Independent auditor's report
on the consolidated financial statements of
PJSC Magnit and its subsidiaries
for 2022

April 2023

Independent auditor’s report on the consolidated financial statements of PJSC Magnit and its subsidiaries

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ООО «ЦАТР – аудиторские услуги»
Россия, 115035, Москва
Садовническая наб., 77, стр. 1
Тел.: +7 495 705 9700
+7 495 755 9700
Факс: +7 495 755 9701
ОГРН: 1027739707203
ИНН: 7709383532
ОКПО: 59002827

TSATR – Audit Services LLC
Sadovnicheskaya Nab., 77, bld. 1
Moscow, 115035, Russia
Tel: +7 495 705 9700
+7 495 755 9700
Fax: +7 495 755 9701
www.b1.ru

Independent auditor's report

To the Shareholders of
PJSC Magnit

Opinion

We have audited the consolidated financial statements of PJSC Magnit and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit and loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for 2022, 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 2022 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 International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Recognition of vendors allowances	
The Group receives various types of allowances from vendors in the form of volume rebates and other forms of payments that effectively reduce the cost of goods purchased from the vendor. We considered this matter to be of most significance in our audit because the recognition of vendor allowance requires judgement from management in the assessment of the level of fulfilment of the Group's obligations under the vendor agreements and because these allowances are a substantial part of cost of sales and inventories. Information about accounting policy for vendor allowances is disclosed in Note 3 to the consolidated financial statements.	We assessed the judgements used by the Group's management in the assessment of the level of fulfilment of the Group's obligations under the vendor agreements. We compared a sample of accruals of volume rebates and other rebates, recorded based on management assumptions, to supporting documents from vendors and vendor agreements. We also compared the outstanding allowances receivable to the direct confirmations from vendors on a sample basis. We tested cut-off of vendor allowances recorded during a period shortly before and after year-end to supporting documents from vendors. We reviewed the information on vendor allowances disclosed in the consolidated financial statements.
Valuation of goods for resale	
The Group has significant balance of goods for resale. In accordance with IAS 2 *Inventories*, inventories are recorded at the lower of cost and net realizable value. In estimating the carrying amount of goods for resale, the Group's management uses judgments to estimate the net realizable value of goods for resale and the amount of handling costs to be included in the carrying amount of goods for resale. As a result, we believe that this matter is one of most significance in our audit. Information on goods for resale is disclosed in Note 13 to the consolidated financial statements.	We assessed the assumptions used by the Group's management in the valuation of goods for resale. We assessed the Group's methodology in respect of valuation of net realizable value, analysed the dynamics of goods for resale turnover ratios taking into consideration seasonality and other applicable factors. We compared carrying values of goods for resale with subsequent sales proceeds by certain type of goods. We verified the mathematical accuracy of goods for resale net realizable value calculation. We assessed the process of allocation of handling costs to the carrying amount of goods for resale. We analysed the structure of costs included in the value of goods for resale. We compared the amount of costs with supporting documents received from suppliers and the Group's internal documents. We reviewed the information on goods for resale disclosed in Note 13 to the consolidated financial statements.

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Key audit matter	How our audit addressed the key audit matter
Impairment testing of property, plant and equipment and right-of-use assets	
Impairment testing for property, plant and equipment and right-to-use assets was one of the key audit matters because the balance of property, plant and equipment and right-to-use assets forms a significant portion of the Group's assets at the reporting date, and the process of management's assessment of the recoverable amount is complex and requires significant judgments, including judgements about future cash flows, capital expenditures and the discount rate. Information about property, plant and equipment, right-to-use assets and results of impairment testing is disclosed in Notes 8 and 9 to the consolidated financial statements.	Our audit procedures included an assessment of key management assumptions used by the Group, including those in respect of forecasted revenue and operating expenses. We also analyzed discount rates used by management of the Group, including the engaging of our internal valuation experts. We also performed the sensitivity analysis of the impairment test with respect to changes in the key assumption and assessed the Group's disclosures of these assumptions to which impairment testing is most sensitive, i.e., those that have the most significant impact on the recoverable amount of property, plant and equipment and right-of-use assets. We reviewed the information about property, plant and equipment, right-to-use assets and results of impairment testing disclosed in Notes 8 and 9 to the consolidated financial statements.
Impairment testing of goodwill from acquisition of the DIXY Group	
As at 31 December 2022, the balance of goodwill is 67,029,310 thousand rubles, including 65,661,817 thousand rubles related to acquisition of DIXY Holding Limited (hereinafter DIXY Group). As a result of this transaction, the Group obtained control over the DIXY Group. Impairment testing of goodwill was one of the key audit matters because assessment of the recoverable amount of cash generating units to which goodwill is allocated includes numerous assumptions made by the Group's management, including the estimated effect of synergies, determination of a cash-generating unit for impairment testing purposes, forecasted revenue and gross margin, long-term growth rates and discount rates and other. Information about goodwill is disclosed in Note 11 to the consolidated financial statements.	Our audit procedures included an assessment of assumptions used by the Group and reasonableness of forecasted data. We assessed the judgment used by management in testing goodwill for impairment with respect to goodwill allocation to the relevant cash-generating units. We also performed the sensitivity analysis of the impairment test with respect to changes in the key assumptions and assessed the Group's disclosures of those assumptions that have the most significant impact on the recoverable amount of cash generating units to which goodwill is allocated. We reviewed the information about goodwill disclosed in Note 11 to the consolidated financial statements.

Other information included in the Annual report of PJSC Magnit for 2022

Other information consists of the information included in the Annual report of PJSC Magnit for 2022 other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Annual report of PJSC Magnit for 2022 is expected to 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 will not express any form of assurance conclusion thereon.

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In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

We communicate with the Shareholders of PJSC Magnit 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 the Shareholders of PJSC Magnit with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Shareholders of PJSC Magnit, 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.

The partner in charge of the audit resulting in this independent auditor's report is I.Y. Ananyev.

I.Y. Ananyev,
acting on behalf of TSATR – Audit Services Limited Liability Company
on the basis of power of attorney dated 18 April 2022,
partner in charge of the audit resulting in this independent auditor's report
(main registration number 21906101744)

28 April 2023

Details of the auditor

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

Details of the audited entity

Name: PJSC Magnit
Record made in the State Register of Legal Entities on 12 November 2003, State Registration Number 1032304945947.
Address: Russia 350072, Krasnodar, Solnechnaya street, 15/5.

PJSC Magnit and its subsidiaries

Statement of management's responsibilities for the preparation and approval of the consolidated financial statements

for the year ended 31 December 2022

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

Management is responsible for the preparation of these consolidated financial statements that present fairly the financial position of the Group as at 31 December 2022 and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

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

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

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls;
- maintaining appropriate accounting records to ensure compliance of the consolidated financial statements of the Group with IFRS, local legislation and local GAAP;
- preventing and detecting material misstatements due to fraud or error.

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

On behalf of management as authorised:

President of PJSC Magnit

28 April 2023

PJSC Magnit

Consolidated statement of financial position

as at 31 December 2022

(In thousands of Russian rubles)

	Notes	31 December 2022	31 December 2021 (Note 4.3)*
Assets			
Non-current assets			
Property, plant and equipment	8	361,751,315	377,302,570
Advances paid for the purchase and construction of property, plant and equipment		302,955	1,614,644
Right-of-use assets	9	383,268,776	397,902,022
Intangible assets	10	11,905,489	19,249,279
Long-term net investments in sublease		–	18,635
Goodwill	11	67,029,310	92,541,134
Long-term receivables	14	353,774	–
Long-term financial assets	12	779,946	1,033,846
Deferred tax assets	31	1,985,035	–
		827,376,600	**889,662,130**
Current assets			
Inventories	13	219,435,679	224,873,040
Trade and other receivables	14	20,197,184	11,726,775
Advances paid	15	12,728,588	9,198,907
Taxes receivable, excluding income tax		83,529	164,084
Short-term net investments in sublease		2,001	8,404
Short-term financial assets	12	1,162,698	289,748
Income tax receivable		100,037	438,559
Cash and cash equivalents	16	314,912,124	73,398,608
		568,621,840	**320,098,125**
Total assets		**1,395,998,440**	**1,209,760,255**
Equity and liabilities			
Equity attributable to the shareholders of the parent			
Share capital	17	1,020	1,020
Share premium	17	87,230,416	87,326,641
Treasury shares	17	(14,403,941)	(15,028,071)
Share-based payments reserve	33	1,807,119	1,877,419
Foreign currency translation reserve		47,390	–
Retained earnings		132,700,300	104,820,462
Total equity		**207,382,304**	**178,997,471**
Non-current liabilities			
Long-term payables	19	–	2,553,058
Long-term loans and borrowings	21	273,270,870	205,286,600
Long-term lease liabilities	9	385,528,033	396,043,533
Long-term advances received		–	57,080
Long-term government grants	22	2,358,034	2,363,865
Deferred tax liabilities	31	4,436,236	9,055,398
		665,593,173	**615,359,534**
Current liabilities			
Trade and other payables	19	273,971,842	241,134,803
Taxes payable, excluding income tax	20	32,304,140	14,718,445
Income tax payable		1,921,025	–
Dividends payable	18	–	28,829,503
Short-term advances received		710,118	888,397
Contract liabilities	23	5,421,418	4,176,829
Short-term government grants	22	389,323	253,475
Short-term loans and borrowings	21	147,021,644	65,139,311
Short-term lease liabilities	9	61,283,453	60,262,487
		523,022,963	**415,403,250**
Total liabilities		**1,188,616,136**	**1,030,762,784**
Total equity and liabilities		**1,395,998,440**	**1,209,760,255**

* *Some of the above amounts are not consistent with consolidated financial statements for 2021 and reflect the adjustments described in Note 4.3.*

Consolidated statement of profit and loss and other comprehensive income

for the year ended 31 December 2022

(In thousands of Russian rubles)

	Notes	2022	2021 (Note 4.3)*
Revenue	24	2,351,996,423	1,856,078,950
Cost of sales	25	(1,814,993,574)	(1,421,279,573)
Gross profit		**537,002,849**	**434,799,377**
Rental and sublease income		4,674,825	4,110,784
Selling, general and administrative expenses	26	(464,142,008)	(352,481,342)
Other income	29	26,952,525	24,742,259
Other expenses	30	(6,471,668)	(2,258,726)
Operating profit		**98,016,523**	**108,912,352**
Interest income	28	13,337,582	2,547,456
Finance costs	27	(68,156,279)	(49,125,469)
Foreign exchange (loss)/gain		(333,276)	280,745
Profit before income tax		**42,864,550**	**62,615,084**
Income tax expense	31	(14,932,033)	(14,496,930)
Profit for the year		**27,932,517**	**48,118,154**
Profit for the year			
Attributable to:			
Shareholders of the parent		27,932,517	48,118,154
		27,932,517	**48,118,154**
Earnings per share (in RUB per share)			
- basic profit for the year attributable to the shareholders of the parent	32	284.96	491.81
- diluted profit for the year attributable to the shareholders of the parent	32	283.16	488.91
Other comprehensive income			
Amounts of other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of taxes)			
Exchange differences on translation functional currency in presentation currency		47,390	–
Other comprehensive income, net of tax		**47,390**	**–**
Total comprehensive income for the year, net of tax			
Attributable to:			
Shareholders of the parent		27,979,907	48,118,154
		27,979,907	**48,118,154**

* *Some of the above amounts are not consistent with consolidated financial statements for 2021 and reflect the adjustments described in Note 4.3.*

PJSC Magnit

Consolidated statement of cash flows

for the year ended 31 December 2022

(In thousands of Russian rubles)

	Notes	2022	2021 (Note 4.3)*
Cash flows from operating activities			
Profit before income tax		**42,864,550**	**62,615,084**
Adjustments for:			
Depreciation and impairment of property, plant and equipment and right-of-use assets	8, 9, 26	123,949,329	101,939,813
Amortization and impairment of intangible assets	10, 26	9,876,123	3,387,190
Impairment of goodwill	11, 26	25,511,824	–
Loss from disposal of property, plant and equipment	30	1,491,570	494,079
Loss from disposal of intangible assets	10, 30	3,564,242	4,035
Income from the write-off of accounts payable	29	(1,606,673)	–
Changes in expected credit losses for receivables	14, 26	2,235,693	(103,510)
Impairment and write-offs of advances paid	15, 26	391,342	132,090
Provision for expected credit losses on financial assets	12	10,943	–
Expenses for inventories carried at net realizable value	13	6,444,414	2,904,292
Share-based payments reserve	33	764,683	840,399
Gain from cancellation of lease contracts	9, 29	(1,081,805)	(1,070,698)
Gain from Covid-19 related rent concessions	9, 29	(221,845)	(1,819,124)
Income from government grants	22	(375,712)	(242,801)
Gain from a bargain purchase	7, 29	(491,303)	–
Foreign exchange loss/(gain)		333,276	(280,745)
Finance costs	27	68,156,279	49,125,469
Interest income	28	(13,337,582)	(2,547,456)
Cash flow used in operating activities before working capital changes		**268,479,348**	**215,378,117**
Increase in long-term receivables and short-term trade and other receivables		(10,556,245)	(769,807)
Increase in advances paid and other prepaid expenses		(3,919,502)	(2,156,435)
Decrease in advances received		(235,359)	(44,244)
Decrease in taxes receivable		80,587	76,435
Increase in inventories		(878,203)	(3,073,283)
Increase in long-term and short-term trade and other payables		39,166,657	22,581,591
Increase in tax payables		17,579,947	542,720
Increase in contract liabilities		1,244,589	1,323,063
Cash generated from operations		**310,961,819**	**233,858,157**
Income tax paid		(19,276,683)	(18,213,507)
Interest paid		(67,699,461)	(48,632,139)
Interest received		12,495,547	2,457,340
Net cash from operating activities		**236,481,222**	**169,469,851**
Cash flows from investing activities			
Purchase of property, plant and equipment		(44,241,511)	(52,781,645)
Purchase of intangible assets		(7,833,858)	(7,093,766)
Proceeds from sale of property, plant and equipment		579,829	1,050,808
Acquisition of a subsidiary, net of cash acquired	7	(1,401,224)	(68,148,804)
Loans provided**		(25,076,900)	(11,495)
Loans repaid**		25,017,002	230,674
Proceeds from government grants	22	505,729	65,196
Net cash used in investing activities		**(52,450,933)**	**(126,689,032)**
Cash flows from financing activities			
Proceeds from loans and borrowings	35	321,623,454	169,505,660
Repayment of loans and borrowings	35	(175,664,781)	(88,752,694)
Dividends paid	18	(28,829,503)	(48,115,232)
Repayment of lease liabilities	9	(58,781,230)	(46,719,526)
Net cash from / (used in) financing activities		**58,347,940**	**(14,081,792)**
Effect of foreign exchange differences on cash and cash equivalents		(864,713)	–
Net increase in cash and cash equivalents		**241,513,516**	**28,699,027**
Cash and cash equivalents at the beginning of the year	16	73,398,608	44,699,581
Cash and cash equivalents at the end of the year	16	**314,912,124**	**73,398,608**

