



**X5 Retail Group N.V.**

**International Financial Reporting Standards  
Consolidated Financial Statements**

**31 December 2022**

**Contents**

<b>INDEPENDENT AUDITOR'S REPORT</b> .....	3
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....	9
CONSOLIDATED STATEMENT OF PROFIT OR LOSS .....	10
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME .....	11
CONSOLIDATED STATEMENT OF CASH FLOWS .....	12
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....	13
<b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</b>	
1 PRINCIPAL ACTIVITIES AND THE GROUP STRUCTURE .....	14
2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	14
3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES .....	27
4 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS AND NEW ACCOUNTING PRONOUNCEMENTS .....	30
5 SEGMENT REPORTING .....	31
6 SUBSIDIARIES .....	32
7 ACQUISITION OF BUSINESSES .....	32
8 RELATED PARTY TRANSACTIONS .....	35
9 CASH AND CASH EQUIVALENTS, SHORT-TERM FINANCIAL INVESTMENTS .....	37
10 PROPERTY, PLANT AND EQUIPMENT .....	38
11 LEASES .....	39
12 INVESTMENT PROPERTIES .....	41
13 GOODWILL .....	42
14 OTHER INTANGIBLE ASSETS .....	43
15 INVENTORIES .....	44
16 FINANCIAL INSTRUMENTS BY CATEGORY .....	44
17 TRADE, OTHER ACCOUNTS RECEIVABLE AND PREPAYMENTS .....	45
18 VAT AND OTHER TAXES RECEIVABLE .....	47
19 PROVISIONS AND OTHER LIABILITIES .....	47
20 CONTRACT LIABILITIES .....	47
21 BORROWINGS .....	48
22 SHARE CAPITAL .....	49
23 EARNINGS PER SHARE .....	49
24 REVENUE .....	49
25 EXPENSES BY NATURE .....	50
26 LEASE/SUBLEASE AND OTHER INCOME .....	50
27 FINANCE INCOME AND COSTS .....	50
28 STAFF COSTS .....	51
29 SHARE-BASED PAYMENTS .....	51
30 INCOME TAX .....	52
31 FINANCIAL RISK MANAGEMENT .....	54
32 OPERATING ENVIRONMENT OF THE GROUP .....	56
33 CAPITAL RISK MANAGEMENT .....	57
34 FAIR VALUE OF FINANCIAL INSTRUMENTS .....	57
35 COMMITMENTS AND CONTINGENCIES .....	57
36 SUBSEQUENT EVENTS .....	59

## **Independent auditor’s report**

To the Shareholders  
and the Supervisory board of  
X5 Retail Group N.V.

### ***Opinion***

We have audited the consolidated financial statements of X5 Retail Group N.V. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of 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) as adopted by the European Union (EU 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.

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**

##### **Goodwill impairment**

We consider goodwill impairment a key audit matter since the goodwill amount is significant at the reporting date, and also due to the fact that the methodology for assessment of the recoverable amount is complex and management's process to assess the recoverable amount is based on the use of significant judgment with regard to the assumptions on expected future cash flows, the discount rate and other forecasts values.

Information on goodwill and the results of its impairment testing is disclosed in Note 13 to the consolidated financial statements.

As part of our audit procedures, we reviewed the Group's methodology used for goodwill impairment testing purposes and assessed its compliance with IFRS requirements as well as its consistent application. We analyzed key assumptions used by management and compared them with industry trends and forecasts prepared by independent analysts, internal forecasts and historical indicators.

With the involvement of internal valuation experts we reviewed the methodology applied, compared the inputs and assumptions used in the impairment model with common practice and observable market data and also assessed the applicable methodology for compliance with IFRS requirements.

We tested the accuracy of estimates and assumptions applied by management in the previous reporting period to exclude potential bias.

We assessed the mathematical accuracy of goodwill impairment testing. We compared inputs used in the model with figures from the audited consolidated financial statements and other information obtained during the audit.

We analyzed goodwill impairment disclosures presented in notes to the consolidated financial statements.



NEW CHALLENGES  
NEW SOLUTIONS

## **Key audit matter**

## **How our audit addressed the key audit matter**

### ***Impairment of stores and other non-current assets***

The carrying amount of stores and other non-current assets, such as right-of-use assets, property, equipment and intangible assets, excluding goodwill, as at 31 December 2022 approximated RUB 867 billion. We consider impairment of stores and other non-current assets a key audit matter due to the materiality of their carrying amount and the significant use of judgment in assessing the recoverable amount of those assets. Judgment is mainly used in determining the discount rate and preparing store performance forecasts, which, inter alia, depend on the expected income determined on the basis of the strategic development plan with reference to macroeconomic forecasts and local competition. Judgment is also used in determining the fair value of property on the basis of internal and external property valuation reports.

Information on property, plant and equipment, right-of-use assets, investment property and other intangible assets is presented in Notes 10, 11, 12 and 14 to the consolidated financial statements.

As part of our audit procedures, we reviewed the Group's methodology used for impairment testing of stores and other non-current assets and assessed its compliance with IFRS requirements as well as its consistent application.

For stores covered by impairment testing, we analyzed key assumptions used by management to prepare cash flow forecasts and compared them with industry trends and forecasts prepared by independent analysts, internal forecasts and historical indicators.

We tested the accuracy of estimates and assumptions applied by management in the previous reporting period to exclude potential bias.

With the involvement of internal valuation experts we reviewed the methodology applied, compared the inputs and assumptions used in the impairment model with common practice and observable market data and assessed the applicable methodology for compliance with IFRS requirements.

We assessed the mathematical accuracy of impairment testing of stores and other non-current assets. We compared inputs used in the model with figures from the audited consolidated financial statements and other information obtained during the audit.

With the involvement of internal real estate valuation experts we analyzed the results of property valuation performed by the Group. We also analyzed objectivity and competence of independent appraisers engaged by the Group.

We reviewed disclosures in notes to the consolidated financial statements.



**Key audit matter**

**How our audit addressed the key audit matter**

***Recognition of vendor allowances***

The Group receives various types of vendor allowances, such as discounts and income from services rendered. Discounts largely depend on the volumes of purchased goods, while income from services rendered is associated with promotional activities for certain products.

Vendor allowances represent a significant component of the cost of sales and are recognized as its reduction. Although most vendor allowances are settled during the financial year, a significant amount remains outstanding at the end of each year and is recognized as trade receivables.

We consider vendor allowances a key audit matter, since bonus conditions vary from contract to contract and can be complicated. In addition, the recognition of vendor allowances and related receivables requires management to use certain judgment, in particular, considering the delivery of such services or allocation of vendor allowances to the inventory cost.

Information on the Group's accounting policies relating to bonuses from suppliers is disclosed in Note 2.24 to the consolidated financial statements.

Our procedures included tests of internal control over the occurrence, completeness and measurement of vendor allowances recognized in the accounting records, and covered both IT application and manual controls.

We tested a sample of direct confirmations received from suppliers with regard to receivables as at 30 September 2022. We also tested vendor allowances for the fourth quarter of 2022, including performing substantive analytical procedures and detailed testing on a sample of vendor allowances transactions and settlements.

We also tested on a sample basis documents supporting journal entries regarding the recognition of vendor allowances and service fees. In addition, we performed a margin analysis and reviewed subsequent collections on prior period vendor allowance receivables and subsequent collections of the vendor allowances receivable in the current year.

We analyzed accounting policies related to vendor allowances.

We reviewed disclosures in notes to the consolidated financial statements.

***Other information included in the annual report of X5 Group***

Other information consists of the annual report of X5 Group other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The annual report of X5 Group 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.

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 and the Supervisory Board for the consolidated financial statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with EU-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.



**NEW CHALLENGES  
NEW SOLUTIONS**

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.

The Supervisory Board are responsible for overseeing the Group's financial reporting process.

### ***Auditor's responsibilities for the audit of the consolidated financial statements***

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities 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.



**NEW CHALLENGES  
NEW SOLUTIONS**

We communicate with the Supervisory Board 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 Supervisory Board 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 Supervisory Board, 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 M.Y. Golovkina.

Signed by M.Y. Golovkina  
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 21906100348)

16 March 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: X5 Retail Group N.V.  
Record made in the Netherlands Chamber of Commerce on 13 August 1975, Registration Number 33143036.  
Address: the Netherlands, Amsterdam, Zuidplein 196, 1077 XV.



	Note	31 December 2022	31 December 2021
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	315,612	332,144
Right-of-use assets	11	508,543	502,325
Investment properties	12	4,573	4,461
Goodwill	13	112,929	105,028
Other intangible assets	14	38,327	39,006
Investments in associates and joint ventures		–	50
Other non-current assets		4,164	4,209
Deferred tax assets	30	27,482	23,047
		<b>1,011,630</b>	<b>1,010,270</b>
<b>Current assets</b>			
Inventories	15	208,661	166,840
Indemnification asset	7, 35	6,391	435
Trade, other accounts receivable and prepayments	17	21,382	20,190
Current income tax receivable		1,622	4,057
VAT and other taxes receivable	18	9,007	8,802
Short-term financial investments	9	50,067	50,092
Cash and cash equivalents	9	43,255	26,062
		<b>340,385</b>	<b>276,478</b>
<b>Total assets</b>		<b>1,352,015</b>	<b>1,286,748</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	22	2,458	2,458
Share premium		46,127	46,127
Retained earnings		84,125	38,926
Other capital reserves		432	–
Share-based payment reserve	29	–	118
		<b>133,142</b>	<b>87,629</b>
<b>Total equity</b>		<b>133,142</b>	<b>87,629</b>
<b>Non-current liabilities</b>			
Long-term borrowings	21	147,386	206,571
Long-term lease liabilities	11	519,317	507,099
Deferred tax liabilities	30	6,954	928
Other non-current liabilities	7, 28	6,206	1,670
		<b>679,863</b>	<b>716,268</b>
<b>Current liabilities</b>			
Trade accounts payable		238,641	212,949
Short-term borrowings	21	87,146	87,767
Interest accrued		1,143	1,792
Short-term lease liabilities	11	71,843	70,264
Short-term contract liabilities	20	3,767	2,392
Current income tax payable		6,020	3,014
Provisions and other liabilities	19	130,450	104,673
		<b>539,010</b>	<b>482,851</b>
<b>Total liabilities</b>		<b>1,218,873</b>	<b>1,199,119</b>
<b>Total equity and liabilities</b>		<b>1,352,015</b>	<b>1,286,748</b>

