obligations to key management personnel and obligations to pay contributions to the state pension fund and social insurance funds as part of social contributions for salaries and bonuses. Social contributions relating to compensation of key management personnel amounted to 88 for the year ended 31 December 2022 (for the year ended 31 December 2021: 423) and were included in the amounts stated above.

34. COMMITMENTS AND CONTINGENCIES

Operating environment

The Group mainly operates on retail market of household appliances and consumer electronics. The demand for these products is sensitive to changes in general economic and social conditions that impact consumer spending. Volatile economic conditions and other factors, including employment levels, availability of financing instruments, mainly consumer credit, real household earnings could influence consumer spending or change consumer purchasing habits. Considerable slowdown in the Russian and global economy, change of global production and logistics schemes could have effect on availability and variety of household appliances and consumer electronics on the local markets including the Russian market, as well as on consumer purchasing power and consequently operational and financial results of the Group.

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Emerging markets including Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Starting from 2014, sanctions have been imposed in several packages by the USA, EU and other countries on certain Russian officials, businessmen and companies. This can influence situation in Russian as well as Global markets including capital markets. At the end of February 2022, a special military operation in Ukraine was announced. Then, the officials and institutions in foreign countries announced additional sanctions against Russian organisations and individuals, as well as the intention to expand the existing sanctions.

Since February 2022, due to expansion of sanctions against Russia, some citizens and organisations there has been a significant increase in volatility in the foreign exchange and stock markets. Some Russian banks have been disconnected from the SWIFT Global Payments system. Therefore, when arranging settlements with counterparties, the Group interacts with financial institutions that are not subject to sanctions and restrictions. In this context some global companies from USA, EU and other countries ceased, suspended or reduced significantly operations in RF. This relates also to companies operating on the market of household appliances and consumer electronics.

In June 2022, Said Mikhailovich Gutseriev, the main beneficiary of the Group, was included in the UK financial sanctions list. Said Gutseriev decided to withdraw from the Board of Directors of PJSC M.video by sending a notification. M.Video-Eldorado Group is not included in the sanctions lists and continues its operations in full.

Against the backdrop of sanctions and other macroeconomic changes, the home appliances and electronics market in Russia showed a high level of volatility in the first half of 2022. Macroeconomic instability and the weakening of the ruble significantly stimulated demand for high-value goods in late February and the first half of March, which impacted the sales in the first quarter of 2022, demonstrating strong double-digit growth. In the second quarter, against the backdrop of high economic uncertainty, an unstable situation with supplies and the departure or suspension of activities in the Russian Federation by a number of well-known brands, there was a noticeable decrease in the consumer electronics market. As a result, at the end of the half year, GMV of the Group as a whole remained at the level of the previous year.

The Group is constantly working to expand the pool of partners and develop the assortment cooperating with both Russian and foreign companies within the frameworks of the current legislation. In addition, the Group started performing import operations, i.e. purchases goods both locally, in the domestic market, and abroad. The Group has built all the necessary supply chains, document flow, payment instruments, etc. The growing volume of settlements with suppliers is organised in national currencies.

The Russian economy is in the process of adaptation related to replacement of ceasing export markets and changing markets of import of goods and technology, change of supply chains. The restructuring of consumer demand, strengthening the positions of new brands, recovery of demand for products of already known brands may take certain time. Moreover, there is a risk of further expansion of sanctions and restrictions.

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The impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

As at the date of authorisation of these financial statements for issue, the above events had no significant immediate adverse effect on the Group's operations. However, there remains a high degree of uncertainty about the impact of these events and possible subsequent changes in the economic and geopolitical environment on the Group's future performance and financial position.

The described events were considered as indicators of potential impairment of the assets of the Group. The Group has conducted impairment test of Goodwill, Trademark, Right-of-use assets and Property, plant and equipment as at 31 December 2022 (Notes 7, 9 and 10).

Tax risk management

Russian legislation on taxation for business purposes continues to change rapidly. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by tax authorities. Recent events suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments, and as a result it is possible that the tax treatment adopted for transactions and activities that had not been challenged in the past may be challenged. Fiscal periods generally remain open to tax audit by the tax authorities in respect of taxes for three calendar years proceeding the year of a tax audit. Under certain circumstances reviews may cover longer periods. Management believes that it has provided adequately for tax liabilities in accordance with its interpretation of provisions of the Russian tax legislation. However, the tax authorities may have differing interpretations, and their effects on the financial statements could be significant.