* *Some of the above amounts are not consistent with consolidated financial statements for 2021 and reflect the adjustments described in Note 4.3.*

** *The lines of the consolidated statement of cash flows "loans provided" and "loans repaid" also include amounts of long-term deposits over 90 calendar days classified as financial assets that were placed on deposit and repaid during the year.*

PJSC Magnit

Consolidated statement of changes in equity

for the year ended 31 December 2022

(In thousands of Russian rubles)

		Attributable to shareholders of the parent						
	Notes	**Share capital**	**Share premium**	**Treasury shares**	**Provision for share-based payments**	**Foreign currency translation reserve**	**Retained earnings**	**Equity attributable to shareholders of the parent**
Balance at 1 January 2021		**1,020**	**87,390,921**	**(16,021,596)**	**2,055,322**	**–**	**109,463,257**	**182,888,924**
Profit for the year		–	–	–	–	–	48,105,862	**48,105,862**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**48,105,862**	**48,105,862**
Dividends declared	18	–	–	–	–	–	(52,850,006)	**(52,850,006)**
Share-based payments	17, 33	–	–	–	840,399	–	–	**840,399**
Transfer of rights to equity instruments for share-based payments	17, 33	–	(64,280)	993,525	(929,245)	–	–	**–**
Canceled rights to equity instruments for share-based payments	33	–	–	–	(89,057)	–	89,057	**–**
Balance at 31 December 2021		**1,020**	**87,326,641**	**(15,028,071)**	**1,877,419**	–	**104,808,170**	**178,985,179**
Balance at 1 January 2022		**1,020**	**87,326,641**	**(15,028,071)**	**1,877,419**	**–**	**104,808,170**	**178,985,179**
Impact of adjustments in the assessment of fair value of the assets acquired and liabilities assumed under business combination	4.2, 7	–	–	–	–	–	12,292	**12,292**
At 1 January 2022 (restated)*		**1,020**	**87,326,641**	**(15,028,071)**	**1,877,419**	**–**	**104,820,462**	**178,997,471**
Profit for the year		–	–	–	–	–	27,932,517	**27,932,517**
Other comprehensive income for the year		–	–	–	–	47,390	–	**47,390**
Total comprehensive income for the year		**1,020**	**87,326,641**	**(15,028,071)**	**1,877,419**	**47,390**	**132,752,979**	**206,977,378**
Share-based payments	33	–	–	–	764,683	–	–	**764,683**
Transfer of rights to equity instruments for share-based payments	33	–	(96,225)	624,130	(527,905)	–	–	**–**
Cash payments	33	–	–	–	(307,078)	–	(52,679)	**(359,757)**
Balance at 31 December 2022		**1,020**	**87,230,416**	**(14,403,941)**	**1,807,119**	**47,390**	**132,700,300**	**207,382,304**

* *Some of the above amounts are not consistent with consolidated financial statements for 2021 and reflect the adjustments described in Note 4.3.*

(In thousands of Russian rubles unless otherwise stated)

1. Corporate information

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

In January 2006, Magnit changed its legal form to Open Joint Stock Company Magnit. There was no change in the principal activities or shareholders as a result of the change to an Open Joint Stock Company. In 2014 Magnit changed its legal name to Public Joint Stock Company (the Company or PJSC Magnit) in accordance with changes in legislation.

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

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

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

Company name	Principal activity	Residency	Ownership interest as at 31 December 2022	Ownership interest as at 31 December 2021
JSC Tander	Food and non-food retail and wholesale	Russian Federation	100%	100%
LLC Retail Import	Import operations	Russian Federation	100%	100%
LLC BestTorg	Food retail in Moscow and the Moscow region	Russian Federation	100%	100%
LLC Selta	Transportation services for the Group	Russian Federation	100%	100%
LLC TK Zelenaya Liniya	Greenhouse complex	Russian Federation	100%	100%
LLC Alkotrading	Other operations	Russian Federation	100%	100%
LLC ITM	IT services	Russian Federation	100%	100%
LLC Logistika Alternativa	Import operations	Russian Federation	100%	100%
LLC TD-holding	Production and processing of food for the Group	Russian Federation	100%	100%
LLC MagnitEnergo	Buyer of electric power for the Group	Russian Federation	100%	100%
LLC Kuban Confectioner	Production of food for the Group	Russian Federation	100%	100%
LLC Kuban Factory of Bakery Products	Production of food for the Group	Russian Federation	100%	100%
LLC Volshebnaya svezhest	Production of household chemicals for the Group	Russian Federation	100%	100%
LLC Zelen Yuga	Production of agricultural products for the Group	Russian Federation	100%	100%
LLC Moskva na Donu	Production of agricultural products for the Group	Russian Federation	100%	100%
LLC Magnit Pharma	Pharmaceutical license holder	Russian Federation	100%	100%
LLC Magnit IT Lab	Innovative software product development	Russian Federation	100%	100%
LLC Gastronom Media	Marketing services	Russian Federation	100%	100%
JSC DIXY Ug	Food and non-food retail and wholesale	Russian Federation	100%	100%
LLC Magnit Srednyaya Aziya [1]	Non-food retail	Republic of Uzbekistan	100%	–
LLC Greenhouse[2]	Cultivating vegetales	Russian Federation	100%	–

[1] *In 2022, the company Magnit Srednyaya Aziya LLC was established, the main activity of which is non-food retail. The company operates on the territory of the Republic of Uzbekistan. This change did not have any significant impact on the consolidated financial statements of the Group and its operations.*

[2] *During 2022, the Group obtained control over 100% of the share capital of LLC Greenhouse, more details in relation to the business combination are disclosed in Note 7.*

2. Basis of preparation of the financial statements

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of accounting

The Group's entities maintain their accounting records in Russian rubles ("RUB") and prepare their statutory financial statements in accordance with the Regulations on Accounting and Reporting of the Russian Federation, except for established during 2022 Magnit Srednyaya Aziya LLC, that maintains its accounting records in Uzbek sums and prepares its statutory financial statements in accordance with the regulations on accounting and reporting of the Republic of Uzbekistan. The financial statements of the Group's entities prepared in accordance with legislation of the Russian Federation and the Republic of Uzbekistan have been adjusted to present these consolidated financial statements in accordance with IFRS.

The functional currency of main of the Group's entities is Russian rubles (RUB). The functional currency of Magnit Srednyaya Aziya LLC is Uzbek sum (UZS). The presentation currency of the consolidated financial statements is the Russian rubles (RUB). All amounts in the consolidated financial statements are rounded to the nearest thousand, except where otherwise indicated.

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

Going concern

In assessing whether the going concern assumption is appropriate for the Group, management considered cash flow projections for 2023, taking into account Russia's current economic environment, the financial situation of the Group, undrawn loan facilities available to it, as well as planned expenditure on opening new stores and maintaining existing ones.

Management considers that operating cash flows and the available sources of credit are sufficient to meet the Group's liabilities during the next year. Thus, these consolidated financial statements have been prepared on a going concern basis.

3. Summary of significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and other entities controlled by the Company (its subsidiaries). Control is achieved when the Group is entitled to, or is exposed to a variable return on the investment or is exposed to the risk of its change and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure to risk, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

3. Summary of significant accounting policies (continued)

Basis of consolidation (continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements;
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the shareholders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of subsidiaries are prepared for the same reporting period as those of the parent company. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

If the Group loses control over a subsidiary, it derecognizes the respective assets (including goodwill), liabilities, non-controlling interests, and other components of equity, and recognizes any resultant gain or loss in profit or loss. Any investment retained is recognized at fair value.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed and included in administrative expenses as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts held by the acquiree.

If the business combination is achieved in stages the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss or other comprehensive income, as appropriate.

3. Summary of significant accounting policies (continued)

Business combinations (continued)

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognized in the statement of comprehensive income in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Current versus non-current classification of assets and liabilities

The Group presents assets and liabilities in statement of financial position based on current/ non-current classification. An asset is current when it is:

- expected to be realised or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

3. Summary of significant accounting policies (continued)

Current versus non-current classification of assets and liabilities (continued)

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Fair value measurement

Fair values of financial instruments measured at amortised cost are disclosed in Note 35.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3. Summary of significant accounting policies (continued)

Revenue from contracts with customers

The Group is engaged in both retail and wholesale activities, goods are sold through a network of own stores and distribution centers. Revenue is recognized when control of the goods passes to the customer, i.e., sales to retail customers are recognized at the point of sale in stores and to wholesale customers – at the point of sale in distribution centres or stores, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. Revenue is reduced by the expected amount of returns to which customers are entitled under Russian law within 14 days of the purchase except for certain categories of goods. The Group uses historical data on the term and frequency of returns from customers to estimate and recognize provisions for such returns at the time of sale. Because the level of returns has been steady for several years, it is highly probable that no significant changes in cumulative revenue recognized will occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

Customer loyalty program

For the purpose of promoting sales and building customer loyalty, the Group establishes promotion programs to allow customers accumulate loyalty points and exchange them for a discount on goods of the main assortment or for goods specially purchased for promotions.

The loyalty program gives rise to a separate performance obligation because it provides a material right to the customer. The Group allocates a portion of the transaction price to the loyalty points awarded to the customer based on their relative stand-alone selling price and recognizes that portion as a contract liability until the points are redeemed by the customer. Revenue is recognized when the customer redeems their loyalty points against goods. The relative stand-alone selling price of the loyalty points is estimated based on the probability that the customer will redeem their points. The Group updates its estimate of the number of loyalty points that will be redeemed regularly, and the adjusted balance of contract liabilities is charged against revenue.

Expenses related to loyalty programs in respect for goods purchased specially for the purpose of promotion and not sold in the retail chain, are recognized in selling expenses and classified as advertising expenses.

Revenue from advertising services and packaging materials

Revenue from advertising services is recognized in the reporting period, when the services were provided, because the customer simultaneously receives and consumes the benefits provided to them by the Group. Revenue from packaging materials is recognized when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group classifies such types of revenue within other income.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing major parts or components of the property, plant and equipment and borrowing costs for long-term construction projects given the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at certain intervals, the Group depreciates them separately based on their specific useful lives.

3. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

Historical cost information was not available in relation to buildings purchased prior to transition to IFRS (1 January 2004). Therefore, management used valuations performed by independent professional appraisers to establish the fair value as at the date of transition to IFRS and used that value as the deemed cost at that date.

Cost includes major expenditure for improvements which extend the useful lives of the assets or increase their revenue-generating capacity. Repairs and maintenance are charged to the consolidated statement of profit and loss and other comprehensive income as incurred.

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The depreciation method applied to an asset is reviewed at least at each financial year-end and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method is changed to reflect the changed pattern on a perspective basis as a change in an accounting estimate.

The estimated useful economic lives of the related assets are as follows:

	Useful life in years
Buildings	10-50
Machinery and equipment	>1-14
Vehicles	>1-10

Other property, plant and equipment includes vehicles and other relatively small groups of property, plant and equipment. Depreciation of freight vehicles is included in selling expenses.

Construction in progress comprises costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Construction in progress is reviewed regularly to determine whether its carrying value is recoverable and whether appropriate provision for impairment is made.

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 recognized in the consolidated statement of profit and loss and other comprehensive income.

Government grants

A government grant is recognized when there is reasonable assurance that the entity will comply with the conditions attached to it, and that the grant will be received.

Government grants provided to finance specific expenses are recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. Grants provided to finance an asset are recognized in profit or loss on a straight-line basis over the expected useful life of that asset.

The benefit of a government loan at a below-market interest rate is treated as a government grant. The loan is recognized at fair value. The benefit of a below-market interest rate is measured as the difference between the fair value of the loan and cash received.

3. Summary of significant accounting policies (continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalized software development costs, as well as websites and electronic applications that meet the criteria for recognition, are not capitalized, and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The following useful lives are used in the calculation of amortization:

Description	Useful life in years
Licenses	>1-25
Software	>1-25
Trademarks	>1-10
Other	>1-7

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite useful lives is recognized in the consolidated statement of profit and loss and other comprehensive income in the expense category that is consistent with the function of intangible assets.

Intangible assets with indefinite useful lives and intangible assets under development and integration are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit and loss and other comprehensive income.

Leases

Group as a lessee

The Group's leases mainly include lease agreements for land and retail store premises.

The Group has applied a uniform recognition and measurement approach for all leases where it is a lessee, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities in relation to its obligation to make lease payments and right-of-use assets representing the right to use the underlying assets.

3. Summary of significant accounting policies (continued)

Leases (continued)

Below is a summary of the Group's accounting policies for lease:

Right-of-use assets

The Group recognizes 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 recognized, 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 recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term.