Igor Shekhterman  
Chief Executive Officer  
16 March 2023

Vsevolod Starukhin  
Chief Financial Officer  
16 March 2023

*The accompanying notes are the integral part of these consolidated financial statements.*

	Note	2022	2021
Revenue	24	2,605,232	2,204,819
Cost of sales	25	(1,970,036)	(1,643,502)
<b>Gross profit</b>		<b>635,196</b>	<b>561,317</b>
Selling, general and administrative expenses	25	(519,757)	(467,468)
Net impairment losses on financial assets	17	(346)	(154)
Lease/sublease and other income	26	23,025	23,877
<b>Operating profit</b>		<b>138,118</b>	<b>117,572</b>
Finance costs	27	(73,727)	(57,815)
Finance income	27	5,310	586
Net foreign exchange (loss)/gain		(2,032)	399
<b>Profit before tax</b>		<b>67,669</b>	<b>60,742</b>
Income tax expense	30	(22,481)	(18,004)
<b>Profit for the year</b>		<b>45,188</b>	<b>42,738</b>
<b>Profit for the year attributable to:</b>			
Equity holders of the parent		45,199	42,738
Non-controlling interests		(11)	-
Basic earnings per share for profit attributable to the equity holders of the parent (expressed in RUB per share)	23	665.78	629.55
Diluted earnings per share for profit attributable to the equity holders of the parent (expressed in RUB per share)	23	665.78	629.54

\_\_\_\_\_  
Igor Shekhterman  
Chief Executive Officer  
16 March 2023

\_\_\_\_\_  
Vsevolod Starukhin  
Chief Financial Officer  
16 March 2023



**X5 Retail Group N.V.**  
**Consolidated Statement of Comprehensive Income**  
**for the year ended 31 December 2022**  
*(expressed in millions of Russian Roubles, unless otherwise stated)*

	<b>2022</b>	<b>2021</b>
Profit for the year	45,188	42,738
<b>Total comprehensive income for the year, net of tax</b>	<b>45,188</b>	<b>42,738</b>
<b>Total comprehensive income for the year attributable to:</b>		
Equity holders of the parent	45,199	42,738
Non-controlling interest	(11)	-

\_\_\_\_\_  
Igor Shekhterman  
Chief Executive Officer  
16 March 2023

\_\_\_\_\_  
Vsevolod Starukhin  
Chief Financial Officer  
16 March 2023

	Note	2022	2021
<b>Profit before tax</b>		<b>67,669</b>	<b>60,742</b>
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment of property, plant and equipment, right-of-use assets, investment properties, other intangible assets and goodwill	25	164,731	150,278
Gain on disposal of property plant and equipment, investment properties and intangible assets and gain on derecognition of right-of-use assets		(2,276)	(3,345)
Finance costs, net	27	68,417	57,229
Net impairment losses on financial assets	17	346	154
Impairment of prepayments	17	412	221
Share-based compensation expense	29	13	89
Net foreign exchange loss/(gain)		2,032	(399)
Other non-cash items		(576)	559
<b>Net cash from operating activities before changes in working capital</b>		<b>300,768</b>	<b>265,528</b>
Increase in trade, other accounts receivable and prepayments and VAT and other taxes receivable		(1,388)	(1,198)
Increase in inventories		(37,060)	(22,447)
Increase in trade payable		22,833	42,108
Increase in other accounts payable and contract liabilities		21,539	13,952
<b>Net cash flows from operations</b>		<b>306,692</b>	<b>297,943</b>
Interest paid		(73,067)	(56,561)
Interest received		5,276	60
Income tax paid		(17,977)	(13,980)
<b>Net cash flows from operating activities</b>		<b>220,924</b>	<b>227,462</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and initial direct costs associated with right-of-use assets		(59,554)	(76,574)
Acquisition of businesses, net of cash acquired	7	(5,495)	(1,771)
Proceeds from disposal of property, plant and equipment, investment properties and intangible assets		3,192	4,392
Purchase of other intangible assets		(14,121)	(15,482)
Proceeds from short-term financial investments		30,000	-
Payments for financial investments	9	(30,000)	(50,000)
<b>Net cash flows used in investing activities</b>		<b>(75,978)</b>	<b>(139,435)</b>
<b>Cash flows from financing activities</b>			
Proceeds from loans	21	148,974	132,345
Repayment of loans	21	(210,615)	(99,585)
Purchase of treasury shares		-	(34)
Payments of principal portion of lease liabilities	11	(66,014)	(64,610)
Dividends paid to equity holders of the parent	22	-	(50,006)
<b>Net cash flows used in financing activities</b>		<b>(127,655)</b>	<b>(81,890)</b>
Effect of exchange rate changes on cash and cash equivalents		(98)	(83)
<b>Net increase in cash and cash equivalents</b>		<b>17,193</b>	<b>6,054</b>
<b>Movements in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year	9	26,062	20,008
Net increase in cash and cash equivalents		17,193	6,054
<b>Cash and cash equivalents at the end of the year</b>	<b>9</b>	<b>43,255</b>	<b>26,062</b>

Igor Shekhterman  
Chief Executive Officer  
16 March 2023

Vsevolod Starukhin  
Chief Financial Officer  
16 March 2023

*The accompanying notes are the integral part of these consolidated financial statements.*



**X5 Retail Group N.V.**  
**Consolidated Statement of Changes In Equity**  
**for the year ended 31 December 2022**  
*(expressed in millions of Russian Roubles, unless otherwise stated)*

	Attributable to equity holders of the parent								Total
	Number of shares	Share capital	Share premium	Share-based payment reserve	Other capital reserves	Retained earnings	Total shareholders' equity	Non-controlling interests	
<b>Balance as at 1 January 2021</b>	<b>67,882,444</b>	<b>2,458</b>	<b>46,086</b>	<b>104</b>	<b>–</b>	<b>46,194</b>	<b>94,842</b>	<b>–</b>	<b>94,842</b>
Profit for the period	–	–	–	–	–	42,738	42,738	–	42,738
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>42,738</b>	<b>42,738</b>	<b>–</b>	<b>42,738</b>
Dividends (Note 22)	–	–	–	–	–	(50,006)	(50,006)	–	(50,006)
Share-based payment compensation (Note 29)	–	–	–	89	–	–	89	–	89
Transfer and waiving of vested equity rights (Note 29)	6,252	–	41	(75)	–	–	(34)	–	(34)
<b>Balance as at 31 December 2021</b>	<b>67,888,696</b>	<b>2,458</b>	<b>46,127</b>	<b>118</b>	<b>–</b>	<b>38,926</b>	<b>87,629</b>	<b>–</b>	<b>87,629</b>
<b>Balance as at 1 January 2022</b>	<b>67,888,696</b>	<b>2,458</b>	<b>46,127</b>	<b>118</b>	<b>–</b>	<b>38,926</b>	<b>87,629</b>	<b>–</b>	<b>87,629</b>
Profit for the period	–	–	–	–	–	45,199	45,199	(11)	45,188
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>45,199</b>	<b>45,199</b>	<b>(11)</b>	<b>45,188</b>
Share-based payment compensation (Note 29)	–	–	–	(3)	–	–	(3)	–	(3)
Transfer (Note 29)	–	–	–	(38)	38	–	–	–	–
Modification of share-based payments (Note 29)	–	–	–	(77)	–	–	(77)	–	(77)
Acquisition of subsidiaries (Note 7)	–	–	–	–	–	–	–	2,609	2,609
Purchase commitments for non-controlling interests' shares (Note 7)	–	–	–	–	(2,204)	–	(2,204)	–	(2,204)
Impact of changes in non-controlling interests with purchase commitments (Note 7)	–	–	–	–	2,598	–	2,598	(2,598)	–
<b>Balance as at 31 December 2022</b>	<b>67,888,696</b>	<b>2,458</b>	<b>46,127</b>	<b>–</b>	<b>432</b>	<b>84,125</b>	<b>133,142</b>	<b>–</b>	<b>133,142</b>

Igor Shekhterman  
 Chief Executive Officer  
 16 March 2023

Vsevolod Starukhin  
 Chief Financial Officer  
 16 March 2023

*The accompanying notes are the integral part of these consolidated financial statements.*

## 1 PRINCIPAL ACTIVITIES AND THE GROUP STRUCTURE

These consolidated financial statements are for the economic entity comprising X5 Retail Group N.V. (the “Company”) and its subsidiaries, as set out in Note 6 (the “Group”).

X5 Retail Group N.V. is a joint stock limited liability company established in August 1975 under the laws of the Netherlands. The principal activity of the Company is to act as a holding company for a group of companies that operate retail grocery stores. The Company’s address and tax domicile is Zuidplein 196, 1077 XV Amsterdam, the Netherlands.