Customs

During the periods ended 31 December 2022 and 2021, the Group purchased a portion of goods manufactured abroad in the Russian Federation from Russian legal entities, including wholesalers and intermediaries, which imported goods into Russia directly or through intermediaries. Such operations were carried out within the framework of the mechanisms of import operations that are correct from the point of view of Russian legislation.

The Group companies operate solely within the framework of Russian law, in accordance with all applicable tax and legal requirements in relation to imported products, therefore, the Group did not participate, did not know and could not have known about any material violations of the applicable customs code by Russian wholesalers or intermediary companies. Accordingly, management has not made any provision for such contingent liabilities in these consolidated financial statements. Management believes that, given the current restrictions on access to customs clearance documents, it is not practicable to estimate the likely potential financial impact (if any) of such contingent liabilities.

At the same time, it is impossible to completely exclude the possibility of a different interpretation of the applicable legislation by the relevant state authorities (see the section “Tax legislation and regulatory conditions in the Russian Federation”).

The Group has not received any notification of customs violations in relation to the purchased goods.

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License agreements

As at 31 December 2022, the minimum payments excluding VAT on future contractual obligations of the Group were 0 (as at 31 December 2021: 508). In 2022, long-term license agreements for the technical support of SAP licenses on software until 2025 were terminated.

The Group uses SAP software for finance, supply chain and human resources functions and provides technical support independently or with the involvement of external contractors.

Litigation

In the normal course of business, the Group is subject to proceedings, lawsuits and other claims. While such matters are subject to other uncertainties, and outcomes are not predictable with assurance, the management of the Group believes that any financial impact arising from these matters would not exceed amount disclosed as a provision for litigation and fines in Note 23.

Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its environmental obligations. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental matters.

Financial guarantees

In the normal course of business the Group from time-to-time enters into financial guarantee contracts with banks. Under these contracts banks provide guarantees in favor of the Group's suppliers and the Group may be required to pay under those contracts only if it fails to make timely payments to its suppliers. As at 31 December 2022, the Group entered into such guarantee contracts for the total amount of 4 122 (as at 31 December 2021: 12 038). As at the 31 December 2022 and 2021, the Group has not pledged any assets as collateral under these guarantee contracts.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Generally, the Group's principal financial liabilities comprise bank borrowings, lease liabilities and trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has trade and other receivables and cash and short-term deposits that are generated directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk.

The Group's senior management oversees the risk management process. The Group's senior management provides assurance to the Group's Board of Directors that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

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Categories of financial instruments

The carrying values of financial assets and liabilities grouped by each category of financial instruments as at 31 December 2022 and 2021 were as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Financial assets		
Assets carried at amortised cost	48 216	58 967
Assets carried at fair value	–	5 526
Financial liabilities		
Liabilities carried at amortised cost	241 424	324 465

Fair value of financial instruments

Financial instruments with a fair value as at 31 December 2022 and 2021 materially different from the carrying amount, are presented in the table below:

	<u>31 December 2022</u>		<u>31 December 2021</u>	
	<u>Carrying value</u>	<u>Fair value</u>	<u>Carrying value</u>	<u>Fair value</u>
Financial liabilities				
Borrowings and other financial liabilities with fixed interest rate	71 354	71 354	49 930	49 100
Market value bonds	24 312	23 404	19 208	18 389
Total	95 666	94 758	69 138	67 489

Fair value of borrowings received in rubles at a fixed interest rate in 2022 and 2021, was estimated using borrowing rates of 11% and 10.8%. Bonds were estimated using market quotes. Fair value measurement was categorised within level 1 of the fair value hierarchy.

The fair value of such assets and liabilities as long-term financial assets, cash and cash equivalents, accounts receivable, trade payables and other payables corresponds to the current value at which they are recorded due to the short maturity of these instruments.

Foreign currency risk management

Foreign currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group's exposures to foreign currency risk mainly arise from lease payments tied-in to currencies other than functional currency, and from foreign currency-denominated contracts with foreign suppliers. As at 31 December 2022 approximately 0.5% (as at 31 December 2021: 0.5%) of the Group's lease contracts for stores and warehouses were tied-in to either US Dollars or Euro. The Group minimises, to the extent possible, the risk arising from foreign currency-denominated lease contracts by negotiating a fixed exchange rate or a cap for an exchange rate with the lessors.