The Group uses the following useful lives:

- buildings from 1 to 34 years;
- land from 1 to 65 years.

Depreciation of right-of-use assets is charged to profit or loss, except for depreciation of right-to-use assets capitalized to the carrying value of assets under construction during the construction and redesign period necessary to bring the property into a condition suitable for use in accordance with the objectives of the Group. Right-of-use assets are tested for impairment.

Lease liabilities

At the commencement date of the lease, the Group recognizes 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 the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its 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 accrual 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 in-substance fixed lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption and exemption for lease of low-value assets to its leases contracts (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option or leases agreement of low-value assets). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

3. Summary of significant accounting policies (continued)

Leases (continued)

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue from lease or sub-lease in the consolidated statement of profit and loss and other comprehensive income.

The Group classifies a sublease contract as a finance lease if the lease term constitutes a major part of the useful life of the underlying asset or at the inception date, the present value of the lease payments amounts to at least substantially all of the fair value of the underlying asset even if title is not transferred upon expiry of the lease.

Finance leases under sublease contracts are capitalized at the commencement date of the lease at the fair value of future minimum lease payments as receivables within "Net investments in sublease" in the Group's consolidated statement of financial position.

Lease payments are apportioned between interest (recognized as finance income) and a reduction in sublease receivables. At the same time, the Group recognizes a partial disposal of right-of-use assets related to leased premises at the proportionate share of subleased premises in total leased trade space.

Impairment of non-current assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible 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). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit and loss and other comprehensive income. Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (CGU) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of profit and loss and other comprehensive income.

The following asset has specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

3. Summary of significant accounting policies (continued)

Impairment of non-current assets (continued)

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Inventory

Inventory is stated at the lower of cost and net realizable value. Cost comprises the direct cost of goods, transportation, handling costs and is decreased by the amount of rebates and promotional bonuses received from suppliers, related to these goods. Cost of goods for resale is calculated using the weighted average method, cost of materials and supplies is calculated using cost per unit method, cost of fuel and lubricants calculated using the average cost method. Net realizable value represents the estimated selling price less all estimated costs necessary to make the sale.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

Vendor allowances

The Group receives various types of allowances from vendors in the form of volume discounts (rebates) and other forms of payments that effectively reduce the cost of goods purchased from the vendor. Volume-related rebates received from suppliers are recorded as a reduction in the price paid for the products and reduce cost of goods sold in the period the products are sold.

Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. Income taxes are computed in accordance with Russian tax legislation.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. 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 and 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. Current income tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method.

3. Summary of significant accounting policies (continued)

Income taxes (continued)

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting 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 apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

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 taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred taxes are recognized as an expense or income in the consolidated statement of profit and loss and other comprehensive income, except when they relate to items credited or debited outside profit or loss, either in other comprehensive income or directly in equity, in which case the tax is also either in other comprehensive income or directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or 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.

Retirement benefit costs

The operating entities of the Group contribute to the state pension, medical and social insurance funds on behalf of all its current employees. Any related expenses are recognized in the profit and loss as incurred. At the reporting date the Group did not have any pension plans accounted for in accordance with IAS 19 *Employee Benefits*.

3. Summary of significant accounting policies (continued)

Segment reporting

The Group's business operations are located in the Russian Federation and in the Republic of Uzbekistan and relate primarily to retail sales of consumer goods. Although the Group operates through different types of stores and in various states within the Russian Federation and the Republic of Uzbekistan, the Group's chief operating decision maker reviews the Group's operations and allocates resources on an individual store-by-store basis. The Group has assessed the economic characteristics of the individual stores, including both convenience stores, cosmetic stores, supermarkets and others, and determined that the stores have similar products, similar types of customers and similar methods of distributing such products. Therefore, the Group considers that it only has one reportable segment under IFRS 8. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Seasonality

The Group's business operations are not influenced by seasonality factors, except for the increase of business activities before the New Year holidays.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of that asset, other borrowing costs are recognized in profit or loss in the period in which they are incurred.

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity determines the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset (until the qualifying asset is put into operation).

Contract balances with customers

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group transfers goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Trade and other receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

3. Summary of significant accounting policies (continued)

Contract balances with customers (continued)

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Share-based payments

Certain employees (senior executives) of the Group receive remuneration in the form of share-based payments. Employees receive equity instruments as consideration for rendered services (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognized in employee benefits expense, together with a corresponding increase in equity (Share-based payments reserve), over the period in which the service conditions and, where applicable, the performance conditions are fulfilled (the vesting period).

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the consolidated statement of profit and loss and other comprehensive income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions.

Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity, any remaining element of the fair value of the award is expensed immediately through profit or loss.

3. Summary of significant accounting policies (continued)

Share-based payments (continued)

For the measurement of the fair value of equity-settled transactions with employees, the Group uses a Monte-Carlo simulation model for the Share Option Plan.

Financial assets

Initial measurement

At initial recognition, the Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either: amortised cost; fair value through other comprehensive income (FVOCI); or fair value through profit or loss (FVPL).

With the exception of receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

The Group only measures loans given and receivables at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- 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 (SPPI).

The details of these conditions are outlined below.

Business model assessment

At the first stage the Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- the expected frequency, value and timing of sales are also important aspects of the Group's assessment.

3. Summary of significant accounting policies (continued)

Financial assets (continued)

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The solely payment of principal and interest test (SPPI test)

As a second step of its classification process the Group assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Cash and cash equivalents

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For all financial instruments measured at amortised cost and debt financial assets, interest income is recorded using the effective interest rate method. Interest income is recognized in the consolidated statement of profit and loss and other comprehensive income.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an original effective interest rate or approximation value. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For financial exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECLs). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECLs).

For trade and other receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

3. Summary of significant accounting policies (continued)

Financial assets (continued)

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group's cash and cash equivalents have been assigned low credit risk based on the external credit ratings of major banks and financial institutions.

Derecognition of financial assets and liabilities

A financial asset is removed from the consolidated statement of financial position when:

- contractual rights to cash flows from this financial asset expire; or
- the Group transfers the financial asset (substantially all the risks and rewards of ownership of the financial asset): or (a) transfers contractual rights to receive cash flows from the financial asset; or (b) reserves contractual rights to receive cash flows from the financial asset while assuming contractual obligations to repay these cash flows to one or several beneficiaries under the contract.

When the Group transfers a financial asset, it evaluates the extent to which it retains the risks and rewards of ownership of the financial asset. When substantially all the risks and rewards are transferred, the Group derecognizes the financial asset. When the Group has not transferred all the risks and rewards and retained control over such financial asset, the financial asset continues to be recognized to the extent of the Group's continuing involvement in such asset.

Financial liabilities and equity instruments issued by the Group

Treasury shares

If the Group reacquires its own equity instruments, those instruments (treasury shares) are recognized as a deduction to equity at cost, being the consideration paid to reacquire the shares. No gain or loss is recognized in profit or loss and other comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. On disposal the cost of treasury shares is written off using weighted average method. Treasury shares may be purchased and held by the Company or other subsidiaries of the Group. Any difference between the carrying amount and the consideration, if reissued, is recognized in the share premium.

Treasury shares are used to settle share-based payments during the period. During 2022, the Group also made cash payments to a limited number of participants.

Share premium

Share premium represents the difference between the fair value of consideration received and nominal value of the issued shares. Share premium also includes a difference between the carrying amount of treasury shares and fair value of consideration transferred in business combination.

3. Summary of significant accounting policies (continued)

Financial liabilities and equity instruments issued by the Group (continued)

Earnings per share

Earnings per share have been determined using the weighted average number of the Group's shares outstanding during the 12 months ended 31 December 2022 and 2021. Diluted earnings per share have been determined using the weighted average number of the Group's shares outstanding during the 12 months ended 31 December 2022 and 2021 increased by the expected number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Classification as debt or equity

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

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 are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities of the Group, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. The right to offset should not be caused by a future event and should be legally enforceable in all the following cases:

- operating activity;
- default; and
- insolvency or bankruptcy of the Group or any of counterparties.

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 (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may 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.

4. Summary of changes in accounting policies and disclosures

4.1 Change in classification of goods handling costs

In 2022, the Group revised its accounting policies and started to include associated handling costs for the production of prepared culinary diches and other finished products in its stores as the part of cost of sales.

The Group's management believes that this change will result in a more relevant and comparable presentation of information with other market participants.

Previously, the Group recorded such expenses within selling, general and administrative expenses.

The Group disclosed changes in the accounting policies on a retrospective basis. The impact of the new approach on the comparative data reflected in the consolidated statement of profit and loss and other comprehensive income of the Group for year ended 31 December 2021 is disclosed in Note 4.3.

This change in accounting policy had no impact on the consolidated statement of financial position, the consolidated statement of cash flows and the consolidated statement of changes in equity.

4.2 The change in the fair value of assets acquired and liabilities assumed in the business combination

During 2022 year, the Group finalized an independent valuation of property and equipment, intangible assets and assessment of the favorable and unfavorable terms of the lease when compared to market for the following adjustments of the right-of-use assets and assessment of the other assets and liabilities of DIXY Group. As a result, the estimated fair values of the assets acquired and liabilities assumed were adjusted, and information about these adjustments is disclosed in Note 7.

As a result of the adjustments, comparative information presented in the Group's consolidated statement of financial position as of 31 December 2021, in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021, and in the consolidated statement of cash flows for the year ended 31 December 2021 was restated (Note 4.3).

4. Summary of changes in accounting policies and disclosures (continued)

4.3 Impact of the change in the fair value of the assets acquired and liabilities assumed in the business combination and the reclassification of goods handling costs on the Group's 2021 consolidated financial statements

The table below shows the impact of the changes on the comparative items in the Group's consolidated statement of financial position as of 31 December 2021 (increase/(decrease) of each line):

	2021 as previously reported	Effect of recalculation Note 4.2	2021 as restated
Non-current assets			
Right-of-use assets	397,835,247	66,775	397,902,022
Goodwill	92,291,285	249,849	92,541,134
Total non-current assets	**889,345,506**	**316,624**	**889,662,130**
Total assets	**1,209,443,631**	**316,624**	**1,209,760,255**
Equity attributable to shareholders of the parent company			
Retained earnings	104,808,170	12,292	104,820,462
Total capital	**178,985,179**	**12,292**	**178,997,471**
Long-term liabilities			
Deferred tax liabilities	9,114,787	(59,389)	9,055,398
Total non-current liabilities	**615,418,923**	**(59,389)**	**615,359,534**
Short-term liabilities			
Trade and other payables	240,771,082	363,721	241,134,803
Total current liabilities	**415,039,529**	**363,721**	**415,403,250**
Total liabilities	**1,030,458,452**	**304,332**	**1,030,762,784**
Total equity and liabilities	**1,209,443,631**	**316,624**	**1,209,760,255**

The table below shows the impact of the changes described in notes 4.1 and 4.2 on the comparative information in the Group's consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2021 (increase/(decrease) income and decrease/(increase) in expenses):

	2021 as previously presented	Effect of restatement		2021 as restated
		Note 4.1	Note 4.2	
Cost of sales	(1,416,814,680)	(4,464,893)	–	(1,421,279,573)
Gross profit	**439,264,270**	**(4,464,893)**	**–**	**434,799,377**
Selling, general and administrative expenses	(356,961,600)	4,464,893	15,365	(352,481,342)
Operating profit	**108,896,987**	**–**	**15,365**	**108,912,352**
Profit before income tax	**62,599,719**	**–**	**15,365**	**62,615,084**
Income tax expense	(14,493,857)	–	(3,073)	(14,496,930)
Profit for the year	**48,105,862**	**–**	**12,292**	**48,118,154**
Profit for the year attributable to shareholders of the parent company	**48,105,862**	**–**	**12,292**	**48,118,154**
Total comprehensive income for the year, net of taxes	**48,105,862**	**–**	**12,292**	**48,118,154**
Total comprehensive income for the year, net of taxes, attributable to shareholders of the parent company	**48,105,862**	**–**	**12,292**	**48,118,154**

4. Summary of changes in accounting policies and disclosures (continued)

4.3 Impact of the change in the fair value of the assets acquired and liabilities assumed in the business combination and the reclassification of goods handling costs on the Group's 2021 consolidated financial statements (continued)

The impact on basic and diluted earnings per share for 2021 based on the results of adjustments is not significant.

The table below shows the impact of the changes described in note 4.2 on the comparative information in the Group's consolidated statement of cash flows for 2021 year:

	2021 as previously presented	Effect of restatement Note 4.2	2021 as restated
Profit before income tax	62,599,719	15,365	62,615,084
Adjustments for:			
Depreciation and impairment of property, plant and equipment and right-of-use assets	101,936,190	3,623	101,939,813
Cash flow used in operating activities before working capital changes	**215,359,129**	**18,988**	**215,378,117**
Increase in long-term and short-term trade and other payables	22,600,579	(18,988)	22,581,591
Cash generated from operations	**233,858,157**	**–**	**233,858,157**
Net cash from operating activities	**169,469,851**	**–**	**169,469,851**

4.4 New and amended standards and interpretations

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2021, except for the accounting policy changes described in note 4.1 above and the adoption of new standards that became effective as at 1 January 2022.

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

In 2022, the Group applied the following amendments for the first time, but they did not have any impact on its consolidated financial statements.

Onerous Contracts − Costs of Fulfilling a Contract − Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision).

These amendments had no impact on the consolidated financial statements of the Group.

4. Summary of changes in accounting policies and disclosures (continued)

4.4 New and amended standards and interpretations (continued)

Reference to the Conceptual Framework − Amendments to IFRS 3 Business Combinations

The amendments replace a reference to a previous version of the IASB's *Conceptual Framework* with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the *Conceptual Framework*, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

Property, Plant and Equipment: Proceeds before Intended Use − Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards − Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the consolidated financial statements of the Group.