The main activity of the Group is the development and operation of grocery retail stores. As at 31 December 2022 the Group operated a retail chain of 21,323 proximity stores, supermarket, hypermarket, hard discounter, online hypermarket stores, dark kitchens, “Krasny Yar” & “Slata” stores and joint dark stores under the brand names “Pyaterochka”, “Perekrestok”, “Karusel”, “Chizhik”, “Perekrestok Vprok”, “Mnogo Lososya”, “Krasny Yar” and “Slata” (each representing separate format) in major population centres in Russia, including but not limited to Moscow, St. Petersburg, Nizhniy Novgorod, Rostov-on-Don, Kazan, Samara, Lipetsk, Chelyabinsk, Perm, Ekaterinburg, Krasnoyarsk, Irkutsk (31 December 2021: 19,121 proximity stores, supermarket, hypermarket, hard discounter, online hypermarket stores and dark kitchens under the brand names “Pyaterochka”, “Perekrestok”, “Karusel”, “Chizhik”, “Perekrestok Vprok” and “Mnogo Lososya”), with the following number of stores:

	<b>31 December 2022</b>	<b>31 December 2021</b>
“Pyaterochka” – Proximity store	19,164	17,972
“Perekrestok” – Supermarket	971	990
“Krasny Yar” & “Slata” stores	595	–
“Chizhik” – Hard discounter	517	72
“Mnogo Lososya” – Dark kitchen	54	48
“Karusel” – Hypermarket	12	33
Joint dark stores	7	–
“Perekrestok Vprok” – Online hypermarket	3	6
<b>Total stores</b>	<b>21,323</b>	<b>19,121</b>

As at 31 December 2022 and 31 December 2021 the principal shareholder exerting significant influence over the Company was CTF Holdings S.A. (“CTF”). As at 31 December 2022 and 31 December 2021 CTF directly owned 47.87% and 47.87% of total issued shares in the Company respectively. CTF is not an ultimate controlling party for the Group. As at 31 December 2022 and 31 December 2021 the Company’s shares were listed on the London and Moscow Stock Exchanges in the form of Global Depositary Receipts (GDRs) with each GDR representing an interest of 0.25 in an ordinary share (Note 22).

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

### 2.1 Basis of preparation

These consolidated financial statements for the year ended 31 December 2022 have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) as adopted by the European Union. These consolidated financial statements are not intended for statutory reporting in accordance with Part 9 Book 2 of the Dutch Civil Code.

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities (including derivative instruments) that have been measured at fair value. The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3. Management prepared these consolidated financial statements on a going concern basis. In making this judgment management considered the Group’s financial position, current intentions, profitability of operations, access to financial resources (Note 31) and the potential impact of COVID-19 and the sanctions being imposed against certain entities and individuals in Russia (Note 36). On 16 March 2023, the Management Board authorised the consolidated financial statements for issue. Publication is on 17 March 2023.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **2.2 Basis of consolidation**

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of businesses other than those acquired from parties under common control. The consideration transferred is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed. The date of exchange is the acquisition date where a business combination is achieved in a single transaction. However, when a business combination is achieved in stages by successive share purchases, the date of exchange is the date of each exchange transaction; whereas the acquisition date is the date on which acquirer obtains control of the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised 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 recognised 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 recognised in profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Pending specific guidance from IFRSs regarding accounting for put options not giving present ownership interest in the non-controlling share of subsidiaries the Group accounts for such transactions as follows:

- (a) Determine the amount that would have been recognised for the non-controlling interest (NCI), including an update to reflect allocations of profit or loss, allocations of changes in OCI and dividends declared for the reporting period, as required by IFRS 10 Consolidated financial statements.
- (b) Derecognise the NCI as if it was acquired at the acquisition date or reporting date for the subsequent periods.
- (c) Recognise a financial liability at the present value of the amount payable on exercise of the NCI put in accordance with IFRS 9 Financial Instruments with no separate accounting for the unwinding of the discount due to the passage of time.
- (d) The difference between (b) and (c) is accounted for as an equity transaction within "Other reserves" in equity.
- (e) When the NCI put is exercised the amount recognised as the financial liability at that date is extinguished by the payment of the exercise price.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **2.2 Basis of consolidation (continued)**

Purchases of subsidiaries from parties under common control are accounted for using the pooling of interest method (also referred as “the predecessor values method”). Under this method the consolidated financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented or, if later, the date when the combining entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity’s carrying amounts.

The predecessor entity is considered to be the highest reporting entity in which the subsidiary’s IFRS financial information was consolidated. Related goodwill inherent in the predecessor entity’s original acquisitions is also recorded in these consolidated financial statements. Any difference between the carrying amount of net assets, including the predecessor entity’s goodwill, and the consideration for the acquisition is accounted for in these consolidated financial statements as an adjustment to other reserve within equity.

### **2.3 Foreign currency translation and transactions**

#### **(a) Functional and presentation currency**

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

#### **(b) Transactions and balances**

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

### **2.4 Segment reporting**

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Management Board. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The Group identifies retail chains of each format and dark kitchens (Note 1) as separate operating segments in accordance with the criteria set forth in IFRS 8. Reportable segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

### **2.5 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment, where required. Cost includes expenditure that is directly attributable to the acquisition or construction of the item.

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of property, plant and equipment are capitalised and the replaced parts are retired. Capitalised costs are depreciated over the remaining useful life of the property, plant and equipment or part’s estimated useful life whichever is sooner.

Leasehold improvements are capitalised when it is probable that future economic benefits associated with the improvements will flow to the Group and the cost can be measured reliably.

At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment including construction in progress. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset’s fair value less costs of disposal and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the consolidated statement of profit or loss. An impairment loss recognised for an asset in prior years is reversed if there has been a favourable change in circumstances affecting estimates used to determine the asset’s value in use or fair value less costs of disposal.

Gains and losses on disposals determined by comparing the proceeds with the carrying amount are recognised in profit or loss.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Land and assets under construction are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. Buildings are divided into foundation and frame with a depreciation period of 40-50 years and other parts of 7-8 years. Other parts mainly include fixtures and fitting.

The depreciation periods, which approximate the estimated useful economic lives of the respective assets, are as follows:

	<b>Useful lives</b>
Buildings (foundation and frame)	40-50 years
Buildings (other parts)	7-8 years
Machinery and equipment	>1-10 years
Refrigerating equipment	7-10 years
Vehicles	4-7 years
Other	3-5 years

The residual value of an asset is the estimated amount that the Group would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted prospectively if appropriate, at each reporting date.

### 2.6 Investment properties

Investment properties consist of buildings held by the Group to earn rental income or for capital appreciation, or both, and which are not occupied by the Group. The Group recognises the part of owned shopping centres that are leased to third party retailers as investment properties, unless they represent insignificant portions of the property and are used primarily to provide auxiliary services to retail customers not provided by the Group rather than to earn rental income. After purchase or construction of the building the Group assesses the main purpose of its use and, if the main purpose is to earn rental income or for capital appreciation, or both, the building is classified as investment property.

Investment properties are stated at cost less accumulated depreciation and provision for impairment, where required. If any indication exists that investment properties may be impaired, the Group estimates the recoverable amount as the higher of value in use and fair value less costs of disposal. Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with it will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Transfers are made to (or from) investment properties only when there is a change in use. Transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes. Depreciation on items of investment properties is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The depreciation periods, which approximate the estimated useful economic lives of the respective assets, are 40-50 years.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Fair value determined for the disclosure purposes (Note 12) represents the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The measurement is classified in level 3 of the fair value hierarchy.

### 2.7 Intangible assets

#### (a) Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill represents the excess of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date over the fair value of the net assets of the acquired subsidiary at the date of exchange. Goodwill is not deductible for tax purposes.

The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is tested on the operating segment level.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.7 Intangible assets (continued)

#### (b) Brand and private labels

Brand and private labels acquired in a business combination are recognised initially at fair value. Private labels are amortised using the straight-line method over their useful lives. The useful life of “Pyaterochka” brand is estimated to be indefinite-lived as there is no foreseeable limit to the period over which the brand is expected to generate net cash inflows for the Group. In 2021 and 2022 the Group revised the useful life of brand “Karusel” in view of continuing operating segment reorganisation and determined that the remaining useful life of 5 years and 3 months as of 31 December 2021 and 31 December 2022, respectively, fairly reflects the period over which the Group expects net cash inflows from the asset.

	Useful lives
Brands “Krasny Yar”, “Baton”, “Slata”, “KhlebSol”	3 years
Private labels	1-8 years

#### (c) Software and other intangible assets

Expenditure on acquired patents, licenses and software development is capitalised and amortised using the straight-line method over their useful lives ranging from 1 to 10 years (5 on average).

Research costs related to software development are expensed as incurred. Software development expenditures on an individual project are recognised as an intangible asset when the following criteria are met:

- It is technically feasible to complete the intangible asset so that the asset will be available for use or sale;
- The Group intends to complete the asset and use or sell it;
- There is an ability to use or sell the asset;
- It can be demonstrated how the asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the asset are available;
- The expenditure attributable to the asset during its development can be reliably measured.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is ready for use.

#### (d) Impairment of intangible assets

Where an indication of impairment exists, the recoverable amount of any intangible asset, including goodwill, is assessed and, when impaired, the asset is written down immediately to its recoverable amount. Goodwill and intangible assets not yet available for use are tested for impairment at least annually and whenever impairment indicators exist.

### 2.8 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### Group as a lessee

##### Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The Group’s right-of-use assets comprise leased land and buildings with depreciation periods mostly ranging from 5 to 45 years.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **2.8 Leases (continued)**

Right-of-use assets obtained as part of acquisition of business are recognised at an amount equal to the lease liabilities and lease payments made at or before the acquisition date and adjusted to reflect the favourable terms of the lease relative to market terms.

Where an indication of impairment exists, the recoverable amount of any right-of-use assets is assessed and, when impaired, the asset is written down to its recoverable amount (Note 3).

#### *Lease liabilities*

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

Lease liabilities obtained as part of acquisition of business are recognised at the present value of the remaining lease payments at the date of acquisition.

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

In the consolidated financial statement of cash flows payments of principal portion of lease liabilities are recognised as cash outflows related to financing activities, payments of interest portion of the lease liabilities are recognised within operating cash flows.

#### *Sale and leaseback*

When the Group sells an asset and immediately reacquires the use of the asset by entering into a lease with the buyer, such an operation is treated as sale and leaseback transaction. A sale occurs when control of the underlying asset passes to the buyer. A lease liability is recognised, the associated non-current asset is derecognised, and a right-of-use asset is recognised at the proportion of the carrying value relating to the rights retained. Any gain or loss arising relates to the rights transferred to the buyer.