During the years ended 31 December 2022 and 2021, the Group did not use forward exchange contracts to eliminate the currency exposures.

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The carrying amount of the Group’s foreign currency-denominated assets and liabilities at the reporting date comprised the following:

	US Dollar		Euro		Arab Emirates Dirham		Chinese yuan		Rupee		Tenge	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Assets												
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	1	-
Accounts receivables	1	-	-	-	-	-	325	-	-	-	-	-
Total assets	1	-	-	-	-	-	325	-	-	-	1	-
Liabilities												
Lease liabilities	(1 928)	(2 671)	-	-	-	-	-	-	-	-	-	-
Trade accounts payable	(683)	-	(1)	-	(6)	-	(579)	-	(104)	-	-	-
Total liabilities	(2 611)	(2 671)	(1)	-	(6)	-	(579)	-	(104)	-	-	-
Total net position	(2 611)	(2 671)	(1)	-	(6)	-	(254)	-	(104)	-	1	-

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Foreign currency sensitivity analysis

As mentioned above, the Group is mainly exposed to changes in the exchange rates of the US Dollar and Euro. The following table details the Group’s sensitivity to a 20% (31 December 2021: 10%) change of the Russian Ruble against these two currencies. The sensitivity analysis includes only outstanding foreign currency denominated assets and liabilities at year-end and adjusts their translation for a movement in foreign currency exchange rates. Positive figures below indicate an increase in profit and respective increase in equity where the Russian Ruble appreciates against the relevant currency. For a depreciation of the Russian Ruble against the relevant currency, there would be an equal and opposite impact on profit and equity.

	US Dollar		Euro		Arab Emirates Dirham		Chinese yuan		Rupee		Tenge	
	Changes in exchange rate, %	Effect on profit before income tax and equity	Changes in exchange rate, %	Effect on profit before income tax and equity	Changes in exchange rate, %	Effect on profit before income tax and equity	Changes in exchange rate, %	Effect on profit before income tax and equity	Changes in exchange rate, %	Effect on profit before income tax and equity	Changes in exchange rate, %	Effect on profit before income tax and equity
2022	20%	(522)	20%	2	20%	(1)	20%	(51)	20%	(21)	20%	-
	-20%	522	-20%	2	-20%	1	-20%	51	-20%	21	-20%	-

	US Dollar		Euro	
	Changes in exchange rate, %	Effect on profit before income tax and equity	Changes in exchange rate, %	Effect on profit before income tax and equity
2021	10%	(447)	10%	(1)
	(10%)	321	(10%)	(1)

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Interest rate risk management

The Group is exposed to insignificant interest rate risk as entities in the Group borrow funds on fixed rates primarily. The Group is exposed to risk of fair value of financial liabilities changes because of changes of market interest rates.

The Group’s exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The following analysis of changes in the fair value was performed for non-derivative financial instruments at the reporting date. For the purpose of preparing risk management reports for key managers of the Group, the assumption of a change in interest rate of 100 basis points is used, which is in line with management’s expectations regarding reasonably possible fluctuations in interest rates.

The increase/(decrease) of market interest rate by 100 basis points, if other conditions remain constant, would lead to decrease/(increase) of bank borrowings fair value by 390/(393) (727/(713) in 2021).

Credit risk management

Credit risk refers to the risk that counterparty may default on its contractual obligations resulting in financial loss to the Group. Financial assets which are potentially subject to credit risk consist primarily of bonuses receivable from suppliers, other receivables as well as cash on current and deposit accounts in banks and other financial institutions.

Bonuses receivable from suppliers are either offset against respective accounts payable or paid in cash. As at 31 December 2022, bonuses receivable from four major suppliers comprised 38% of the Group’s consolidated accounts receivable and prepaid expenses (as at 31 December 2021: 36%). The Group believes no material credit risk is associated with these receivables since all of the debtors are represented by the Group’s major suppliers.

The credit risk on liquid funds (see the table below) is managed by the Group’s treasury department. Management believes that credit risk on investments of surplus funds is limited as the counterparties are financial institutions with high credit ratings assigned by Russian credit rating agencies.