4. Summary of changes in accounting policies and disclosures (continued)

4.4 New and amended standards and interpretations (continued)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 *Financial Instruments: Recognition and Measurement*.

These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial liabilities that were accompanied by relevant fees during affected periods.

IAS 41 Agriculture – Taxation on Fair Value Measurement

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the consolidated financial statements of the Group.

4.5 Standards issued but not yet effective

The new and amended standards and interpretations that are issued but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, amendments and interpretations when they become effective.

Standards that are not effective for the annual reporting period ended 31 December 2022	**Applies to annual reporting periods, starting with**
► IFRS 17 *Insurance Contracts*, including amendments	1 January 2023
► Amendments to IAS 1 and IFRS *Practice Statement 2* on the application of IFRS *Disclosures of Accounting Policies*	1 January 2023
► Amendments to IAS 8 *Definition of Accounting Estimates*	1 January 2023
► Amendments to IAS 12 *Deferred Tax Related to Assets and Liabilities Arising in a Single Transaction*	1 January 2023
► Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*	1 January 2024
► Amendments to IFRS 16 *Lease Liabilities in a Sale and Leaseback Transaction*	1 January 2024

The Group is currently assessing the impact of these amendments on the consolidated financial statements of the Group.

5. Significant accounting judgements and estimates

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

5. Significant accounting judgements and estimates (continued)

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

Judgements

Lease term for contracts with a renewal option

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

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Valuation of inventory

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

Impairment of non-current assets

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

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

5. Significant accounting judgements and estimates (continued)

Estimates and assumptions (continued)

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

Fair value measurement of financial instruments

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

Useful lives of property, plant and equipment and intangible assets

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

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

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

Taxation

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

Expected credit losses (hereinafter "ECLs") for trade and other receivables and contract assets

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

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

5. Significant accounting judgements and estimates (continued)

Expected credit losses (hereinafter "ECLs") for trade and other receivables and contract assets (continued)

Assessment of the correlation between historical observable default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and forecast economic conditions. The Group's credit loss experience and forecast economic conditions are not necessarily indicative of the customer's actual default in the future.

Incremental borrowing rate

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

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

6. Balances and transactions with related parties

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

The Group purchases materials, information and consulting services from related parties, places deposits, receives income from renting premises, and performs transactions with financial assets and recognizes income and expenses on them.

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

For the period from 1 January 2021 to 26 November 2021, PJSC VTB Bank was a shareholder of the Group and had a significant influence on the Group, VTB Group companies were part of other related parties of the Group.

Since 26 November 2021, Marathon Retail LLC and companies from the same group control more than 20% of votes attributable to voting shares in Magnit PJSC. Companies from the same group as Marathon Retail LLC are included in other related parties of the Group. As at 31 December 2022, more than 50% of the Group's shares are in free float.

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

Related parties' balances as at 31 December 2022 and 31 December 2021 are presented as follows:

	Shareholders		**Other related parties**	
	31 December 2022	**31 December 2021**	**31 December 2022**	**31 December 2021**
Long-term financial assets (Note 12)	–	–	779,894	1,014,994
Short-term financial assets (Note 12)	–	–	288,754	200,000
Advances received	–	–	10	–

6. Balances and transactions with related parties (continued)

The Group's transactions with related parties for the years ended at 31 December 2022 and 31 December 2021 are presented as follows:

	Shareholders		Other related parties	
	2022	**2021**	**2022**	**2021**
Financial expenses (Note 12, 27)	–	–	233,594	7,909
Interest income (Notes 12, 28)	–	702,834	87,247	9,282
Selling, general and administrative expenses	–	91,329	–	734,420
Rent and utilities income	–	35,105	–	442
Other income	–	4,378	–	38,579
Purchases of inventory	–	–	–	1,241,667
Loans receivable repayment	–	–	–	200,000

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

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

Short-term remuneration of the key management and members of the Board of Directors of the Group for 2022 amounted to RUB 1,714,224 thousand (2021: RUB 2,101,606 thousand). Payments to the Group's management include remuneration under an employment contracts, social contributions and payments to members of the Board of Directors of the Group. The Group also accrued share-based payments to its key management personnel for 2022, information on these accruals is disclosed in the Note 33.

7. Business combination

Acquisition of LLC Greenhouse

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

The Group's management expects that the acquisition of the company will expand the range and the volume of in-house products sold via the retail chain.

Assets acquired and liabilities assumed

Assets and liabilities of Greenhouse recognized in the consolidated financial statements as at 31 December 2022 were based on a provisional assessment of their fair value.

7. Business combination (continued)

Assets acquired and liabilities assumed (continued)

The information about provisional fair values of identifiable assets and liabilities assumed of Greenhouse as at the date of acquisition is provided below:

	Provisional fair value recognized on acquision
Assets	
Property, plant and equipment (Note 8)	4,868,846
Right-of-use assets (Note 9)	15,422
Intangible assets (Note 10)	1,237
Inventory	128,850
Long-term and short-term trade and other receivables	630,339
Other assets	1,896
Cash and cash equivalents	98,776
	5,745,366
Liabilities	
Long-term loans and borrowings	3,178,773
Long-term and current lease liabilities (Note 9)	15,422
Short-term loans and borrowings	514,543
Other liabilities	45,325
	3,754,063
Total identifiable net assets measured at fair value	**1,991,303**
Gain from a bargain purchase (Note 29)	491,303
Consideration transferred on acquisition	**(1,500,000)**

Long-term and short-term trade and other receivables consist of short-term trade and other receivables in the amount of RUB 63,682 thousand and long-term and short-term receivables with respect to the grant receivable to compensate for capital expenditures incurred before the acquisition date in the total amount of RUB 566,657 thousand. Fair values of long-term and short-term trade and other receivables equal their gross amounts.

The Group measured the acquired obligations under loans and borrowings using the market interest rate for similar loans and borrowings available to Greenhouse as at the acquisition date.

On acquisition of Greenhouse, the Group recognized gain on a bargain purchase in the amount of RUB 491,303 thousand as the fair values of identifiable assets net of liabilities assumed exceeded the consideration transferred upon the acquisition.

From the date of acquisition, Greenhouse’s contribution to the Group’s revenue amounted to RUB 33,181 thousand. The Group’s profit before tax includes Greenhouse’s loss in the amount of RUB 332,152 thousand.

It is not possible to estimate the impact of Greenhouse’s contribution to the Group’s revenue and profit before tax as if the combination had taken place at the beginning of the year, because Greenhouse did not report under the IFRS before the combination.

7. Business combination (continued)

Assets acquired and liabilities assumed (continued)

Cash flow analysis for acquisition

Transaction support costs (included in cash flows from operating activities)	(6,000)
Net cash acquired in a business combination (included in cash flows from investing activities)	98,776
Cash paid	(1,500,000)
Net cash outflows on acquisition	**(1,407,224)**

Transaction costs of RUB 6,000 thousand were included in selling, general and administrative expenses.

The fair value of the consideration transferred under the acquisition of Greenhouse amounted to RUB 1,500,000 thousand, of which RUB 224,397 thousand were transferred for the acquisition of a 100% stake in the charter capital of Greenhouse and RUB 1,275,603 thousand were paid to the Company's participants under monetary claims represented by promissory notes previously issued by Greenhouse.

Acquisition of DIXY Group

On 22 July 2021, the Group acquired control over DIXY Group (hereafter – "DIXY Group") by purchasing 100% of ordinary shares of DIXY Holding Limited (a holding company of DIXY Group registered in the Republic of Cyprus, which also has a permanent representative office and tax residence in the Russian Federation). DIXY Group also includes the following legal entities located in the Russian Federation: "DIXY Group" JSC, "DIXY-Ug" JSC, "DIXY-Snezhinsk" LLC, "MIT" LLC, "Argument" LLC. Shares and securities of DIXY Group companies are not admitted to organized trading. DIXY Group is primarily engaged in food retail in the Russian Federation. As at the acquisition date, DIXY Group operated 2,438 convenient stores under the "DIXY" brand and 39 supermarkets under the "Megamart" brand.

Assets acquired and liabilities assumed

The assets and liabilities of the DIXY Group, recognised in the financial statements as at 31 December 2021, were based on a provisional assessment of their fair value, since independent appraisal of DIXY Group's property, plant and equipment, intangible assets, and assessment of the favorable and unfavorable terms of the lease when compared to market for the following adjustments of the right-of-use assets and assessment of the other assets and liabilities had not been completed by the date when the 2021 financial statements were approved for issue by the Board of Directors.

The Group concluded that the provisional assessment of favorable and unfavorable terms of the lease should be adjusted by RUB 70,398 thousand. In addition, the fair value of additional liabilities were estimated at the acquisition date.

As a result, the recognized goodwill was increased by RUB 249,849 thousand. The adjusted amount of goodwill on acquisition is therefore to RUB 65,661,817 thousand.

7. Business combination (continued)

Acquisition of DIXY Group (continued)

The adjusted fair value of assets acquired and liabilities assumed is presented in the table below:

	Final fair value estimate recognized on acquisition	Adjustment of the provisional assessment	Provisional fair value estimate recognized on acquisition
Assets			
Property, plant and equipment	36,140,434	–	36,140,434
Advances paid for the purchase and construction of property, plant and equipment	445,933	–	445,933
Right-of-use assets	76,747,229	70,398	76,676,831
Intangible assets	7,189,391	–	7,189,391
Long-term net investments in sublease	16,730	–	16,730
Short-term net investments in sublease	11,519	–	11,519
Inventories	18,754,855	–	18,754,855
Trade and other receivables	2,298,083	–	2,298,083
Advances paid	511,225	–	511,225
Taxes receivable, excluding income tax	164,869	–	164,869
Cash and cash equivalents	27,967,922	–	27,967,922
	170,248,190	**70,398**	**170,177,792**
Liabilities			
Long-term loans and borrowings	236,741	–	236,741
Long-term lease liabilities	69,143,140	–	69,143,140
Deferred tax liabilities	708,646	(62,462)	771,108
Trade and other payables	30,477,149	382,709	30,094,440
Taxes payable, excluding income tax	2,321,374	–	2,321,374
Income tax payable	60,971	–	60,971
Short-term advances received	33,989	–	33,989
Contract liabilities	261,208	–	261,208
Short-term loans and borrowings	22,858,887	–	22,858,887
Short-term lease liabilities	13,691,176	–	13,691,176
	139,793,281	**320,247**	**139,473,034**
Total identifiable net assets measured at fair value	**30,454,909**	**(249,849)**	**30,704,758**
Goodwill arising on acquisition	65,661,817	249,849	65,411,968
Consideration transferred on acquisition	**(96,116,726)**	**–**	**(96,116,726)**

As a result of the adjustments described above, the items of the consolidated statement of profit and loss and other comprehensive income and consolidated statement of cash flows for 2021 were adjusted, and comparative information presented in the Group's consolidated statement of financial position as at 31 December 2021 was restated, information on these adjustments is provided in Note 4.3.

The fair value of trade and other receivables is RUB 2,298,083 thousand. The gross amount of trade and other receivables under the contract is RUB 2,757,330 thousand, the amount equaled to RUB 459,247 thousand is not expected to be received at the acquisition date.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments as at the acquisition date. Right-of-use assets were measured in the amount equal to the amount of lease liabilities adjusted to reflect favorable and unfavorable terms of the lease when compared to market.

7. Business combination (continued)

Acquisition of DIXY Group (continued)

A deferred tax asset consists mainly of the asset recorded in respect of right-of-use assets and lease liabilities. The deferred tax asset will be realized in subsequent periods upon recognition of depreciation of the right-of-use asset and finance expenses related to the lease liability within profit or loss for the period. A deferred tax liability resulted mainly from a difference between the carrying amounts of property, plant and equipment and intangible assets determined for tax and financial reporting purposes. The deferred tax asset and deferred tax liability are presented in the consolidated financial statements on a net basis.

The goodwill is attributable to the business enhanced presence in the strategically important Moscow and Northwestern regions and expected synergies arising from the acquisition. As of 31 December 2022 the total amount of goodwill is allocated to the Group's activities under the next groups of cash generating units: "Magnit convenience", "Magnit Semeyniy" and "DIXY", including stores and warehouses related to them. None of the goodwill recognized is expected to be deductible for income tax purposes.

From the date of acquisition until 31 December 2021 inclusive DIXY Group contributed RUB 133,940,617 thousand of the Group's revenue and RUB 2,398,308 thousand of the Group's profit before tax. If the business combination had taken place at the beginning of 2021, the Group's revenue for 2021 would have been RUB 2,019,502,746 thousand. The effect of this factor on the Group's profit before tax cannot be estimated, since before the business combination DIXY Group did not report under the Group's accounting policies.

Cash flow analysis for acquisitions

Transaction support costs (included in cash flows from operating activities)	(778,191)
Net cash acquired in business combination (included in cash flows from investing activities)	27,967,922
Cash paid	(96,116,726)
Net cash flows on acquisition	**(68,926,995)**

Transaction costs of RUB 778,191 thousand were included in selling, general and administrative expenses.

Fair value of each type of consideration paid on acquisition:

Cash paid on acquisition	87,575,153
Adjustment of transaction price	8,541,573
Total consideration paid	**96,116,726**

At the date of obtaining control the Group paid RUB 87,575,153 thousand in cash for the shares acquisition of DIXY Holding Limited. This amount represented the initial consideration under the contract for the purchase of DIXY Holding Limited's shares (the "Contract") reduced by RUB 1,424,847 thousand due to the exclusion of the 148 DIXY Group's stores from the transaction in order to comply with legislation on competition protection and trade.

In addition, the Contract provided for an adjustment of the consideration depending on the difference between the target and actual values of net debt and net working capital according to DIXY Holding Limited's consolidated financial statements at the time of completing the transaction. The adjusted consideration amounted to RUB 8,541,573 thousand and was fully paid by the Group in cash to the previous owner.