#### *Short-term leases*

The Group applies the short-term lease recognition exemption to its short-term leases of assets other than land and buildings (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). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

#### *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 Lease/sublease and other income in the consolidated statement of profit or loss. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rent is recognised as income in the period in which it is earned.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **2.9 Inventories**

Inventories at distribution centres and retail outlets are stated at the lower of cost and net realisable value. Cost comprises direct costs of goods, transportation and handling costs. Cost is determined by the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The Group provides for estimated inventory losses (shrinkage) between physical inventory counts on the basis of a percentage of cost of sales. The provision is adjusted to actual shrinkage based on regular inventory counts. The provision is recorded as a component of cost of sales. The Group also provides for aged stock provision where the net realisable value is below cost.

### **2.10 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### **(a) Financial assets**

##### ***Initial recognition and measurement***

The Group classifies its financial assets as those to be measured subsequently at amortised cost, fair value through other comprehensive income or fair value through profit and loss. The classification depends on the financial asset's contractual cash flow characteristics and the business model for managing the financial assets.

With the exception of trade 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 determined under IFRS 15. Refer to the accounting policies in section 2.24 (a) Revenue from contracts with customers.

Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date, if required under IFRS. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

##### ***Subsequent measurement***

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments) is the most relevant to the Group. The Group measures financial assets 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; and
- 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.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **2.10 Financial instruments (continued)**

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

#### ***Derecognition***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### ***Impairment of financial assets***

The Group recognises 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 approximation of the original effective interest rate. 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 recognised in two stages. For credit 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 ECL). 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 ECL).

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

#### **(b) *Financial liabilities***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings. For more information refer to Note 2.11 and Note 2.12.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **2.10 Financial instruments (continued)**

#### ***Derecognition***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

#### **2.11 Borrowings**

Borrowings are initially recognised at their fair value, net of transaction costs, and are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets.

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

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

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

After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest ("EIR") method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

#### **2.12 Trade and other payables**

Trade and other payables are accrued when the counterparty performs its obligation under the contract and are carried at amortised cost using the effective interest method. Trade payables are recognised initially at fair value and measured subsequently at amortised cost.

#### **2.13 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments used for meeting short term cash commitments.

#### **2.14 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured as the best estimate of the expenditure required to settle the present obligation at the reporting date.

#### **2.15 Value added tax**

Output VAT related to sales is payable to tax authorities on the earliest of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice and fulfilment of other conditions in compliance with Russian tax legislation.



## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **2.15 Value added tax (continued)**

The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability, except for VAT, presented within other non-current assets. Where a provision has been made for the impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

### **2.16 Employee benefits**

Wages, salaries, bonuses, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by the employees of the Group. The Group's entities contribute to the Russian Federation's state pension and social insurance funds in respect of their employees. These contributions are accrued when incurred. The Group's commitment ends with the payment of these contributions.

### **2.17 Share-based payments**

#### **Stock unit plan**

The Group receives services from Supervisory board members as consideration for conditional rights to receive the value of the GDRs in cash after vesting period of 3 years and fulfilment of service conditions. Share-based payment transactions under the stock unit plan are accounted for as cash-settled transactions.

The fair value of the services received in exchange for the grant of the conditional rights is recognised as an expense over the vesting period with the corresponding increase in short term liabilities (Provisions and other liabilities) and in long term liabilities (Other non-current liabilities) and measured by reference to the market price of the GDRs which is determined at grant date. The liabilities are remeasured at each reporting date and at settlement date so that the ultimate liabilities equal to the cash payment on settlement date.

Service 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. No expense is recognised for awards that do not ultimately vest because service conditions have not been met.

The cumulative expense recognised for cash-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 statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

### **2.18 Share capital**

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction in equity from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recognised as share premium.

### **2.19 Dividends**

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared on or before the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue.

### **2.20 Treasury shares**

Where any group company purchases the Company's equity share capital, the paid consideration, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any received consideration, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **2.21 Earnings per share**

Earnings per share are determined by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of participating shares outstanding during the reporting period. Diluted earnings per share are calculated by adjusting the earnings and the number of shares for the effects of dilutive options.

### **2.22 Taxes**

Current tax is the amount expected to be paid to, or recovered from, the state budget in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Current income tax liabilities (assets) are measured in accordance with IAS 12 *Income Taxes* and IFRIC 23 *Uncertainty over Income Tax Treatments*, based on legislation that is enacted or substantively enacted at the reporting date, taking into consideration applicable tax rates and tax exemptions.

Deferred income tax is provided using the reporting liability method for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. In accordance with the initial recognition exception, deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period in which the asset is realised or the liability is settled, based on tax rates which are enacted or substantially enacted at the reporting date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are netted within the consolidated group of taxpayers (CGT) and within individual companies of the Group for the entities that are not members of the CGT.

The Group considers whether it is probable that a taxation authority will accept an uncertain tax treatment. If the Group concludes it is probable that the taxation authority will accept an uncertain tax treatment, the Group determines the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings.

If the Group concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the Group reflects the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates. The Group reflects the effect of uncertainty for each uncertain tax treatment by using either of the following methods, depending on which method the entity expects to better predict the resolution of the uncertainty: the most likely amount or the expected value.

If an uncertain tax treatment affects current tax and deferred tax (for example, if it affects both taxable profit used to determine current tax and tax bases used to determine deferred tax), the Group makes consistent judgements and estimates for both current tax and deferred tax.

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, any known court or other rulings on such issues, and relevance and effect of a change in facts and circumstances or of new information in the context of applicable tax laws. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions are recorded within the income tax charge and included in current income tax payable line of the consolidated statement of financial position. Interest incurred in relation to taxation is included in finance costs in the consolidated statement of profit or loss. Provisions are maintained, and updated if necessary, for the period over which the respective tax positions remain subject to review by the tax and customs authorities, being 3 years from the year of filing.



## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **2.23 Fair value measurement**

Fair values of financial instruments measured at amortised cost are disclosed in Note 34.

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 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, maximising the use of relevant observable inputs and minimising 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 recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### **2.24 Income and expense recognition**

Income and expenses are recognised on an accrual basis as earned or incurred. Recognition of the principal types of income and expenses is as follows:

#### **(a) Revenue from contracts with customers**

The Group is in the retail business and sells its goods both through stores operated by the Group and through franchisees (agents) acting as a principal. The revenue recognised by the Group meets the definition of revenue from contracts with customers as per IFRS 15. The Group recognises revenue when control of goods and services is transferred to the customer, generally for the retail customers it is occurred in the stores at the point of sale. Payment of the transaction price is due immediately when the customer purchases goods.

The Group has loyalty points programmes, which allow customers to accumulate points that can be redeemed for free products. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of products by the customer.

When estimating the stand-alone selling price of the loyalty points, the Group considers the likelihood that the customer will redeem the points. The Group updates its estimates of the points that will be redeemed on a monthly basis and any adjustments to the contract liability balance are charged against revenue.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **2.24 Income and expense recognition (continued)**

#### **(b) Cost of sales**

Cost of sales includes the purchase price of the products sold and other costs incurred in bringing the inventories to the location and condition ready for sale, i.e. retail outlets. These costs include costs of purchasing, storing, rent, salaries and transporting the products to the extent it relates to bringing the inventories to the location and condition ready for sale.

The Group receives various types of allowances from suppliers in the form of volume discounts and other forms of payment. In accounting for supplier bonuses received by the Group, the Group determined that these bonuses are a reduction in prices paid for the product and are reported as part of the cost of sales as the related inventory is sold. Bonuses receivable from suppliers in cash are presented as trade receivables.

#### **(c) Interest income and expense**

Interest income and expense are recognised on an effective yield basis.

#### **(d) Selling, general and administrative expenses**

Selling expenses consist of salaries and wages of stores employees, store expenses, variable lease expenses, depreciation of stores, utilities, advertising costs and other selling expenses. General and administrative expenses include costs of salaries and wages of support office employees, depreciation of support offices, impairment and amortisation charges of non-current assets and other general and administrative expenses. Selling, general and administrative expenses are recognised on an accrual basis as incurred.

### **2.25 Contract liability**

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 recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

### **2.26 Impairment of non-current assets other than goodwill**

The Group periodically assesses whether there is any indication that non-current assets may be impaired. If any such indicators exist, the Group estimates the recoverable amount of the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which it belongs. Individual stores are considered separate cash-generating units for impairment testing purposes. Impairment loss is recognised whenever the carrying amount of an asset or the related cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated statement of profit or loss. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### **2.27 Fair value of assets and liabilities at the acquisition date**

A primary valuation of assets and liabilities of acquired companies was performed on a provisional basis. Once the valuation is finalised, any adjustments arising are recognised retrospectively.

### **2.28 Indemnification asset**

The indemnification asset equivalent to the fair value of the indemnified liabilities is included in net assets acquired in the business combination if the selling shareholders of the acquiree agreed to compensate possible claims or contingencies. Subsequent measurement of the indemnification asset and contingent liability does not have any impact on future earnings, unless the indemnification asset becomes impaired.

### **2.29 Offsetting of financial assets and financial liabilities**

Accounts receivable and accounts payable are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **2.30 Long-term employee benefits**

The Group recognises the liability and respective expenses in relation to long-term employee benefits when there is a present obligation as a result of past events and a reliable estimate of the obligation can be made. The Group recognises the net total of the following amounts in profit or loss:

- Service cost;
- Net interest on the net defined benefit liability;
- Remeasurements of the net defined benefit liability.

## **3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities include:

### **Impairment of goodwill**

The Group tests goodwill for impairment at least annually. The recoverable amount of a cash-generating unit has been determined based on the higher of fair value less costs to sell or value-in-use calculations. These calculations require the use of estimates as further detailed in Note 13.

### **Identifying a business combination**

The Group enters into transactions to acquire integrated set of assets and operations of retail stores. The Group determines whether such transactions represent a business combination or assets acquisitions. The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs. All acquisitions of assets and operations of retail stores occurred in 2022 and 2021 were treated by the Group as business combinations.

### **Litigations**

The Group exercises considerable judgment in measuring and recognising provisions and the exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the final settlement. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists, if available, or with the support of outside consultants, such as actuaries or legal counsel. Revisions to the estimates may significantly affect future operating results.

### **Tax legislation**

Russian tax, currency and customs legislation is subject to varying interpretations (Note 35).