The table below shows the balances that the Group had with five of its major banks as at 31 December 2022 and 2021:

	Currency	Rating as of 31 December 2022*	Carrying amount	
			31 December 2022	31 December 2021
PJSK CREDIT BANK OF MOSCOW	RUB	ruA+	9 070	13
Bank VTB (PJSC)	RUB	ruAAA	7 938	4 715
Sovcombank	RUB	ruAA	6 717	1 002
PJSC “Promsvyazbank”	RUB	ruAA+	2 017	2
JSC “ALFA BANK”	RUB	ruAA+	569	1 038
Other	RUB	-	889	470
Total			27 200	7 240

*Credit ratings of the Expert RA agency were used.

The carrying amount of financial assets recorded in the consolidated statement of financial position, net of impairment losses, represents the Group’s maximum exposure to credit risk. There were no other concentrations of credit risk as at 31 December 2022 and 2021.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of Russian Rubles)

Liquidity risk management

The Group’s treasury department monitors the risk of a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected operating cash flows.

The Group’s objective is to maintain a continuity of funding and flexibility through the use of bank overdrafts and bank loans. Each year the Group analyses its funding needs and anticipated cash flows, so that it can determine its funding obligations. The seasonality of the business, the store expansion plan, capitalised projects and the anticipated working capital requirements form the basis of the evaluation. When necessary the Group uses long-term instruments (loans and borrowings) to cover its base liquidity needs. The Group uses short-term loans and bank overdrafts to cover seasonality needs. Every quarter the Group updates its liquidity needs and secures facilities with several banks to ensure that the Group has a sufficient amount of approved undrawn borrowing facilities (Note 19).

In addition, in order to manage liquidity risk, the Group uses a balanced approach to working capital management with balancing the terms of inventory and accounts payable turnover, and therefore certain requirements are imposed on suppliers to provide deferred payment conditions. Various mechanisms are used to provide the necessary deferred payment including factoring agreements, commercial loans and bills of exchange. As the Group does not receive significant benefits of additional financing and does not provide additional collateral using these mechanisms, the corresponding liabilities are recorded as trade payables, interest expenses – as finance expenses, and cash flows - as cash flows from operating activities.

As at 31 December 2022, trade payables in respect of which the Group used mechanisms to obtain an additional deferral of payment with the involvement of financial institutions amounted to 32 195 (as at 31 December 2021: 33 098), the corresponding interest expense for the year ended 31 December 2022 of 3 757 (for the year ended 31 December 2021: 2 080). Also, as at 31 December 2022, the Group had trade payables to suppliers in the amount of 192 (as at 31 December 2021: 6 278), in respect of which a compensated deferral of payment was provided. Finance expenses incurred by the Group in connection with the provision of such a grace period by suppliers amounted to 1 600 and 548 for the years ended 31 December 2022 and 2021, respectively.

The table below summarises the maturity profile of the Group’s financial liabilities as at 31 December 2022 and 2021 based on contractual undiscounted payments:

	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
As at 31 December 2022					
Trade accounts payable	116 186	19 482	–	–	135 668
Borrowings and other financial liabilities	7 879	75 141	15 663	–	98 683
Lease liabilities	5 766	16 595	54 423	19 161	95 945
Other payables and accrued expenses	13 090	–	–	–	13 090
Total	139 920	111 218	70 086	19 161	340 385
	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
As at 31 December 2021					
Trade accounts payable	237 110	214	–	–	237 324
Borrowings and other financial liabilities	24 008	19 864	34 387	–	78 259
Lease liabilities	6 034	17 572	59 412	27 192	110 210
Other payables and accrued expenses	18 003	–	–	–	18 003
Total	285 155	37 650	93 799	27 192	443 796

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Capital risk management

The Group manages its capital to ensure that all Group companies will continue to operate in the foreseeable future and at the same time maximise return for shareholders by optimising the debt to equity ratio. For the years ended 31 December 2022 and 2021, there have been no changes in objectives, policies and processes.

The Group's equity includes shares issued net of treasury shares repurchased, additional paid-in capital and retained earnings.

The main goal of the Group's capital management program is to maximise shareholder value and minimise the loan portfolio risks. The consumer electronics industry is a cyclical business and, accordingly, requires short-term fluctuations in the amount of capital used to purchase goods in order to satisfy seasonal demand. To cover seasonal capital requirements, the Group combines such types of borrowings as short-term loans and payables to suppliers. The store expansion program increases the capital requirement as the costs of opening new stores increase the Group's financial burden. Although the Group does not have any formal policy regarding the optimal ratio of debt and equity, the Group periodically analyses its capital requirements to determine the necessary measures to maintain a balanced capital structure by attracting shareholders' contributions to the authorised capital, issuing new shares, returning capital to shareholders, issuing new or paying off existing debt obligations.