The Contract also provided a condition about contingent consideration, the fair value of which the Group estimated as insignificant.

8. Property, plant and equipment

Property, plant and equipment as at 31 December 2022 consisted of the following:

	Land	Buildings	Machinery and equipment	Vehicles	Assets under construction	Total
Cost at 1 January 2022	**15,765,295**	**376,282,323**	**172,086,205**	**38,826,199**	**10,159,661**	**613,119,683**
Business combination (Note 7)	–	3,871,024	991,492	5,916	414	**4,868,846**
Additions	6,077	–	25,693,554	2,117,847	12,884,643	**40,702,121**
Transfers	–	15,518,117	–	–	(15,518,117)	**–**
Disposals	(116,352)	(5,806,338)	(9,214,641)	(2,126,013)	(36,016)	**(17,299,360)**
At 31 December 2022	**15,655,020**	**389,865,126**	**189,556,610**	**38,823,949**	**7,490,585**	**641,391,290**
Accumulated depreciation and impairment at 1 January 2022	**(95,059)**	**(98,291,437)**	**(114,706,396)**	**(21,621,411)**	**(1,102,810)**	**(235,817,113)**
Depreciation for the year	–	(23,380,880)	(24,417,017)	(5,365,276)	–	**(53,163,173)**
Impairment for the year	(227,887)	(6,388,690)	(190,502)	(6,258)	(314,754)	**(7,128,091)**
Reversal of impairment losses	99,190	495,228	13,659	–	587,200	**1,195,277**
Disposals	58,657	5,696,068	7,465,370	2,053,030	–	**15,273,125**
At 31 December 2022	**(165,099)**	**(121,869,711)**	**(131,834,886)**	**(24,939,915)**	**(830,364)**	**(279,639,975)**
Net book value						
At 1 January 2022	**15,670,236**	**277,990,886**	**57,379,809**	**17,204,788**	**9,056,851**	**377,302,570**
At 31 December 2022	**15,489,921**	**267,995,415**	**57,721,724**	**13,884,034**	**6,660,221**	**361,751,315**

Property, plant and equipment as at 31 December 2021 consisted of the following:

	Land	Buildings	Machinery and equipment	Vehicles	Assets under construction	Total
Cost at 1 January 2021	**14,004,986**	**338,225,881**	**145,154,891**	**31,422,940**	**10,544,806**	**539,353,504**
Business combination (Note 7)	1,780,495	23,174,463	7,828,741	3,183,630	173,105	**36,140,434**
Additions	7,965	–	27,089,474	7,720,440	21,443,872	**56,261,751**
Transfers	–	21,932,653	–	–	(21,932,653)	**–**
Disposals	(28,151)	(7,050,674)	(7,986,901)	(3,500,811)	(69,469)	**(18,636,006)**
At 31 December 2021	**15,765,295**	**376,282,323**	**172,086,205**	**38,826,199**	**10,159,661**	**613,119,683**
Accumulated depreciation and impairment at 1 January 2021	**–**	**(81,519,114)**	**(101,032,702)**	**(19,966,404)**	**(709,786)**	**(203,228,006)**
Depreciation for the year	–	(21,311,126)	(20,959,033)	(4,514,778)	–	**(46,784,937)**
Impairment for the year	(95,059)	(2,677,689)	(45,049)	–	(393,610)	**(3,211,407)**
Reversal of impairment losses	–	307,322	8,210	–	586	**316,118**
Disposals	–	6,909,170	7,322,178	2,859,771	–	**17,091,119**
At 31 December 2021	**(95,059)**	**(98,291,437)**	**(114,706,396)**	**(21,621,411)**	**(1,102,810)**	**(235,817,113)**
Net book value						
At 1 January 2021	**14,004,986**	**256,706,767**	**44,122,189**	**11,456,536**	**9,835,020**	**336,125,498**
At 31 December 2021	**15,670,236**	**277,990,886**	**57,379,809**	**17,204,788**	**9,056,851**	**377,302,570**

The rate used to determine the amount of borrowing costs to be capitalized was approximately equal to the weighted average effective interest rate for the period.

Impairment of non-current assets, except for goodwill

Based on observed external evidence of impairment of non-current assets, except for goodwill, as at 31 December 2022, the Group made a conclusion on the unfavourable market and economic conditions in the market where the Group operated.

8. Property, plant and equipment (continued)

Impairment of non-current assets, except for goodwill (continued)

The Group has performed an impairment test of non-current assets, including property, plant and equipment, right-of-use assets and intangible assets, to assess the amount of possible impairment.

Impairment losses recognized on intangible assets are disclosed in Note 10.

As a result of the impairment test of property, plant and equipment and right-of-use assets, the Group recognized an impairment loss in the consolidated statement of profit and loss and other comprehensive income in respect of the tested assets for 2022 in the amount of RUB 7,128,091 thousand (2021: in the amount of RUB 3,211,407 thousand), the entire amount of the loss relates to property, plant and equipment of the Group. The amount of reversals of impairment losses of property, plant and equipment amounted to RUB 1,195,277 thousand (2021: in the amount of RUB 316,118 thousand), right-of-use assets amounted to RUB 7,140 thousand (2021: in the amount of RUB 524,004 thousand).

Group approach for impairment testing

The evaluation was performed at the lowest level of aggregation of assets that is able to generate independent cash inflows (CGU), which is generally at the individual store level.

In determining units that generate substantially independent cash inflows management of the Group considered a number of factors, including how it controls performance of CGUs, how it makes decisions about liquidation of assets or continuance of CGUs operations.

The Group compared recoverable amount of an individual CGU with its carrying amount for the purpose of impairment test. The recoverable amount is measured as the higher of its fair value less costs of disposal and its value in use. From practical point of view, the Group does not disclose impairment by individual CGU due to significant volume of information.

Main assumptions

Future cash flows are based on the current budgets and forecasts for 5 years period approved by the management along with terminal value of forecasted free cash flows that are expected to be generated beyond the forecast period.

One of the main assumptions applied in the model of the expected cash flows is increase of revenue on the average by 5% (mainly driven by CPI) (2021: 4.6%).

Cash flow forecasts for capital expenditure are based on the past experience and include ongoing capital expenditure required to maintain the level of economic benefits from CGU in its current position.

Pre-tax discount rate represents the Group’s pre-tax weighted average cost of capital which is then adjusted to reflect the risks specific to the respective assets and is equal to 20.54%. (2021: 13.63%).

The Group’s management believes that all of its estimates are reasonable and consistent with the way the Group manages its assets and operations and reflect management’s best knowledge.

8. Property, plant and equipment (continued)

Sensitivity analysis

The result of applying discounted cash flow model reflects expectations about possible variations in the amount and timing of future cash flows. If the revised estimated discount rate consistently applied to the discounted cash flows had been 0.5% higher than management's estimates, the impairment of non-current assets would increase by RUB 351,303 thousand. If the revised estimated discount rate consistently applied to the discounted cash flows had been 0.5% lower than management's estimates, the impairment of non-current assets would decrease by RUB 333,401 thousand. If the revenue rate of growth had been 0.5% lower than management's estimates, the impairment of non-current assets would increase by RUB 453,895 thousand.

9. Lease

Group as a lessee

Right-of-use assets and lease liabilities

As at 31 December 2022, right-of-use assets consisted of the following:

	Buildings	Land	Other assets	Total
Cost				
As of 1 January 2022	**653,862,485**	**5,308,149**	**210,111**	**659,380,745**
Impact of adjustment in the assessment of fair value of assets acquired and liabilities assumed under a business combination (Notes 4.2, 7)	70,398	–	–	**70,398**
As of 1 January 2022 (restated)	**653,932,883**	**5,308,149**	**210,111**	**659,451,143**
Business combination (Note 7)	–	15,422	–	**15,422**
Additions	32,048,150	29,966	–	**32,078,116**
Modification	16,131,262	(288,618)	(4,861)	**15,837,783**
Indexation*	4,344,343	17,230	–	**4,361,573**
Derecognition	(5,019,631)	(18,936)	(3,385)	**(5,041,952)**
As at 31 December 2022	**701,437,007**	**5,063,213**	**201,865**	**706,702,085**
Accumulated depreciation and impairment				
As at 1 January 2022	**(260,511,110)**	**(1,009,067)**	**(25,321)**	**(261,545,498)**
Impact of adjustment in the assessment of fair value of assets acquired and liabilities assumed under a business combination (Notes 4.2, 7)	(3,623)	–	–	**(3,623)**
As of 1 January 2022 (restated)	**(260,514,733)**	**(1,009,067)**	**(25,321)**	**(261,549,121)**
Depreciation for the year	(64,896,542)	(218,216)	(50,145)	**(65,164,903)**
Reversal of impairment losses (Note 8)	7,140	–	–	**7,140**
Derecognition	3,265,175	6,118	2,282	**3,273,575**
As at 31 December 2022	**(322,138,960)**	**(1,221,165)**	**(73,184)**	**(323,433,309)**
Net book value				
As at 1 January 2022	**393,418,150**	**4,299,082**	**184,790**	**397,902,022**
As at 31 December 2022	**379,298,047**	**3,842,048**	**128,681**	**383,268,776**

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

In 2022 depreciation of a right-of-use assets in the amount of RUB 304,421 thousand was capitalized to the value of property, plant and equipment.

9. Lease (continued)

Group as a lessee (continued)

As at 31 December 2021, right-of-use assets consisted of the following:

	Buildings	Land	Other assets	Total
Cost				
As at 1 January 2021	**516,163,117**	**4,871,966**	**–**	**521,035,083**
Business combination (Note 7)	76,155,720	314,473	206,638	**76,676,831**
Additions	50,127,475	128,908	1,035	**50,257,418**
Modification	16,238,489	(4,143)	2,438	**16,236,784**
Indexation*	2,401,868	26,633	–	**2,428,501**
Derecognition	(7,224,184)	(29,688)	–	**(7,253,872)**
As at 31 December 2021	**653,862,485**	**5,308,149**	**210,111**	**659,380,745**
Accumulated depreciation and impairment				
As at 1 January 2021	**(211,716,722)**	**(873,666)**	**–**	**(212,590,388)**
Depreciation for the year	(53,133,875)	(141,250)	(25,321)	**(53,300,446)**
Reversal of impairment losses (Note 8)	524,004	–	–	**524,004**
Derecognition	3,815,483	5,849	–	**3,821,332**
As at 31 December 2021	**(260,511,110)**	**(1,009,067)**	**(25,321)**	**(261,545,498)**
Net book value				
As at 1 January 2021	**304,446,395**	**3,998,300**	**–**	**308,444,695**
As at 31 December 2021	**393,351,375**	**4,299,082**	**184,790**	**397,835,247**

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

In 2021 depreciation of a right-of-use assets in the amount of RUB 520,478 thousand were capitalized to the value of property, plant and equipment.

The information about impairment test performed is disclosed in Note 8.

Lease liabilities

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

	2022	2021
At 1 January	456,306,020	357,573,958
Business combination (Note 7)	15,422	82,834,316
Additions and other increase	32,078,116	50,252,704
Modification	15,837,783	16,236,784
Indexation*	4,361,573	2,428,501
Payments	(58,781,230)	(46,719,526)
Interest accrued (Note 27)	40,871,218	33,613,620
Interest paid	(40,871,218)	(33,613,620)
Derecognition	(2,850,182)	(4,503,238)
Rent concessions due to Covid-19 pandemic (Note 29)	(221,845)	(1,819,124)
Foreign exchange loss	65,829	21,645
At 31 December	**446,811,486**	**456,306,020**

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

9. Lease (continued)

Group as a lessee (continued)

	Year of maturity	31 December 2022
Short-term liabilities	2023	61,283,453
Long-term liabilities	2024-2071	385,528,033
Total		**446,811,486**

	Year of maturity	31 December 2021
Short-term liabilities	2022	60,262,487
Long-term liabilities	2023-2071	396,043,533
Total		**456,306,020**

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

	2022	2021
Depreciation and impairment of right-of-use assets (Note 26)	64,853,342	52,255,964
Interest expenses on the lease (Note 27)	40,871,218	33,613,620
Foreign exchange loss	65,829	21,645
Gain from cancelation of lease contracts (Note 29)	(1,081,805)	(1,070,698)
Gain from Covid-19 related rent concessions (Note 29)	(221,845)	(1,819,124)
Lease expenses related to short-term lease (Note 26)	704,436	653,668
Lease expenses related to lease of low-value assets (Note 26)	87,119	78,306
Variable lease payments (Note 26)	4,676,391	2,006,546
	109,954,685	**85,739,927**

10. Intangible assets

As at 31 December 2022, intangible assets consisted of the following:

	Licenses	Software	Trademarks	Other	Total
Cost					
At 1 January 2022	**548,814**	**16,672,283**	**5,581,848**	**149,114**	**22,952,059**
Business combination (Note 7)	426	158	646	7	**1,237**
Additions	161,682	5,845,778	57,203	30,675	**6,095,338**
Disposals	(68,267)	(5,663,066)	(339)	(36,843)	**(5,768,515)**
At 31 December 2022	**642,655**	**16,855,153**	**5,639,358**	**142,953**	**23,280,119**
Accumulated amortisation and impairment					
At 1 January 2022	**(173,796)**	**(2,649,572)**	**(827,580)**	**(51,832)**	**(3,702,780)**
Amortisation for the year	(158,449)	(2,767,225)	(1,834,938)	(40,871)	**(4,801,483)**
Impairment for the year	–	(5,074,640)	–	–	**(5,074,640)**
Disposals	65,165	2,101,926	339	36,843	**2,204,273**
At 31 December 2022	**(267,080)**	**(8,389,511)**	**(2,662,179)**	**(55,860)**	**(11,374,630)**
Net book value					
At 1 January 2022	**375,018**	**14,022,711**	**4,754,268**	**97,282**	**19,249,279**
At 31 December 2022	**375,575**	**8,465,642**	**2,977,179**	**87,093**	**11,905,489**

10. Intangible assets (continued)

Part of the Group's software is under development and integration as at 31 December 2022.