### **3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)**

#### **Deferred tax assets and liabilities**

Group's management judgment is required for the calculation of current and deferred income taxes. Deferred tax assets are recognised to the extent that their utilisation is probable. The utilisation of deferred tax assets will depend on whether it is possible to generate sufficient taxable income in respective tax type and jurisdiction. Various factors are used to assess the probability of the future utilisation of deferred tax assets, including past operating results, the operational plan, expiration of tax losses carried forward, and tax planning strategies. In the event that an assessment of future utilisation indicates that the carrying amount of deferred tax assets must be reduced, this reduction is recognised in profit or loss.

IAS 12 requires a deferred tax liability to be recognised for all taxable temporary differences associated with investments in subsidiaries unless: (a) the parent, investor, joint venturer or joint operator is able to control the timing of the reversal of the temporary difference; and (b) it is probable that the temporary difference will not reverse in the foreseeable future. The Group exercises significant judgment in assessing the amount of taxable temporary differences associated with investments in subsidiaries (unremitted earnings) that will not reverse in the foreseeable future.

If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected.

#### **Property, plant and equipment**

The Group's management determines the estimated useful lives and related depreciation charges for its plant and equipment (Note 10). The estimation of the useful life of the asset is a matter of judgement based on the experience of the entity with similar assets. Management increases the depreciation charge where useful lives are less than previously estimated lives or it writes-off or writes-down technically obsolete or non-strategic assets that have been abandoned or reclassified as held for sale.

The Group periodically assesses whether there is any indication that property, plant and equipment may be impaired. The Group performs assets impairment testing (Note 10). The Group estimates the recoverable amount of the asset or cash generating unit and if it is less than the carrying amount of an asset or cash generating unit an impairment loss is recognised in the consolidated statement of profit or loss. For the year ended 31 December 2022 the Group recognised an impairment loss in the amount of RUB 4,905 (year ended 31 December 2021: a net impairment loss in the amount of RUB 3,105).

#### **Investment property**

The Group's management determines the estimated useful lives and related depreciation charges for its investment properties (Note 12). Management increases the depreciation charge where useful lives are less than previously estimated lives or it writes-off or writes-down technically obsolete or non-strategic assets that have been abandoned or reclassified as held for sale.

The Group periodically assesses whether there is any indication that investment property may be impaired. The Group performs assets impairment testing (Note 12). The Group estimates the recoverable amount of the asset or cash generating unit and if it is less than the carrying amount of an asset or cash generating unit an impairment loss is recognised in the consolidated statement of profit or loss. For the year ended 31 December 2022 the Group recognised a net impairment loss in the amount of RUB 232 (year ended 31 December 2021: a net impairment gain in the amount of RUB 343).

#### **Right-of-use assets**

The Group periodically assesses whether there is any indication that right-of-use assets may be impaired. The Group performs assets impairment testing (Note 11). The Group estimates the recoverable amount of the asset or cash generating unit and if it is less than the carrying amount of an asset or cash generating unit an impairment loss is recognised in the consolidated statement of profit or loss. For the year ended 31 December 2022 the Group recognised a net impairment loss in the amount of RUB 1,451 (year ended 31 December 2021: a net impairment loss in the amount of RUB 630).

#### **Inventories provisions**

The Group provides for estimated inventory shrinkage on the basis of historical shrinkage as a percentage of cost of sales. This provision is adjusted at the end of each reporting period to reflect the historical trend of the actual physical inventory count results. The Group also provides for aged stock where the net realisable value is below cost (Note 15).

### **3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)**

#### **Revenue recognition – Loyalty programmes**

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

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

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

Any significant changes in customers' redemption patterns will impact the estimated redemption rate. As at 31 December 2022, the estimated liability for unredeemed points was RUB 3,487 (31 December 2021: RUB 2,146).

#### **Provision for expected credit losses of trade and other receivables**

The Group uses a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (by customer type). The 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. Generally, trade and other receivables are written-off if past due for more than 3 years and are no subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates 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, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade and other receivables is disclosed in Note 17.

#### **Brand and private labels**

The Group periodically assesses whether there is any indication that brand and private labels may be impaired. The Group performs assets impairment testing of brands with indefinite useful lives at least annually (Note 14). The Group estimates the recoverable amount of the asset and if it is less than the carrying amount an impairment loss is recognised in the consolidated statement of profit or loss. For the year ended 31 December 2022 the Group did not recognise any impairment of brand and private labels (year ended 31 December 2021: Nil).

#### **Lease term of contracts with extension options and termination options**

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. For leases of retail stores the most relevant factors are profitability and revenue of particular stores, the value to the business in a particular region and investment strategy. For leases of distribution centres and offices the most relevant factors are the value to the business, significance of termination penalties and significance of leasehold improvements' remaining value. At commencement of the lease such considerations generally result in determining the lease term equal to the non-cancellable lease period including the period covered by an option to terminate. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

#### Incremental borrowing rates for calculation of lease liability

Incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Because there are normally no absolutely similar to lease agreements borrowings, which interest rates are observable in open market, the Group derives incremental borrowing rates from both internal and external data sources applying significant judgement in such calculations. The Group estimates incremental borrowing rates by adjusting Russian government risk-free bonds in a relevant currency by the risk-premium inherent to the Group which in turn is determined by comparing Group's rate of borrowing with Russian government risk-free bonds of the same duration. Incremental borrowing rates are calculated on a monthly basis.

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

In the preparation of these consolidated financial statements, the Group followed the same accounting policies and methods of computation as compared with those applied in the previous year, except for the adoption of new standards and interpretations and revision of the existing standards as of 1 January 2022. Standards, Interpretations and amendments effective 1 January 2022 did not have a material impact on the financial position or performance of the Group.

The following amendments to IFRSs effective for the financial year beginning on or after 1 January 2022 do not have a material impact on the Group and do not result in change of the Group's accounting policy:

- Amendments to IFRS 3 *Business Combinations*; IAS 16 *Property, Plant and Equipment*; IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as well as Annual Improvements 2018-2020.

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

<b>Standards issued but not yet effective in the European Union</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to IAS 1 <i>Presentation of Financial Statements</i> : Classification of Liabilities as Current or Non-current, Classification of Liabilities as Current or Non-current – Deferral of Effective Date and Non-current Liabilities with Covenants	1 January 2024*
Amendments to IFRS 17 <i>Insurance Contracts</i> : Initial Application of IFRS 17 and IFRS 9 – Comparative Information	1 January 2023
Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IFRS Practice Statement 2: <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to IAS 8 <i>Accounting policies, Changes in Accounting Estimates and Errors</i> : Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 <i>Income Taxes</i> : Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 17 <i>Insurance Contracts</i> including Amendments to IFRS 17	1 January 2023
Amendments to IFRS 16 <i>Leases</i> : Lease Liability in a Sale and Leaseback	1 January 2024*

\* Subject to EU endorsement.

The Group expects that the adoption of other pronouncements listed above will not have a significant impact on the Group's results of operations and financial positions in the period of initial application except for amendments to IAS 12 *Income Taxes*.

The amendments to IAS 12 *Income Taxes* may require to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The impact for the Group would be the recognition of additional deferred tax assets and liabilities attributable to right-of-use assets and lease liabilities. The Group does not expect significant effect of the amendments to IAS 12 on its consolidated financial statements.



## 5 SEGMENT REPORTING

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

The following significant operating functions are decentralised by formats:

- Category management, including purchasing, pricing, assortment management, promotion management;
- Distribution centres logistics;
- Development function.

The formats' general managers are determined as segment managers in accordance with IFRS 8. The chief operating decision-maker has been determined as the Management Board. The Management Board reviews each format's internal reporting in order to assess performance and allocate resources.

Upon adoption of IFRS 16 the Management Board started to assess the performance of the operating segments based on a measure of sales and adjusted earnings before interest, tax, depreciation, amortisation and impairment pre-IFRS 16 (EBITDA pre-IFRS 16). EBITDA pre-IFRS 16 is calculated by adjusting EBITDA to include fixed lease expenses, fixed non-lease components of lease contracts, exclude gain on derecognition of right-of-use assets and lease liabilities and exclude adjustment of gain/loss from sale of asset under sale and leaseback operations for the proportion of the rights retained. Adjusted capital expenditures include additions of property, plant and equipment, investment properties and intangible assets adjusted to replace capitalised depreciation of right-of-use assets with capitalisation of fixed lease expenses, acquisitions of property, plant and equipment, investment properties and intangible assets through business combinations as well as goodwill acquired through such business combinations.

The accounting policies used for segments are the same as accounting policies applied for these consolidated financial statements. In 2022 a new methodology of overhead expenses allocation was used for more accurate measurements of segments' performance. The comparative figures for earlier periods have been adjusted in order to provide meaningful comparative information.