36. SUBSEQUENT EVENTS

In April 2023 the Group issued long-term non-convertible ruble-denominated bonds with a fixed coupon rate for a total amount of 7 000 with redemption in April 2026.

In April 2023 for the first bonds issue investors partially exercised the rights to submit a call for redemption. As a result, the Group redeemed bonds amounted to 5 775. The remaining part of bonds will be redeemed in April 2024.

During the period from the reporting date to the issuance date of these consolidated financial statements the Group refinanced or redeemed credit and bonds liabilities for the total amount of 38 129.

ADDITIONAL INFORMATION ON THE IMPACT OF IFRS 16 (UNAUDITED)

Starting from 1 January 2019, when preparing consolidated financial statements the Group applies the provisions of IFRS 16 “Leases” in relation to accounting for lease agreements. In comparison with the previous IAS 17 “Leases”, IFRS 16 introduced new requirements for lease accounting. In order to ensure comparability of the Group’s consolidated financial results, consolidated financial position and consolidated cash flows for recent years, the Group has decided to disclose additional statements for the year ended 31 December 2022 based on the Group’s accounting policies set out in Note 3 to the consolidated financial statements for the year ended 31 December 2022, but applying the principles of IAS 17 instead of IFRS 16 for lease accounting.

According to IAS 17, which was effective until 31 December 2018, the Group, for the purposes of preparing the additional statements set out below, recognises operating lease payments, which are rent fees for the use of premises, as expenses on a straight-line basis over the lease term. Contingent lease payments under operating leases, including reimbursement of operating expenses of the lessor, are recorded as expenses as incurred. If the lessor’s operating and utility expenses are included in the fixed lease payments in the lease agreement, the amount of the lessor’s operating expenses to be recognised as expenses of the reporting period is determined by calculation.

The main accounting principles for leases under IFRS 16 applied by the Group for preparation of the consolidated financial statements are set out in Note 3 to the consolidated financial statements for the year ended 31 December 2022.

The following statements are not IFRS statements and should only be considered in addition to the information contained in the consolidated financial statements for the year ended 31 December 2022.

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ADDITIONAL INFORMATION ON THE IMPACT OF IFRS 16

(in millions of Russian Rubles)

The consolidated statement of financial position as at 31 December 2022 and 2021 prepared in accordance with the basis discussed above is presented as follows:

	<u>31 December 2022</u>	<u>31 December 2021*</u>
NON-CURRENT ASSETS		
Property, plant and equipment	13 204	17 696
Investment property	374	331
Intangible assets	26 764	28 219
Goodwill	50 007	50 007
Financial assets	–	5 576
Deferred tax assets	6 749	4 576
Other non-current assets	1 703	2 732
Total non-current assets	<u>98 801</u>	<u>109 137</u>
CURRENT ASSETS		
Inventories	112 871	163 638
Accounts receivable	17 695	38 865
Advances issued	11 314	4 203
Income tax receivable	239	2 637
Other taxes receivable	6 362	33 412
Other current assets	97	69
Cash and cash equivalents	30 196	12 053
Assets held for sale	–	8
Total current assets	<u>178 774</u>	<u>254 885</u>
TOTAL ASSETS	<u>277 575</u>	<u>364 022</u>
EQUITY		
Share capital	1 798	1 798
Additional paid-in capital	4 576	4 576
Treasury shares	(526)	(557)
Retained earnings	12 615	20 349
Total equity	<u>18 463</u>	<u>26 166</u>
NON-CURRENT LIABILITIES		
Non-current borrowings and other financial liabilities	13 951	28 964
Other liabilities	487	576
Finance obligations	225	120
Deferred tax liabilities	50	94
Total non-current liabilities	<u>14 713</u>	<u>29 754</u>
CURRENT LIABILITIES		
Trade accounts payable	135 667	237 324
Other payables and accrued expenses	17 616	20 016
Liabilities to customers	6 048	7 998
Current borrowings and other financial liabilities	81 715	40 174
Income tax payable	–	9
Other taxes payable	2 883	2 353
Finance obligations	83	64
Provisions	387	164
Total current liabilities	<u>244 399</u>	<u>308 102</u>
Total liabilities	<u>259 112</u>	<u>337 856</u>
TOTAL EQUITY AND LIABILITIES	<u>277 575</u>	<u>364 022</u>

* Some amounts were restated (Note 2).