As at 31 December 2021, intangible assets consisted of the following:

	Licenses	Software	Trademarks	Other	Total
Cost					
At 1 January 2021	**301,620**	**6,861,127**	**34,180**	**99,345**	**7,296,272**
Business combination (Note 7)	70,755	1,577,879	5,540,757	–	**7,189,391**
Additions	241,631	9,604,561	7,087	91,582	**9,944,861**
Disposals	(65,192)	(1,371,284)	(176)	(41,813)	**(1,478,465)**
At 31 December 2021	**548,814**	**16,672,283**	**5,581,848**	**149,114**	**22,952,059**
Accumulated amortisation and impairment					
At 1 January 2021	**(125,306)**	**(1,600,621)**	**(12,559)**	**(51,534)**	**(1,790,020)**
Amortisation for the year	(111,674)	(2,418,208)	(815,197)	(42,111)	**(3,387,190)**
Disposals	63,184	1,369,257	176	41,813	**1,474,430**
At 31 December 2021	**(173,796)**	**(2,649,572)**	**(827,580)**	**(51,832)**	**(3,702,780)**
Net book value					
At 1 January 2021	**176,314**	**5,260,506**	**21,621**	**47,811**	**5,506,252**
At 31 December 2021	**375,018**	**14,022,711**	**4,754,268**	**97,282**	**19,249,279**

Amortization expense is included in selling, general and administrative expenses (Note 26).

As at 31 December 2022, management of the Group didn't identify any indicators of potential impairment of intangible assets, except for some software products, for which the Group retains the rights of use, but which is exposed to significant risks and limitations of further usage, as well as lack of access to software support and maintenance services from its vendors which suspended their operations in Russia due to the challenging geopolitical situation. The Group recognized losses on intangible assets related to this software in the consolidated statement of profit or loss and other comprehensive income for the year 2022 in the amount of RUB 5,074,640 thousand.

11. Goodwill

Goodwill as at 31 December 2022 and 2021 consisted of the following:

	2022	2021
Goodwill as at 1 January	**92,291,285**	**26,879,317**
Impact of the change in the fair value of assets acquired and liabilities assumed under a business combination (Notes 4.2, 7)	249,849	–
Goodwill as at 1 January (restated)	**92,541,134**	**–**
Goodwill arising on acquisition (Note 7)	–	65,411,968
Goodwill impairment	(25,511,824)	–
Goodwill as at 31 December	**67,029,310**	**92,291,285**

11. Goodwill (continued)

In 2022, the carrying amount of goodwill arising upon the acquisition of DIXY Group was restated due to a change in the assessment of fair value of assets acquired and liabilities assumed (Note 7), which affected the comparatives as at 31 December 2021.

	31 December 2021 as previously presented	Effect of restatement (Note 7)	31 December 2021 as restated
Stores "Magnit convenience", "Magnit Semeyniy", "DIXY" and "Megamart"*	65,411,968	249,849	65,661,817
Stores "Magnit Cosmetic" and "Magnit Pharmacy"	25,511,824	–	25,511,824
Manufactory company TD-holding LLC	1,367,493	–	1,367,493
Total	**92,291,285**	**249,849**	**92,541,134**

* *During 2022, Megamart stores were redesigned and started to operate under the format of "Magnit Semeyniy".*

Carrying amount of goodwill allocated to each of the cash generated units in 2022 is presented below:

	As at 31 December 2022
Stores "Magnit convenience", "Magnit Semeyniy" and "DIXY"	65,661,817
Manufactory company TD-holding LLC	1,367,493
Total	**67,029,310**

Groups of CGUs comprising following stores "Magnit convenience", "Magnit Semeyniy" and "DIXY"

As at the reporting date, the Group performed annual impairment testing of goodwill arising on acquisition of DIXY Group. For impairment testing purposes, goodwill was allocated to the groups of CGUs comprising "Magnit convenience", "Magnit Semeyniy" and "DIXY" formats.

In assessing goodwill impairment, the carrying value of the assets of the groups of CGUs, to which the amount of goodwill was attributable to was compared to the estimated value in use.

Future cash flows were determined based on the forecast of free cash flows for five years subject to the effect of their terminal value.

The pre-tax discount rate was determined based on the weighted average cost of capital of the Group and amounted to 20.54% (2021: 13.63%).

As a result of the analysis no impairment was identified for the goodwill.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

The calculation of the value in use is most sensitive to the following assumptions:

- gross margin;
- discount rate;
- revenue growth.

11. Goodwill (continued)

Groups of CGUs comprising following stores "Magnit convenience", "Magnit Semeyniy" and "DIXY" (continued)

Gross margin

The gross margin included in the forecast of the Group's activities in the "Magnit convenience", "Magnit Semeyniy" and "DIXY" stores is in accordance with the approved strategic development plans and expected increased volume of sales. A decrease in consumer demand may lead to a decrease in gross margin. A decrease in gross margin by 5% would result in a decrease in expected free cash flow, but would not cause an impairment losses.

Discount rate

An increase in the pre-tax discount rate by i.e. + 0.5%, to 21.04% (2021: 14.13%), would reduce the expected discounted cash flows but would not cause an impairment loss.

Revenue growth

Revenue growth for the forecast period being in the range from 2.2% to 9% (2021: 2.0% to 7.4%). The forecast is based on Group's activities in the "Magnit convenience", "Magnit Semeyniy" and "DIXY" stores. The Group forecast of the expected volume of sales is based on the approved strategic development plan for the forecast period, as well as indicators of the expected consumer price index. The expected consumer price index is 5% (2021: 4.6%). The Group's management believes that all of its estimates are reasonable and consistent with the internal reporting and reflect management's best knowledge.

A decrease in customer demand may lead to decline in sales. A decrease in revenue by 5% would result in a decrease in expected operating cash flows but would not cause any impairment loss.

Groups of CGUs comprising following stores "Magnit Cosmetic" and "Magnit Pharmacy"

As a result of impairment indicators analyses performed within the annual impairment test of goodwill as at 31 December 2022, the Group identified significant restrictions in further realization of the expected synergies, which formed the value of goodwill on the acquisition of SIA Group.

The limitations are attributed to the impossibility of supporting and scaling warehouse technologies due to lack of access to support, update and maintenance services for hi-tech warehouse equipment from its manufacturers which suspended their operations in Russia due to the challenging geopolitical situation.

As a result, losses from impairment of the carrying amount of goodwill allocated to the Magnit Cosmetic and Magnit Pharmacy CGU groups amounted to RUB 25,511,824 thousand and were recognized in the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2021, the Group performed an annual impairment testing of goodwill arising on the acquisition of SIA Group. For impairment testing purposes, the goodwill was allocated to the Magnit Cosmetic and Magnit Pharmacy CGU groups. In assessing goodwill impairment, the current carrying amounts of assets within the Magnit Cosmetic and Magnit Pharmacy CGU groups, to which the entire amount of goodwill was allocated, were compared to the estimated value in use.

11. Goodwill (continued)

Groups of CGUs comprising following stores “Magnit Cosmetic” and “Magnit Pharmacy” (continued)

Future cash flows were determined based on the forecast of free cash flows for five years considering the effect of their terminal value.

In 2021, the pre-tax discount rate was determined at the level of 13.63% on the basis of the Group’s weighted average cost of capital.

The analysis identified no impairment of the CGU group in 2021.

Manufactory company TD-holding LLC

The Group performed its annual impairment test of goodwill related to the acquisition of TD-holding LLC as of 31 December 2022 and 2021. In assessing whether the goodwill has been impaired, the carrying value of cash generating unit was compared to its estimated value in use.

Value in use was determined using a discounted cash flow model. Future cash flows were calculated based on forecast of operating cash flows for five years approved by the management of the Group, plus terminal value, and by taking into account inflation 5% (2021: 4.6%), demand for goods produced by TD-holding LLC, as well as other macroeconomic assumptions. Pre-tax discount rate was determined based on the weighted average cost of capital of the Group and amounted to 20.54% (2021: 13.63%).

The impairment test did not reveal any impairment of goodwill.

The Group’s management believes that all of its estimates are reasonable and consistent with the internal reporting and reflect management’s best knowledge.

12. Long-term and short-term financial assets

As at 31 December 2022, long-term financial assets comprise a long-term loan issued amounted to of RUB 779,894 thousand (31 December 2021: RUB 1,014,994 thousand) and other financial assets in the amount of RUB 52 thousand (31 December 2021: RUB 18,852 thousand).

As at 31 December 2022 and 2021, the amount of long-term loan issued is classified as a loan issued to a related party (Note 6).

As at 31 December 2022, the current portion of the long-term loan issued is RUB 288,754 thousand (31 December 2021: RUB 200,000 thousand), (Note 6).

Interest income recognized with respect to the loan issued for the year ended 31 December 2022 amounted to RUB 87,247 thousand (2021: RUB 97,645 thousand, including RUB 9,282 thousand reflected as operations with other related parties (Note 6)).

In October 2022, the terms under this long-term loan were modified. As a result of the loan modification the Group recognized financial expenses of RUB 233,594 thousand.

12. Long-term and short-term financial assets (continued)

The Group did not recognize any expected credit loses for impairment of long-term financial assets.

Short-term financial assets as at 31 December 2022 and 2021 consisted of the following:

	31 December 2022	31 December 2021
Interest receivable on placed deposits (Note 16)	708,979	–
Loans issued to third parties	458,884	372,724
Loans issued to a related party (Note 6)	288,754	200,000
Expected credit losses	(293,919)	(282,976)
	1,162,698	**289,748**

13. Inventory

Inventory as at 31 December 2022 and 2021 consisted of the following:

	2022	2021
Goods for resale (at lower of cost and net realisable value)	208,448,248	211,925,870
Materials and supplies (at cost price)	10,987,431	12,947,170
	219,435,679	**224,873,040**

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

During 2022 year the Group wrote down inventories to their net releasable value, which resulted in recognition of expenses within "Cost of goods sold" in the consolidated statement of profit and loss and other comprehensive income in the amount of RUB 6,444,414 thousand (2021: RUB 2,904,292 thousand).

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

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

	31 December 2022	31 December 2021
Grant receivables		
Long-term part	353,774	–
Short–term part	67,831	–
Total grant receivables	**421,605**	**–**

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

Short-term trade and other receivables as at 31 December 2022 and 2021 consisted of the following:

	31 December 2022	31 December 2021
Trade receivables – third parties	13,878,268	6,399,234
Other receivables – third parties	9,897,756	6,738,519
Short-term part of grant receivables	67,831	–
Expected credit losses	(3,646,671)	(1,410,978)
Total trade and other receivables	**20,197,184**	**11,726,775**

Other receivables mainly relate to vendor allowances.

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

The ECLs calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

As at 31 December 2022, the Group analyzed the impact of current unfavorable market conditions on the level of credit risk with respect to the Group's current debtors and concluded that there is an additional credit risk that was included in the calculation of the ECLs.

Set out below is the information about the expected credit losses on the Group's trade and other receivables as at 31 December 2022:

	Current	Overdue <90 days	Overdue from 90-180 days	Overdue from 180-360 days	Overdue >360 days	Total
2022						
ECL rate	0.1-20%	3-20%	10-20%	50%	100%	
Carrying amount before ECLs	16,448,253	5,104,480	473,020	499,800	1,250,471	**23,776,024**
ECLs	1,030,799	1,020,896	94,605	249,900	1,250,471	**3,646,671**

Set out below is the information about the expected credit losses on the Group's trade and other receivables as at 31 December 2021:

	Current	Overdue <90 days	Overdue from 90-180 days	Overdue from 180-360 days	Overdue >360 days	Total
2021						
ECL rate	0.1-3%	3-5%	10-20%	50%	100%	
Carrying amount before ECLs	7,805,827	3,835,113	223,697	196,116	1,077,000	**13,137,753**
ECLs	76,127	115,053	44,740	98,058	1,077,000	**1,410,978**

Set out below is the movement in the allowance for expected credit losses:

	2022	2021
As at 1 January	**(1,410,978)**	**(1,514,488)**
Accrual of provision for expected credit losses	(2,741,879)	(296,251)
Reversal	430,089	351,310
Receivables written off as uncollectable	76,097	48,451
As at 31 December	**(3,646,671)**	**(1,410,978)**

15. Advances paid

Advances paid as at 31 December 2022 and 2021 consisted of the following:

	31 December 2022	31 December 2021
Advances to third party suppliers	12,622,178	7,946,501
Other advances paid	1,099,542	1,213,862
Advances for customs duties	322,421	962,755
Impairment of advances paid	(1,315,553)	(924,211)
	12,728,588	**9,198,907**

16. Cash and cash equivalents

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

	31 December 2022	31 December 2021
Cash on hand, in RUB	2,807,215	2,761,656
Cash in banks, in RUB	3,237,086	6,078,224
Cash in banks, in foreign currency	788,823	4,632
Cash in transit, in RUB	5,480,261	5,068,673
Cash placed on accounts with minimum account balance, in RUB	22,820,000	16,130,000
Deposits, in RUB	253,060,381	43,355,423
Deposits, in foreign currency	26,718,358	–
	314,912,124	**73,398,608**

Cash in transit represents cash collected by banks from the Group’s stores and not deposited in bank accounts and bank card payments being processed as at 31 December 2022 and 2021.

Interest accrued but not received as at 31 December 2022 is included in current financial assets (as at 31 December 2021 the amount was immaterial).

Cash and cash equivalents denominated in foreign currencies are as follows:

	31 December 2022	31 December 2021
Chinese yuan	27,327,558	64
US dollars	148,928	20
Euros	15,162	48
Uzbek sums	13,192	–
Swiss franc	2,341	4,500
	27,507,181	**4,632**

17. Share capital, share premium and treasury shares

Share capital as at 31 December 2022 amounted to RUB 1,020 thousand. There were no changes in Share capital compared to 31 December 2021.