The segment information for the year ended 31 December 2022, comparative figures for earlier periods and reconciliation of EBITDA pre-IFRS 16 to profit for the year is provided as follows:

<b>Year ended 31 December 2022</b>	<b>Pyaterochka</b>	<b>Perekrestok</b>	<b>Other segments</b>	<b>Corporate centre</b>	<b>Total</b>
<b>Revenue (Note 24)</b>	<b>2,124,617</b>	<b>386,199</b>	<b>94,416</b>	<b>–</b>	<b>2,605,232</b>
<b>EBITDA pre-IFRS 16</b>	170,538	28,251	(5,963)	(6,038)	<b>186,788</b>
Fixed lease expenses and fixed non-lease components of lease contracts					<b>113,742</b>
Gain on derecognition of right-of-use assets and lease liabilities					<b>2,551</b>
Reversal of adjustment for the proportion of the rights retained under sale and leaseback operations (Note 11)					<b>(232)</b>
Depreciation, amortisation and impairment					<b>(164,731)</b>
<b>Operating profit</b>					<b>138,118</b>
Finance cost, net					<b>(68,417)</b>
Net foreign exchange result					<b>(2,032)</b>
<b>Profit before income tax</b>					<b>67,669</b>
Income tax expense					<b>(22,481)</b>
<b>Profit for the year</b>					<b>45,188</b>
Adjusted capital expenditure	46,077	10,024	25,909	–	<b>82,010</b>
<b>31 December 2022</b>					
Inventories	169,190	28,136	11,335	–	<b>208,661</b>

## 5 SEGMENT REPORTING (continued)

Year ended 31 December 2021	Pyaterochka	Perekrestok	Other segments	Corporate centre	Total
<b>Revenue (Note 24)</b>	<b>1,795,018</b>	<b>351,100</b>	<b>58,701</b>	<b>-</b>	<b>2,204,819</b>
<b>EBITDA pre-IFRS 16</b>	145,495	24,241	(4,369)	(4,343)	<b>161,024</b>
Fixed lease expenses and fixed non-lease components of lease contracts					<b>104,141</b>
Gain on derecognition of right-of-use assets and lease liabilities					<b>2,940</b>
Reversal of adjustment for the proportion of the rights retained under sale and leaseback operations (Note 11)					<b>(255)</b>
Depreciation, amortisation and impairment					<b>(150,278)</b>
<b>Operating profit</b>					<b>117,572</b>
Finance cost, net					<b>(57,229)</b>
Net foreign exchange result					<b>399</b>
<b>Profit before income tax</b>					<b>60,742</b>
Income tax expense					<b>(18,004)</b>
<b>Profit for the year</b>					<b>42,738</b>
Adjusted capital expenditure	72,079	18,656	7,189	-	<b>97,924</b>
<b>31 December 2021</b>					
Inventories	137,489	25,638	3,713	-	<b>166,840</b>

## 6 SUBSIDIARIES

Details of the Company's significant subsidiaries at 31 December 2022 and 31 December 2021 were as follows:

Company	Country	Nature of operations	Ownership (%)	
			31 December 2022	31 December 2021
Agrotorg LLC	Russia	Retailing	100	100
Trade House PEREKRIOSTOK JSC	Russia	Retailing	100	100
Agroaspect LLC	Russia	Retailing	100	100
X5 Nedvizhimost CJSC	Russia	Assets holding company	100	100
KOPEYKA-MOSCOW Ltd	Russia	Retailing	100	100
Krasnoborskoe LLC	Russia	Assets holding company	100	100
PEREKRIOSTOK-2000 LLC	Russia	Assets holding company	100	100
Beta Estate LLC	Russia	Assets holding company	100	100
X5 FINANSE LLC	Russia	Bond issuer	100	100
Agro-Avto LLC	Russia	Assets holding company	100	100
X5 Corporate Center LLC	Russia	Assets holding company	100	100

## 7 ACQUISITION OF BUSINESSES

### Acquisitions in 2022

#### Acquisition of Krasny Yar and Slata

In 4<sup>th</sup> quarter 2022 the Group acquired 70% of shares of Smart LLC (Krasny Yar) and Mayak LLC (Slata) operating retail chains in Eastern Siberia and provided put options for the remaining 30% non-controlling interests. At acquisition date the retail chains operated 594 stores under brands "Krasny Yar", "Baton", "Slata", "KhlebSol".



## 7 ACQUISITION OF BUSINESSES (continued)

### Acquisitions in 2022 (continued)

Since the put options do not give present ownership interest in the shares subject to put and in the absence of particular guidance of accounting for put options over NCI in current IFRSs the Group made an accounting policy choice (Note 2.2) to account for the initial recognition and further changes in fair value of put option liability along with NCI in Other reserves within equity. As at 31 December 2022 purchase commitments for non-controlling interests' shares under put option liability in amount of RUB 2,204 were included in other non-current liabilities in the consolidated statement of financial position.

In the year ended 31 December 2022 the acquired business contributed revenue of RUB 14,482 from the date of acquisition. Net loss from the date of acquisition comprised RUB 37. If the acquisitions had taken place at the beginning of the year, revenue of the Group would have been RUB 2,663,257. The Group considers impracticable to disclose the impact of the acquisition on the Group's net profit, since before the acquisition the acquired businesses did not prepare financial statements in accordance with the Group's accounting policy.

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

	<b>Provisional fair values at the acquisition date</b>
Property, plant and equipment (Note 10)	2,342
Other intangible assets (Note 14)	1,863
Right-of-use assets (Note 11)	19,061
Indemnification asset	5,986
Inventories	4,761
Trade, other accounts receivable and prepayments	753
VAT and other taxes receivable	148
Cash and cash equivalents	531
Lease liabilities (Note 11)	(18,960)
Deferred tax liabilities (Note 30)	(424)
Trade accounts payable	(5,361)
Short-term borrowings (Note 21)	(1,819)
Interest accrued	(5)
Short-term contract liabilities (Note 20)	(26)
Current income tax payable	(2,115)
Provisions and other liabilities	(5,714)
<b>Net assets acquired</b>	<b>1,021</b>
Goodwill (Note 13)	7,674
Non-controlling interests measured at fair value	(2,609)
<b>Purchase consideration</b>	<b>6,086</b>
<b>Net cash outflow arising from the acquisition</b>	<b>4,482</b>

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

The group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in Krasny Yar and Slata the Group elected to recognise the non-controlling interests at fair value.

The fair value of the non-controlling interest in Smart LLC and Mayak LLC, non-listed companies, was estimated by applying a proportionate share to the valuation of the companies which in its turn was made on the basis of revenue and EBITDA multiples. The fair value measurements were based on significant inputs that are not observable in the market.

The purchase consideration for the reporting period comprised RUB 5,013 and RUB 1,073 as cash consideration and deferred consideration respectively.

## 7 ACQUISITION OF BUSINESSES (continued)

### Acquisitions in 2022 (continued)

The goodwill recognised is attributable to: i) the business concentration in the Russian regions; ii) expected cost synergies from the business combination and iii) acquired traffic from existing customers. The goodwill related to this acquisition was allocated to other segments in amount of RUB 7,674.

#### Other acquisitions

In 2022 the Group acquired 100% of several businesses of other retail chains in Russian regions. The acquisitions were individually immaterial.

In the year ended 31 December 2022 the acquired businesses contributed revenue of RUB 3,391 from the date of acquisition. If the acquisitions had taken place at the beginning of the year, revenue of the Group would have been RUB 2,607,521. The Group considers impracticable to disclose the impact of this factor on the Group's net profit, since before the acquisition the acquired businesses did not prepare financial statements in accordance with the Group's accounting policy.

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

	<b>Provisional fair values at the acquisition date</b>
Property, plant and equipment (Note 10)	339
Right-of-use assets (Note 11)	3,574
Deferred tax assets (Note 30)	128
Trade, other accounts receivable and prepayments	5
VAT and other taxes receivable	52
Cash and cash equivalents	4
Lease liabilities (Note 11)	(3,507)
Current income tax payable	(106)
Provisions and other liabilities	(343)
<b>Net assets acquired</b>	<b>146</b>
Goodwill (Note 13)	502
<b>Purchase consideration</b>	<b>648</b>
<b>Net cash outflow arising from the acquisition</b>	<b>644</b>

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

The purchase consideration for the reporting period comprised consideration paid in cash of RUB 648.

The goodwill recognised was attributable to: i) the business concentration in the Russian regions; ii) expected cost synergies from the business combination and iii) acquired traffic from existing customers. The goodwill related to these acquisitions was allocated to Pyaterochka segment in amount of RUB 502.

During the 12 months ended 31 December 2022 the Group transferred RUB 369 as deferred payments for the prior periods acquisitions.

### Acquisitions in 2021

During 2021 the Group acquired 100% of several businesses of other retail chains in Russian regions. The acquisitions were individually immaterial.

In the year ended 31 December 2021 the acquired businesses contributed revenue of RUB 5,996 from the date of acquisition. As the businesses were not acquired as separate legal entities, it is impracticable to disclose net profit from the date of acquisition. These businesses did not prepare relevant financial information immediately before the acquisition, therefore, it is impracticable to disclose revenue and net profit of the Group for the year ended 31 December 2021 as though the acquisition date had been the beginning of that period.

## 7 ACQUISITION OF BUSINESSES (continued)

### Acquisitions in 2021 (continued)

At 31 December 2021 the Group assigned provisional fair values to net assets acquired, in estimating provisional fair values of acquired assets. In 2022 the Group completed the purchase price allocation, which resulted in no changes in fair values at the acquisition date:

	<b>Finalised fair values at the acquisition date</b>
Other intangible assets (Note 14)	10
Right-of-use assets (Note 11)	3,928
Deferred tax assets (Note 30)	244
Indemnification asset	6
Trade, other accounts receivable and prepayments	22
Lease liabilities (Note 11)	(3,928)
Current income tax payable	(34)
Provisions and other liabilities	(80)
<b>Net assets acquired</b>	<b>168</b>
Goodwill (Note 13)	1,118
<b>Purchase consideration</b>	<b>1,286</b>
<b>Net cash outflow arising from the acquisition</b>	<b>1,021</b>

The purchase consideration for the reporting period comprised consideration paid in cash of RUB 1,021 and RUB 265 as deferred consideration measured at fair value.

The goodwill recognised was attributable to: i) the business concentration in the Russian regions; ii) expected cost synergies from the business combination and iii) acquired traffic from existing customers. The goodwill related to these acquisitions was allocated to Pyaterochka segment in amount of RUB 1,063, Perekrestok segment in amount of RUB 35 and other segments in amount of RUB 20.

During the 12 months ended 31 December 2021 the Group transferred RUB 750 as deferred payments for the prior periods' acquisitions.

## 8 RELATED PARTY TRANSACTIONS

In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of the relationships for those related parties with which the Group entered into significant transactions or had significant balances outstanding at 31 December 2022 and at 31 December 2021 are provided below. The ownership structure is disclosed in Note 1.