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ADDITIONAL INFORMATION ON THE IMPACT OF IFRS 16

(in millions of Russian Rubles)

The consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2022 and 2021, prepared in accordance with the basis discussed above, is presented as follows:

	<u>2022</u>	<u>2021*</u>
REVENUE	402 462	476 364
COST OF SALES	<u>(319 417)</u>	<u>(388 844)</u>
GROSS PROFIT	83 045	87 520
Selling, general and administrative expenses	(80 362)	(87 351)
Other operating income	2 098	6 318
Other operating expenses	<u>(1 032)</u>	<u>(414)</u>
OPERATING PROFIT	3 749	6 073
Finance income	1 335	142
Finance expenses	(14 007)	(8 048)
Gain on equity instruments at fair value through profit or loss	-	4 576
Loss from disposal of financial assets	(1 013)	-
Share of profit/(loss) of an associate and a joint venture	<u>-</u>	<u>(945)</u>
PROFIT BEFORE INCOME TAX EXPENSE	(9 936)	1 798
Income tax expense	<u>2 384</u>	<u>(476)</u>
NET PROFIT for the period, being TOTAL COMPREHENSIVE INCOME for the period	<u>(7 552)</u>	<u>1 322</u>
NET PROFIT for the period, being TOTAL COMPREHENSIVE INCOME for the period excluding share of profit/(loss) of an associate and a joint venture	<u>(7 552)</u>	<u>2 267</u>

* Some amounts were restated (Note 2).

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ADDITIONAL INFORMATION ON THE IMPACT OF IFRS 16

(in millions of Russian Rubles)

The consolidated statement of cash flows for the years ended 31 December 2022 and 2021, prepared in accordance with the basis discussed above, is presented as follows:

	2022	2021*
OPERATING ACTIVITIES		
Net profit for the year	(7 552)	1 322
<i>Adjustments for:</i>		
Income tax expense	(2 384)	476
Depreciation and amortisation	11 769	8 925
Loss on disposal of financial assets	1 013	–
Gain on disposal of investment in joint venture	–	(3 571)
Gain on equity instruments at fair value through profit or loss	–	(4 576)
Change in allowance for advances paid	147	52
Change in allowance for obsolete and slow-moving inventories and inventory losses, net of surpluses	262	1 523
Interest income	(1 335)	(142)
Interest expenses	14 007	8 048
Income from subsidies	(515)	(2 520)
Share of (profit)/loss of an associate and a joint venture	–	945
Other non-cash reconciling items, net	(526)	135
Operating cash flows before movements in working capital	14 886	10 617
Decrease/(increase) in inventories	50 505	(18 166)
Decrease in accounts receivable and advances issued	13 725	1 736
Decrease/(increase) in other taxes receivable	26 153	(7 905)
(Decrease)/increase in trade accounts payable	(102 827)	35 915
(Decrease)/increase in other payables and accrued expenses	(1 611)	57
Increase in liabilities to customers	(1 050)	1 394
Increase/(decrease) in other liabilities	47	(5 318)
Increase/(decrease) in other taxes payable	521	(96)
Other changes in working capital, net	1 049	(897)
Cash generated by operations	498	17 337
Income taxes paid	2 752	(4 456)
Interest paid	(11 786)	(7 932)
Net cash from operating activities	(8 536)	4 949
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(762)	(5 662)
Proceeds from sale of property, plant and equipment	784	185
Purchase of intangible assets	(5 274)	(8 904)
Interest received	1 335	142
Net cash outflow from purchase of subsidiary	4 514	4 134
Loans issued to joint venture	–	(400)
Repayment of loans by joint venture	–	400
Net cash outflow from purchase of subsidiary	(204)	(1 042)
Net cash used in investing activities	393	(11 147)
FINANCING ACTIVITIES		
Dividends paid	–	(13 030)
Proceeds from bonds	5 000	19 000
Proceeds from borrowings	95 263	89 684
Repayment of borrowings	(73 919)	(84 788)
Repayment of lease liabilities	(58)	(60)
Net cash used in financing activities	26 286	10 806
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	18 143	4 608
CASH AND CASH EQUIVALENTS, at the beginning of the year	12 053	7 445
CASH AND CASH EQUIVALENTS, at the end of the year	30 196	12 053

* Some amounts were restated (Note 2).