	2022 No. ('000)	2021 No. ('000)
Authorized share capital (ordinary shares with a par value of RUB 0.01)	200,850	200,850
Issued and fully paid share capital (par value of RUB 0.01 each)*	101,911	101,911
Treasury shares	3,817	3,983

* *All shares, including treasury shares, have the same voting and dividend rights.*

	2022	2021
Share premium at 1 January	**87,326,641**	**87,390,921**
Transfer of rights to equity instruments under share-based payments program (Note 33)	(96,225)	(64,280)
Share premium at 31 December	**87,230,416**	**87,326,641**

	2022 No. ('000)	2021 No. ('000)
Balance of shares outstanding at beginning of financial year	**97,928**	**97,665**
Transfer of treasury shares under share-based payments program (Note 33)	166	222
Transfer of treasury shares under employment contract with the Company's President (Note 33)	–	41
Balance of shares outstanding at the end of financial year	**98,094**	**97,928**

In 2022 and 2021, the Group did not acquire any treasury shares on the open market.

In 2022, the Group transferred 165,622 (2021: 222,449) treasury shares to key management personnel as compensation under the Long-term management incentive program (Note 33).

In 2022 the fair value of the compensation was RUB 527,905 thousand (2021: RUB 756,794 thousand). The difference of RUB 96,225 thousand in 2022 (2021: RUB 81,558 thousand) between the carrying amount of the treasury shares and the fair value of compensation granted under the long-term incentive program was recognized as a reduction of share premium.

Share-based payments under the employment contract with the Company's President were completed in 2021.

In 2021, the Group transferred 41,177 treasury shares to the Company's President under his employment contract (Note 33). The fair value of the consideration transferred was RUB 172,451 thousand. The difference of RUB 17,278 thousand between the carrying amount of the treasury shares and the fair value of consideration transferred was recognized as an increase of share premium.

18. Dividends declared

In 2022, the Group did not declare any dividends to shareholders for 2021, as well as for 9 months of 2022.

In 2021, the Group declared dividends to shareholders relating to 2020 and the 9 months of 2021.

	2021
Dividends declared for 2020 and for 9 months 2021 (RUB 245.31 and RUB 294.37 per share)	52,850,006

In 2022, the Group paid dividends of RUB 28,829,503 thousand (2021: RUB 48,115,232 thousand).

As at 31 December 2022, there were no dividends payable (31 December 2021: RUB 28,829,503 thousand).

19. Short-term and long-term trade and other payables

Short-term trade and other payables consisted of the following as at 31 December 2022 and 2021:

	31 December 2022	31 December 2021
Trade payables to third parties	212,404,600	182,054,322
Accrued expenses and other payables to third parties	32,880,966	36,758,261
Accrued staff costs	28,686,276	22,322,220
	273,971,842	**241,134,803**

As at 31 December 2022 and 2021 long-term payables consisted of the following:

	31 December 2022	31 December 2021
Other long-term payables	–	2,553,058
	–	**2,553,058**

Average trade payables turnover was 40 days in 2022 and 42 days in 2021. Interest may be charged on the outstanding balance based on market rates in accordance with individual agreements with vendors, however no significant amounts of interest were charged to the Group during the reported year. The Group has financial risk management policies in place to help ensure that all payables are paid within the credit timeframe.

Trade and other payables denominated in foreign currencies totaled:

	31 December 2022	31 December 2021
US dollars	7,758,518	7,960,592
Euros	632,210	4,211,822
Chinese yuan	132,311	–
Pounds sterling	–	366
	8,523,039	**12,172,780**

20. Taxes payable excluding income tax

Taxes payable excluding income tax as at 31 December 2022 and 2021 consisted of the following:

	31 December 2022	31 December 2021
Social insurance contributions	18,268,135	4,194,626
Value added tax	11,443,383	8,210,562
Personal income tax	1,728,354	1,642,159
Property tax	745,147	598,069
Other taxes	119,121	73,029
	32,304,140	**14,718,445**

21. Loans and borrowings

Long-term and short-term loans and borrowings as at 31 December 2022 and 2021 consisted of the following:

	Year of maturity 2022	2022	Year of maturity 2021	2021
Long-term loans and borrowings				
Unsecured bonds	2024-2025	40,174,880	2023-2024	60,553,270
Unsecured bank loans	2024-2028	236,353,108	2023-2027	147,857,070
Less: current portion of long-term loans and borrowings		(3,257,118)		(3,123,740)
Total long-term loans and borrowings		**273,270,870**		**205,286,600**
Short-term loans and borrowings				
Unsecured bonds	2023	40,517,682	2022	30,467,826
Unsecured bank loans	2023	103,246,844	2022	31,547,745
Current portion of long-term loans and borrowings		3,257,118		3,123,740
Total short-term loans and borrowings		**147,021,644**		**65,139,311**

The Group's loans and borrowings as at 31 December 2022 and 31 December 2021 bear market interest rates. All loans, borrowings and bonds are denominated in Russian rubles. Loans and borrowings were received at fixed rates.

The Group has complied with all covenants set out in the loan agreements as of 31 December 2022 and 31 December 2021.

22. Government grants

	2022	2021
At 1 January	**2,617,340**	**2,794,945**
Received during the year	505,729	65,196
Recognized in profit or loss	(375,712)	(242,801)
At 31 December	**2,747,357**	**2,617,340**
Short-term	389,323	253,475
Long-term	2,358,034	2,363,865

22. Government grants (continued)

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

23. Contract liabilities

Contract liabilities as at 31 December 2022 and 2021 consisted of the following:

	31 December 2022	**31 December 2021**
Short-term liabilities to the customers under loyalty program	4,044,001	2,775,444
Short-term advances received from customers	1,377,417	1,401,385
	5,421,418	**4,176,829**

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

	2022	**2021**
At 1 January	**2,775,444**	**2,148,681**
Deferred during the year	18,080,299	13,450,995
Recognized as revenue during the year	(16,811,742)	(12,824,232)
At 31 December	**4,044,001**	**2,775,444**

24. Revenue from contracts with customers

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

	2022	**2021**
Retail	2,299,712,248	1,807,751,911
Wholesale	52,284,175	48,327,039
	2,351,996,423	**1,856,078,950**

Revenue from contracts with customers is represented by the amounts disclosed in the table above and advertising income and income from sales of packing materials (Note 29) and for the 2022 amounted to RUB 2,369,246,090 thousand (2021: RUB 1,872,793,927 thousand).

25. Cost of sales

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

Cost of goods sold includes losses due to inventory shortages.

In 2022, staff costs, including payroll, social contribution expenses and related provisions totaling to RUB 43,071,428 thousand (2021: RUB 35,931,907 thousand) were included in cost of sales.

26. Selling, general and administrative expenses

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

	2022	2021
Staff costs	199,620,218	163,135,486
Depreciation and impairment of right-of-use assets (Note 9)	64,853,342	52,259,587
Depreciation and impairment of property, plant and equipment (Note 8)	59,095,987	49,680,226
Utilities and communication services	42,173,670	33,998,064
Impairment of goodwill (Note 11)	25,511,824	–
Bank charges	12,125,837	9,022,470
Advertising	11,819,355	11,474,781
Amortisation and impairment of intangible assets (Note 10)	9,876,123	3,387,190
Repair and maintenance	9,549,250	8,178,649
Rent (Note 9)	5,467,946	2,738,520
Raw materials	4,739,220	4,883,828
Taxes, other than income tax	3,166,724	2,944,221
Comission fee	2,999,312	1,126,820
Security	1,851,953	1,659,216
Accrual of expected credit losses and impairment of advances paid (Note 14,15)	2,627,035	28,580
Other expenses	8,664,212	7,963,704
	464,142,008	**352,481,342**

In 2022 staff costs include payroll amounted to RUB 154,743,430 thousand (2021: RUB 128,209,860 thousand), social contribution expenses amounted to RUB 41,984,222 thousand (2021: RUB 33,762,645 thousand) and also other staff costs in amount RUB 2,892,566 thousand (2021: RUB 1,162,981 thousand).

27. Finance costs

Finance costs for the years ended 31 December 2022 and 2021 consisted of the following:

	2022	2021
Interest on loans and borrowings	22,000,380	9,821,407
Interest on bonds	5,042,477	5,687,902
Interest on lease liabilities (Note 9)	40,871,218	33,613,620
Other finance costs	118,020	211,467
Other finance costs on loans issued to related parties (Note 6)	233,594	–
Total interest expense for financial liabilities	**68,265,689**	**49,334,396**
Less amounts included in the cost of qualifying assets	(109,410)	(208,927)
	68,156,279	**49,125,469**

28. Interest income

Interest income for the years ended 31 December 2022 and 2021 consisted of the following:

	2022	2021
Interest on deposits	13,221,621	1,730,118
Interest on loans issued to related parties (Note 6)	87,247	9,282
Interest on loans issued to third parties	28,714	105,222
Interest on deposits placed with related parties (Note 6)	–	702,834
	13,337,582	**2,547,456**

29. Other income

Other income for the years ended 31 December 2022 and 2021 consisted of the following

	2022	2021
Advertising income	9,864,313	7,829,417
Sales of packing materials	7,385,354	8,885,560
Fines and penalties	5,510,028	4,260,095
Income from write-offs of accounts payable	1,606,673	–
Gain from cancellation of lease contracts (Note 9)	1,081,805	1,070,698
Gain from a bargain purchase (Note 7)	491,303	–
Gain from Covid-19 related rent concessions (Note 9)	221,845	1,819,124
Other income	791,204	877,365
	26,952,525	**24,742,259**

30. Other expenses

Other expenses for the years ended 31 December 2022 and 2021 consisted of the following

	2022	2021
Loss on disposal of intangible assets (Note 10)	3,564,242	4,035
Loss on disposal of property, plant and equipment	1,491,570	494,079
Fines and penalties	878,002	867,114
Other expenses	537,854	893,498
	6,471,668	**2,258,726**

31. Income tax

The Group's income tax expense for the years ended 31 December 2022 and 2021 was as follows:

	2022	2021
Consolidated statement of profit and loss and other comprehensive income		
Current tax	21,552,222	18,341,283
Adjustments in respect of current income tax of previous year	(15,992)	34,485
Deferred tax	(6,604,197)	(3,878,838)
Income tax expense reported in the consolidated statement of profit and loss and other comprehensive income	**14,932,033**	**14,496,930**

31. Income tax (continued)

The tax effect of main temporary differences that give rise to deferred tax assets and liabilities as at 31 December 2022 is as follows:

	At 1 January 2022	Impact of change of fair value of assets acquired and liabilities assumed under a business combination (Note 4.2)	At 1 January 2022 (restated)	Recorded in the consolidated statement of profit and loss and other comprehensive income, 2022	At 31 December 2022
Deferred tax assets					
Right-of-use assets / lease liabilities	(14,117,786)	13,355	(14,104,431)	(1,170,015)	(15,274,446)
Inventory	(5,119,238)	–	(5,119,238)	(2,621,533)	(7,740,771)
Trade and other payables	(3,166,568)	72,744	(3,239,312)	(1,310,170)	(4,549,482)
Advances paid	(181,918)	–	(181,918)	(81,193)	(263,111)
Trade and other receivables	–	–	–	(93,506)	(93,506)
Other	(978,231)	–	(978,231)	98,526	(879,705)
Total deferred tax asset	**(23,563,741)**	**(59,389)**	**(23,623,130)**	**(5,177,891)**	**(28,801,021)**
Including offset with deferred tax liability	23,563,741	59,389	23,623,130	3,192,856	26,815,986
Net deferred tax asset	**–**	**–**	**–**	**(1,985,035)**	**(1,985,035)**
Deferred tax liabilities					
Property, plant and equipment	30,548,936	–	30,548,936	(19,566)	30,529,370
Intangible assets and other prepaid expenses	1,968,463	–	1,968,463	(1,245,611)	722,852
Trade and other receivables	161,129	–	161,129	(161,129)	–
Total deferred tax liability	**32,678,528**	**–**	**32,678,528**	**(1,426,306)**	**31,252,222**
Including offset with deferred tax asset	(23,563,741)	(59,389)	(23,623,130)	(3,192,856)	(26,815,986)
Net deferred tax liability	**9,114,787**	**(59,389)**	**9,055,398**	**(4,619,162)**	**4,436,236**

31. Income tax (continued)

The tax effect of main temporary differences that give rise to deferred tax assets and liabilities as at 31 December 2021 is as follows:

	At 1 January 2021	Recorded in the consolidated statement of profit and loss and other comprehensive income, 2021	Business combination (Note 7)	At 31 December 2021
Deferred tax assets				
Right-of-use assets / lease liabilities	(12,105,870)	(763,269)	(1,248,647)	(14,117,786)
Trade and other payables	(1,879,458)	(743,102)	(544,008)	(3,166,568)
Inventory	(1,475,351)	(3,536,078)	(107,809)	(5,119,238)
Advances paid	(188,570)	6,652	–	(181,918)
Other	(564,183)	13,476	(427,524)	(978,231)
Total deferred tax asset	**(16,213,432)**	**(5,022,321)**	**(2,327,988)**	**(23,563,741)**
Including offset with deferred tax liability	16,213,432	5,022,321	2,327,988	23,563,741
Net deferred tax asset	**–**	**–**	**–**	**–**
Deferred tax liabilities				
Property, plant and equipment	27,885,979	918,754	1,744,203	30,548,936
Intangible assets and other prepaid expenses	390,401	223,169	1,354,893	1,968,463
Trade and other receivables	162,642	(1,513)	–	161,129
Total deferred tax liability	**28,439,022**	**1,140,410**	**3,099,096**	**32,678,528**
Including offset with deferred tax asset	(16,213,432)	(5,022,321)	(2,327,988)	(23,563,741)
Net deferred tax liability	**12,225,590**	**(3,881,911)**	**771,108**	**9,114,787**

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

	2022	2021
Profit before tax	**42,864,550**	**62,615,084**
Theoretical income tax expense at 20%	**(8,572,910)**	**(12,523,017)**
Adjustments for:		
Tax effect of non-deductible expenses on impairment of goodwill	(5,102,365)	–
Non-taxable income or non-deductible expenses for tax purposes	(1,029,943)	(1,585,999)
Unrecognized deferred tax assets related to losses carried forward of Group companies	(242,807)	(353,429)
Reversal/(charge) of income tax liability as a result of filing amended tax returns	15,992	(34,485)
Income tax expense	**(14,932,033)**	**(14,496,930)**
Effective income tax rate	**34.84%**	**23.15%**

31. Income tax (continued)

As at 31 December 2022 unrecognized deferred tax assets in respect of previous years losses received by the Group companies amounted to RUB 4,422,112 thousand (as of 31 December 2021: RUB 4,179,305 thousand).