## 8 RELATED PARTY TRANSACTIONS (continued)

The following transactions were carried out with related parties:

	Relationship	2022	2021
<b>CTF Holdings S.A.</b>	Entity with significant influence over the Company		
Management services received		33	113
<b>Other</b>	Under control by the entity with significant influence over the Company		
Purchases from related parties		4,924	4,122
Other operating expenses		4	1
Bonuses from related parties		206	201
<b>Other</b>	Other		
Other operating expenses		–	44
Interest expenses		107	–
Variable rent		3	–

The consolidated financial statements include the following balances with the related parties:

	Relationship	31 December 2022	31 December 2021
<b>CTF Holdings S.A.</b>	Entity with significant influence over the Company		
Other accounts payable		–	27
<b>Other</b>	Under control by the entity with significant influence over the Company		
Other receivables from related parties		52	45
Trade accounts payable		872	759
Trade accounts receivable		–	23
Other accounts payable		–	50
<b>Other</b>	Other		
Advances		–	26
Other accounts payable		–	4

### Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The Group considers all members of the Management Board, Executive Board and the Supervisory Board to be key management personnel as defined in IAS 24 *Related Party Disclosures*. The total direct compensation for members of the Management Board and other key management personnel consists of a base salary and a performance related short-term incentive as well as, for the CEO and other key management personnel, a performance related long-term incentive. Members of the Supervisory Board receive a fixed annual remuneration in cash and equity-based payments.

Total compensation of the Management Board and other key management personnel was as follows:

	2022	2021
Short-term employee benefits	1,158	824
Long-term employee benefits	458	538
Social security costs	232	196
<b>Total</b>	<b>1,848</b>	<b>1,558</b>

## 8 RELATED PARTY TRANSACTIONS (continued)

### Key management personnel compensation (continued)

Total compensation of the Supervisory Board was as follows:

	2022	2021
Short-term remunerations	153	109
Equity-based compensation	13	89
<b>Total</b>	<b>166</b>	<b>198</b>

As at 31 December 2022 the total number of outstanding conditional rights awarded to members of the Supervisory Board (Note 29) under the Phantom Stock Unit Plan was 38,925 (31 December 2021: Nil) and under Restricted Stock Unit Plan 23,248 (31 December 2021: 120,448).

### Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended 31 December 2022 and 31 December 2021, the Group did not record any material expected credit loss provisions for trade and other receivables nor did it recognise any impairment provisions for prepayments.

## 9 CASH AND CASH EQUIVALENTS, SHORT-TERM FINANCIAL INVESTMENTS

	31 December 2022	31 December 2021
Bank current account – Roubles	14,336	2,733
Bank current account – other currencies	1,577	49
Cash in transit – Roubles	17,457	14,997
Cash in hand – Roubles	9,759	8,278
Deposits – Roubles	126	5
<b>Total</b>	<b>43,255</b>	<b>26,062</b>

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

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

Short-term financial investments at 31 December 2022 and 31 December 2021 represent irrevocable bank deposits in Russian Roubles with maturity not more than a year that earn interest income at the rates in the range of 8.0%-9.0% per annum.

	31 December 2022	31 December 2021
Short-term financial investments	50,067	50,092
<b>Total</b>	<b>50,067</b>	<b>50,092</b>

## 10 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equipment	Refrigerating equipment	Vehicles	Other	Construction in progress*	Total
<b>Cost</b>							
<b>At 1 January 2021</b>	<b>316,545</b>	<b>65,987</b>	<b>72,728</b>	<b>25,673</b>	<b>59,090</b>	<b>7,274</b>	<b>547,297</b>
Additions	–	–	–	–	–	79,716	79,716
Transfers	31,764	16,375	11,208	5,795	13,140	(78,282)	–
Disposals	(7,360)	(5,536)	(4,098)	(921)	(3,835)	(282)	(22,032)
<b>At 31 December 2021</b>	<b>340,949</b>	<b>76,826</b>	<b>79,838</b>	<b>30,547</b>	<b>68,395</b>	<b>8,426</b>	<b>604,981</b>
Additions	–	–	–	–	–	56,258	56,258
Transfers	18,548	10,400	6,454	4,468	9,553	(49,423)	–
Transfer to investment property	(1,605)	–	–	–	–	–	(1,605)
Assets from acquisitions	697	815	663	64	408	34	2,681
Disposals	(11,858)	(3,689)	(2,386)	(1,671)	(2,619)	(115)	(22,338)
<b>At 31 December 2022</b>	<b>346,731</b>	<b>84,352</b>	<b>84,569</b>	<b>33,408</b>	<b>75,737</b>	<b>15,180</b>	<b>639,977</b>
<b>Accumulated depreciation and impairment</b>							
<b>At 1 January 2021</b>	<b>(114,675)</b>	<b>(29,788)</b>	<b>(31,974)</b>	<b>(11,513)</b>	<b>(36,480)</b>	<b>(160)</b>	<b>(224,590)</b>
Depreciation charge	(28,408)	(10,709)	(9,513)	(4,044)	(10,865)	–	(63,539)
Impairment charge	(3,160)	(872)	(585)	(27)	(196)	(131)	(4,971)
Reversal of impairment	1,829	9	4	22	2	–	1,866
Disposals	4,539	5,161	3,946	808	3,745	198	18,397
<b>At 31 December 2021</b>	<b>(139,875)</b>	<b>(36,199)</b>	<b>(38,122)</b>	<b>(14,754)</b>	<b>(43,794)</b>	<b>(93)</b>	<b>(272,837)</b>
Depreciation charge	(29,678)	(11,789)	(9,842)	(4,917)	(11,295)	–	(67,521)
Impairment charge	(4,766)	(567)	(300)	–	(234)	(81)	(5,948)
Reversal of impairment	1,043	–	–	–	–	–	1,043
Transfer to investment property	911	–	–	–	–	–	911
Disposals	10,351	3,424	2,246	1,394	2,457	115	19,987
<b>At 31 December 2022</b>	<b>(162,014)</b>	<b>(45,131)</b>	<b>(46,018)</b>	<b>(18,277)</b>	<b>(52,866)</b>	<b>(59)</b>	<b>(324,365)</b>
<b>Net book value at 31 December 2022</b>	<b>184,717</b>	<b>39,221</b>	<b>38,551</b>	<b>15,131</b>	<b>22,871</b>	<b>15,121</b>	<b>315,612</b>
<b>Net book value at 31 December 2021</b>	<b>201,074</b>	<b>40,627</b>	<b>41,716</b>	<b>15,793</b>	<b>24,601</b>	<b>8,333</b>	<b>332,144</b>
<b>Net book value at 1 January 2021</b>	<b>201,870</b>	<b>36,199</b>	<b>40,754</b>	<b>14,160</b>	<b>22,610</b>	<b>7,114</b>	<b>322,707</b>

\* This category also includes machinery and equipment, refrigerating equipment, vehicles and other items of property, plant and equipment not yet available for use.

Depreciation charge, impairment charge and reversal of impairment were included in selling, general and administrative expenses in the consolidated statement of profit or loss for the years ended 31 December 2022 and 31 December 2021.

Construction in progress predominantly related to the development of stores through the use of sub-contractors.

The buildings are mostly located on leased land. No loans were collateralised by land and buildings including investment property as of 31 December 2022 and 31 December 2021.

### Impairment test

At the end of 2022 management performed an impairment test of property, plant and equipment, right-of-use assets, other intangible assets and investment property. The approach for determination of the recoverable amount of an asset was different for each class of property, plant and equipment, right-of-use assets, other intangible assets and investment property.

The evaluation for long-lived assets is performed at the lowest level of identifiable cash flows, which is generally at the individual store/unit level (cash generating unit – CGU). The variability of these factors depends on a number of conditions, including uncertainty about future events and changes in demand.

## **10 PROPERTY, PLANT AND EQUIPMENT (continued)**

### **Impairment test (continued)**

The impairment review has been carried out by comparing recoverable amount of the individual store/unit with their carrying values. The recoverable amount of store/unit is determined as the higher of fair value less cost of disposal or value in use.

The resulting impairment charge arose primarily from underperforming stores and Karusel transformation. At the same time the Group recognised the reversal of previously recorded impairment charges due to improved performance of certain stores. Due to the great number of CGUs being tested for impairment it is considered impracticable to disclose detailed information for each individual CGU.

Fair value of land and buildings and construction in progress is determined by management internal specialists by reference to current observable prices on an active market subsequently adjusted for specific characteristics of respective assets. The fair value measurement of these assets is classified at level 3 of the fair value hierarchy.

### **Value in use**

For property, plant and equipment, right-of-use assets, other intangible assets and investment property the discounted future cash flow approach is applied and covers a 10-year period from 2023 onwards. The Group believes that use of 10 year forecast better reflects expected future cash flows of its cash generating units due to cyclical nature of their renovation expenditures. The future cash flows are based on the current budgets and forecasts approved by the management. For the forecast period, the data of the strategic business plan is extrapolated based on the consumer price indices as obtained from external resources and key performance indicators inherent to the strategic plan. One of the main assumptions used for the forecast period is revenue growth being in the range from 4.00% to 6.91% in accordance with the internal forecasts based on budget and consumer price index projections (31 December 2021: 4.00% to 7.86%). For the years beyond the forecast period the long-term consumer price index forecast of 4.00% at 31 December 2022 is used (31 December 2021: 4.00%). The projections are made in the functional currency of the Group's entities, being Russian Rouble, on a pre-tax basis and discounted at the Group pre-tax weighted average cost of capital which is then adjusted to reflect the risks specific to the respective assets (cash-generating units (CGUs)) – 15.92% (31 December 2021: 13.39%). Inflation rates are in line with the consumer price index forecast published by the Ministry of Economic Development of Russian Federation. The Group's management believes that all of its estimates are reasonable and consistent with the internal reporting and reflect management's best knowledge.

The result of applying discounted cash flows model reflects expectations about possible variations in the amount and timing of future cash flows and is based on reasonable and supportable assumptions that represent management's best estimate of the range of uncertain economic conditions. If the revised estimated discount rate consistently applied to the discounted cash flows had been 200 b.p. higher than management's estimates, the Group would need to reduce the carrying value of property, plant and equipment, right-of-use assets, investment property and intangible assets by RUB 1,994 (31 December 2021: RUB 1,544), if 200 b.p. lower – increase by RUB 1,581 (31 December 2021: RUB 1,198). If the annual revenue growth rate used in calculations of value in use had been 200 b.p. higher, the Group would need to increase the carrying value of property, plant and equipment, right-of-use assets, investment property and intangible assets by RUB 157 (31 December 2021: RUB 809), lower – decrease by RUB 164 (31 December 2021: RUB 1,026).