Temporary differences related to investments in subsidiaries as at 31 December 2022 were not recognized (31 December 2021: temporary differences related to investments in subsidiaries, disclosed in Note 7 for which no deferred tax liability has been recognized amounted to RUB 1,867,875 thousand). The Group does not expect to sell its investments in subsidiaries in the foreseeable future, all investments are under control of the Group.

The Group intends to apply 0% tax rate to applicable dividend income in accordance with Russian Tax Code, since participation in the capital of subsidiaries is more than 50% and they are owned by the Group for more than one year (except for Greenhouse, see Note 7 for information about business combination).

32. Earnings per share

Earnings per share for the years ended 31 December 2022 and 2021 have been calculated on the basis of the net profit attributable to shareholders for the year and the weighted average number of common shares outstanding during the year.

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

	2022	**2021**
Profit for the year attributable to shareholders of the parent	27,932,517	48,118,154
Weighted average number of shares (in thousands)	98,023	97,838
Basic earnings per share (in RUB)	**284.96**	**491.81**
Effects of dilution from share options on number of shares (in thousands)	621	582
Weighted average number of ordinary shares adjusted for the effect of dilution (in thousands)	98,644	98,420
Diluted earnings per share (in RUB)	**283.16**	**488.91**

33. Share-based payments

Long-term incentive program for key management personnel

The Group has a long-term incentive program for its key management ("Program").

In accordance with the Program regulations, the Group grants key management personnel the right to receive equity instruments based on the results of their work for 2018, 2019, 2020, 2021, and 2022, if the Program conditions are met.

The long-term incentive Program for key management personnel of the Group consists of a share options (share component) and share value appreciation rights (option component).

Share value appreciation rights

Options provide transfer of a variable number of shares depending on the excess of the market value of the Company's shares over the strike price.

33. Share-based payments (continued)

Long-term incentive program for key management personnel (continued)

The maximum number of shares that can be purchased by participants during the period of the Program under the option part is 1,755,319.

The Program participant receives the right to exercise options when all of the following conditions are met:

- excess of the market value of the Company's shares at the date of calculation over the strike price;
- growth of the Group's consolidated EBITDA (Profit before interest, taxes, depreciation and amortization) of 10% CAGR (total comprehensive annual growth rate for calculating interest using the compound interest formula) compared to EBITDA for the year ended 31 December 2018 (determined based on the audited published consolidated financial statements of the Group for 2019);
- program participant continues to work in the Group on the exercise date of the option.

Share options

Share-based payment to the participant of the Program of a fixed number of shares depending on the fulfillment of the conditions for achieving the goals of the Program.

The date of granting the right corresponds to the date of conclusion of the contract with the Program participant.

The maximum number of shares that can be purchased by participants during the period of the Program under the share part is 1,755,319.

The Program participant receives the right to shares if all of the following conditions are met:

- Group's consolidated EBITDA growth of 10% CAGR compared to EBITDA for the year ended 31 December 2018 (determined based on the audited published consolidated financial statements of the Group for 2019);
- Program participant continues to work in the Group on the exercise date of the option.

To assess the fair value of share-based payments to employees, the Group uses Monte Carlo simulation.

In determining fair value, the Group has used the following assumptions:

	2022	**2021**
Dividend income (%)	7	9
The expected average volatility for the period (%)	28.9	25.65
Average risk-free interest rate for the period (%)	7.19	8.20
Estimated time for exercise of options (years)	3	4
Weighted average share price (RUB)	4,149	4,893
Applicable model	Monte Carlo	Monte Carlo

Movement for the period

For the year ended 31 December 2022, the Group recognized an expense in respect of share-based payments in the amount of RUB 764,683 thousand (2021: RUB 821,238 thousand) in the consolidated statement of profit and loss and other comprehensive income.

33. Share-based payments (continued)

Movement for the period (continued)

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

During 2022, the Group transferred 165,622 treasury shares (2021: 222,449 treasury shares) repurchased from shareholders as a compensation to key management personnel under the Long-term remuneration of key employees of the Group.

The fair value of the consideration transferred was RUB 527,905 thousand (2021: RUB 756,794 thousand). The difference between the carrying amount of the treasury shares and the fair value of the consideration transferred under the Program in the amount of RUB 96,225 thousand reflected as a decrease in share premium (2021: RUB 81,558 thousand recorded as an decrease in share premium).

The weighted average fair value per share at the execution was RUB 3,187 in 2022 (2021: RUB 3,350).

Modification of the share options reserve

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

Share-based payments under the employment contract with the Company's President

According to the terms of the employment contract concluded with the Company's President, the President is entitled to the Company's equity instruments provided that he continues to work in the Company from 2018 to 2021. According to the contract, a fixed number of the Company's shares amounted to 164,710 ordinary shares were transferred to the President. In 2021, this incentive program was completed.

In 2021 the Group recognized an expense in the consolidated statement of profit and loss and other comprehensive income in respect of share-based payments of RUB 19,161 thousand.

During 2021, the Group transferred 41,177 treasury shares repurchased from shareholders under the terms of the employment agreement entered into with the Company's President (Note 28).

The fair value of equity instruments provided during the period was RUB 172,451 thousand. The difference between the carrying amount of the treasury shares and the fair value of the consideration given to the President in the amount of RUB 17,278 thousand was recorded as an increase in share premium.

The weighted average price per share at the execution date was RUB 4,188.

34. Contingencies, commitments and operating risks

Operating environment

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

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

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

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

Impact of the geopolitical situation

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

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

Tax legislation

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

34. Contingencies, commitments and operating risks (continued)

Tax legislation (continued)

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

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

These changes and recent trends in applying and interpreting certain provisions of Russian tax legislation indicate that the tax authorities may take a more assertive position in interpreting legislation as part of control activities. The tax authorities may thus challenge transactions and approaches to applying legislation that they have not challenged before.

It is not possible to determine the amounts of constructive claims or evaluate probability of their negative outcome.

Management believes that as at 31 December 2022 and at 31 December 2021, it had properly construed the relevant legislation, and the probability that the Group will retain its position with regard to tax, currency and customs law is assessed as high. As at 31 December 2022 and 2021, the Group accrued no provisions for tax positions.

Litigation

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

Capital commitments

As at 31 December 2022 and 2021, the Group entered in a number of agreements related to the acquisition of property, plant and equipment. Capital commitments are presented net of VAT:

	31 December 2022	**31 December 2021**
Within 1 year	5,786,521	5,538,208
	5,786,521	**5,538,208**

35. Financial risk management objectives and policies

Capital risk management

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

The capital structure of the Group consists of loans and borrowings disclosed in Note 21, cash and cash equivalents disclosed in Note 16 and equity attributable to shareholders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 17.

Debt-to-equity ratio

Management reviews the Group's capital structure on an annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group has a actual net debt-to-equity ratio in 2022 of 2.66 (2021: 3.65).

The debt-to-equity ratio as at 31 December 2022 and 2021 was as follows:

	2022	2021
Loans and borrowings (Note 21)	420,292,514	270,425,911
Long-term and short-term lease liabilities (Note 9)	446,811,486	456,306,020
Cash and cash equivalents (Note 16)	(314,912,124)	(73,398,608)
Net debt	**552,191,876**	**653,333,323**
Equity	207,382,304	178,997,471
Net debt-to-equity ratio	**2.66**	**3.65**

Net debt is defined as long-term and short-term loans and borrowings and also long-term and short-term lease obligations net of cash and cash equivalents. Equity includes all capital and reserves of the Group.

The change in the actual net debt-to-equity ratio is due to a decrease in net debt in 2022.

Fair values

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

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

	Carrying amount		Fair value	
	2022	2021	2022	2021
Long-term loans (Note 21)	233,095,990	145,376,171	231,257,474	138,170,569
Bonds (Note 21)	40,174,880	59,910,429	39,885,000	57,953,500

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

As at 31 December 2022 and 2021, the fair value of the Group's financial instruments, except as described above, approximates their carrying value.

35. Financial risk management objectives and policies (continued)

Fair values (continued)

Set out below are changes in liabilities arising from financing activities:

	1 January (Note 21)	Proceeds from loans and borrowings	Business combination (Note 7)	Repayment of loans and borrowings	Finance costs (Note 27)	Interest paid	31 December (Note 21)
2022							
Short-term and long-term loans and borrowings	270,425,911	321,623,454	3,693,316	(175,664,781)	27,042,857	(26,828,243)	420,292,514
2021							
Short-term and long-term loans and borrowings	166,086,527	169,505,660	23,095,628	(88,752,694)	15,509,309	(15,018,519)	270,425,911

Information about changes in lease liability are presented in Note 9.

	As at 1 January	Dividends declared	Dividends paid	As at 31 December
2022				
Dividends payable (Note 18)	28,829,503	–	(28,829,503)	–
2021				
Dividends payable (Note 18)	24,094,729	52,850,006	(48,115,232)	28,829,503

Foreign currency risk management

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

As at 31 December 2022 and 2021 the foreign currency balances were presented by trade and other payables, cash and deposits in foreign currency disclosed in Notes 16 and 19.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the US dollar, euro and Chinese yuan (CNY) exchange rate, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in USD exchange rate	Effect on profit before tax	Change in euro exchange rate	Effect on profit before tax	Change in CNY exchange rate	Effect on profit before tax
2022	+25.00%	(1,939,630)	+25.00%	(158,053)	+20.00%	(26,462)
	-25.00%	1,939,630	-25.00%	158,053	-20.00%	26,462
2021	+15.00%	(1,194,089)	+15.00%	(631,773)	+15.00%	–
	-15.00%	1,194,089	-15.00%	631,773	-15.00%	–

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

35. Financial risk management objectives and policies (continued)

Interest rate risk management

The Group is exposed to insignificant interest rate risk as the Group's entities borrow funds at the fixed rates.

Credit risk management

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

Trade and other receivables

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

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

Cash and cash equivalents

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

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

Offsetting of financial assets and financial liabilities

The Group offsets its financial assets and financial liabilities when all the conditions for offset are met.

35. Financial risk management objectives and policies (continued)

Offsetting of financial assets and financial liabilities (continued)

The effect of the offsetting as at 31 December 2022:

As at 31 December 2022	Gross amount of recognized financial assets and liabilities	Gross amount of recognized financial liabilities and assets offset in the consolidated statement of financial position	Net amount of financial assets and liabilities presented in the consolidated statement of financial position
Financial assets			
Trade and other receivables	28,340,948	(8,143,764)	20,197,184
	28,340,948	**(8,143,764)**	**20,197,184**
Financial liabilities			
Trade and other payables			
Financial assets	(282,115,606)	8,143,764	(273,971,842)
	(282,115,606)	**8,143,764**	**(273,971,842)**

The effect of the offsetting as at 31 December 2021:

As at 31 December 2021	Gross amount of recognized financial assets and liabilities	Gross amount of recognized financial liabilities and assets offset in the consolidated statement of financial position	Net amount of financial assets and liabilities presented in the consolidated statement of financial position
Financial assets			
Trade and other receivables	22,975,111	(11,248,336)	11,726,775
	22,975,111	**(11,248,336)**	**11,726,775**
Financial liabilities			
Trade and other payables			
Financial assets	(252,383,139)	11,248,336	(241,134,803)
	(252,383,139)	**11,248,336**	**(241,134,803)**

Liquidity risk management

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

35. Financial risk management objectives and policies (continued)

Liquidity risk management (continued)

The following tables summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments. The table includes both interest and principal cash flows.

	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Total
2022						
Trade and other payables	208,723,989	64,697,857	549,996	–	–	**273,971,842**
Dividends payable	–	–	–	–	–	**–**
Long-term and short-term lease liabilities	6,889,479	20,703,196	55,269,262	333,700,114	103,913,048	**520,475,099**
Long-term and short-term loans and borrowings	7,387,525	124,286,795	100,412,185	298,180,675	1,581,959	**531,849,139**
	223,000,993	**209,687,848**	**156,231,443**	**631,880,789**	**105,495,007**	**1,326,296,080**
2021						
Trade and other payables	165,814,593	74,960,260	–	2,913,008	–	**243,687,861**
Dividends payable	28,829,503	–	–	–	–	**28,829,503**
Long-term and short-term lease liabilities	8,131,999	16,239,147	73,312,099	329,070,610	196,635,694	**623,389,549**
Long-term and short-term loans and borrowings	942,770	21,230,436	57,303,441	218,725,131	203,103	**298,404,881**
	203,718,865	**112,429,843**	**130,615,540**	**550,708,749**	**196,838,797**	**1,194,311,794**

Additionally to the current loans the Group has access to financing facilities of RUB 323,168,681 thousand remained unused at 31 December 2022 (2021: RUB 261,811,137 thousand). The Group expects to meet its other obligations from operating cash flows and proceeds from maturing financial assets.

36. Subsequent events

There are no significant subsequent events.