## **11 LEASES**

### **Group as a lessee**

The Group has lease contracts for land and buildings used in its operations. Leases of land and buildings generally have fixed lease terms between 5 and 45 years and contain extension options provided by the law. However vast majority of lease contracts include cancellation options on 2-12 months' notice.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.



## 11 LEASES (continued)

### Group as a lessee (continued)

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

	<b>Right-of-use assets (land and buildings)</b>	<b>Lease liabilities</b>
<b>At 1 January 2021</b>	<b>480,511</b>	<b>(548,501)</b>
Additions	96,964	(96,555)
Acquisition of businesses (Note 7)	3,928	(3,928)
Depreciation expense	(74,601)	-
Impairment charge	(1,596)	-
Reversal of impairment	966	-
Derecognition (decrease in the scope of the lease and terminations of lease agreements)	(3,847)	6,787
Interest accrued	-	(40,572)
Payments	-	105,182
Effect of changes in foreign exchange rates	-	224
<b>At 31 December 2021</b>	<b>502,325</b>	<b>(577,363)</b>
Additions	64,489	(64,059)
Acquisition of businesses (Note 7)	22,635	(22,467)
Depreciation expense	(75,958)	-
Impairment charge	(3,239)	-
Reversal of impairment	1,788	-
Derecognition (decrease in the scope of the lease and terminations of lease agreements)	(3,497)	6,048
Interest accrued	-	(49,880)
Payments	-	115,894
Effect of changes in foreign exchange rates	-	667
<b>At 31 December 2022</b>	<b>508,543</b>	<b>(591,160)</b>

The expenses related to short-term leases for the year ended 31 December 2022 amounted to RUB 100 (31 December 2021: 97). The expense related to variable lease payments not included in the measurement of lease liabilities for the year ended 31 December 2022 amounted to RUB 19,825 (31 December 2021: 14,444). Variable lease payments are mainly linked to sales generated from a store. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base.

The total cash outflow for leases for the year ended 31 December 2022 amounted to RUB 135,546 (2021: RUB 119,238).

Maturity analysis of the lease liabilities is disclosed in the Note 31.

As at 31 December 2022 potential future cash outflows of RUB 3,529 (undiscounted) (31 December 2021: 3,134) have not been included in the lease liability because it was assessed reasonably certain that the leases will be terminated.

In an ordinary course of the business the Group constantly arranges for leases of new premises and land. As at 31 December 2022 and 31 December 2021 the Group had a certain number of leases to which the Group was committed but the lease did not commence. The Group assesses that the amount of future cash outflows to which the lessee is potentially exposed is not significant.

In 2022 the Group completed a sale and leaseback transaction in respect of a number of stores located in Bashkortostan. The cash proceeds amounted to RUB 970 recognised in the consolidated statement of cash flows, the loss from sale amounted to RUB 25 recognised in the consolidated statement of profit or loss for the year ended 31 December 2022. When measuring the lease liability, the Group included fixed lease payments per lease agreement and the estimate of variable payments calculated as a percentage of the expected revenue generated from the leased asset. The lease term of the leaseback was 14 years.



## 11 LEASES (continued)

### Group as a lessee (continued)

In 2021 the Group completed a sale and leaseback transaction in respect of a store located in Saint-Petersburg. The cash proceeds amounted to RUB 594 recognised in the consolidated statement of cash flows and gain amounted to RUB 124 recognised in the consolidated statement of profit or loss for the year ended 31 December 2021. When measuring the lease liability, the Group included fixed lease payments per lease agreement and the estimate of variable payments calculated as a percentage of the expected revenue generated from the leased asset. The lease term of the leaseback was 12 years.

### Group as a lessor

The lease arrangements are operating leases, the majority of which are short-term. The future minimum lease and sublease payments receivable under operating leases were as follows:

	31 December 2022	31 December 2021
Within 1 year	3,382	2,928
Between 1 and 2 years	638	403
Between 2 and 3 years	432	329
Between 3 and 4 years	315	272
Between 4 and 5 years	212	138
Later than 5 years	364	418
<b>Total</b>	<b>5,343</b>	<b>4,488</b>

The rental income from operating leases recognised in the consolidated statement of profit or loss for the year ended 31 December 2022 amounted to RUB 7,214 (2021: RUB 7,007) (Note 26). The contingent rents recognised in the consolidated statement of profit or loss in the year ended 31 December 2022 amounted to RUB 221 (2021: 202).

Income from subleasing right-of-use assets under operating lease agreement for the year ended 31 December 2022 amounted to RUB 2,763 (2021: RUB 2,618).

### Impairment test

At the end of 2022 management performed an impairment test of right-of-use assets. The evaluation performed and reasons for it are consistent with the approach for impairment testing of Property, Plant and Equipment (Note 10).

## 12 INVESTMENT PROPERTIES

The Group held the following investment properties at 31 December 2022 and 31 December 2021:

<b>Cost</b>	<b>2022</b>	<b>2021</b>
<b>Cost at 1 January</b>	<b>7,909</b>	<b>8,356</b>
Transfer from fixed assets	1,605	-
Disposals	(467)	(447)
<b>Cost at 31 December</b>	<b>9,047</b>	<b>7,909</b>
<b>Accumulated depreciation and impairment</b>		
<b>Accumulated depreciation and impairment at 1 January</b>	<b>(3,448)</b>	<b>(3,854)</b>
Depreciation charge	(176)	(169)
Impairment charge	(483)	(65)
Reversal of impairment	251	408
Transfer from fixed assets	(911)	-
Disposals	293	232
<b>Accumulated depreciation and impairment at 31 December</b>	<b>(4,474)</b>	<b>(3,448)</b>
<b>Net book value at 31 December</b>	<b>4,573</b>	<b>4,461</b>
<b>Net book value at 1 January</b>	<b>4,461</b>	<b>4,502</b>

## 12 INVESTMENT PROPERTIES (continued)

Depreciation charge, impairment charge and reversal of impairment are included in selling, general and administrative expenses in the consolidated statement of profit or loss for the years ended 31 December 2022 and 31 December 2021.

The Group's investment properties consist of land and buildings. Rental income from investment property amounted to RUB 1,165 (2021: RUB 1,140). Direct operating expenses incurred by the Group in relation to investment property amounted to RUB 937 (2021: RUB 796). There were no significant direct operating expenses incurred by the Group in relation to investment property that did not generate rental income.

Management estimates that the fair value of investment property at 31 December 2022 amounted to RUB 6,861 (31 December 2021: RUB 6,700). The fair value was estimated using market approach with key inputs being rent income rates and market value of comparable assets.

### Impairment test

At the end of 2022 management performed an impairment test of investment property. The evaluation performed and reasons for it are consistent with the approach for impairment testing of Property, Plant and Equipment (Note 10).

## 13 GOODWILL

Movements in goodwill arising on the acquisition of businesses at 31 December 2022 and 31 December 2021 were:

Cost	2022	2021
<b>Gross book value at 1 January</b>	<b>172,099</b>	<b>171,202</b>
Acquisition of businesses (Note 7)	8,176	1,118
Disposal	(6,567)	(221)
<b>Gross book value at 31 December</b>	<b>173,708</b>	<b>172,099</b>
<b>Accumulated impairment losses</b>		
<b>Accumulated impairment losses at 1 January</b>	<b>(67,071)</b>	<b>(66,312)</b>
Impairment charge	(275)	(980)
Disposal	6,567	221
<b>Accumulated impairment losses at 31 December</b>	<b>(60,779)</b>	<b>(67,071)</b>
<b>Carrying amount at 1 January</b>	<b>105,028</b>	<b>104,890</b>
<b>Carrying amount at 31 December</b>	<b>112,929</b>	<b>105,028</b>

### Goodwill impairment test

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

The group of CGUs to which goodwill has been allocated is tested for impairment annually or more frequently if there are indications that the particular group of CGUs might be impaired. Goodwill is tested for impairment at the group of CGUs level by comparing carrying values of particular group of CGU assets including allocated goodwill to their value in use. The Karusel group of CGUs started reorganisation in 2019. The reorganisation is expected to be finalised in 2023. The reorganisation resulted in disposal of goodwill allocated to Karusel in amount of RUB 6,567 and its accumulated impairment in the same amount and impairment charge for the year ended 31 December 2022 in amount of RUB 255 (2021: RUB 980).

The allocation of carrying amounts of goodwill to each group of CGUs was as follows:

31 December 2022	Pyaterochka	Perekrestok	Other	Total
Goodwill	81,258	23,334	8,337	<b>112,929</b>
31 December 2021	Pyaterochka	Perekrestok	Other	Total
Goodwill	80,756	23,334	938	<b>105,028</b>

### 13 GOODWILL (continued)

#### Goodwill impairment test (continued)

##### Value in use

For items of land, buildings and construction in progress the discounted future cash flow approach is applied and covers a 10-year period from 2023 onwards. The Group believes that use of 10 year forecast better reflects expected future cash flows of its cash generating units due to cyclical nature of their renovation expenditures. The future cash flows are based on the current budgets and forecasts approved by the management. For the forecast period, the data of the strategic business plan are extrapolated based on the consumer price indices as obtained from external resources and key performance indicators inherent to the strategic plan. One of the main assumptions used for the forecast period is revenue growth being in the range from 4.00% to 6.91% in accordance with the internal forecasts based on budget and consumer price index projections (31 December 2021: 4.00% to 7.86%). For the years beyond the forecast period the long-term consumer price index forecast of 4.00% at 31 December 2022 is used (31 December 2021: 4.00%). The projections are made in the functional currency of the Group's entities, being Russian Rouble, on a pre-tax basis and discounted at the Group pre-tax weighted average cost of capital which is then adjusted to reflect the risks specific to the respective assets (cash-generating units (CGUs)) – 15.92% (31 December 2021: 13.39%). Inflation rates are in line with the consumer price index forecast published by the Ministry of Economic Development of Russian Federation. The Group's management believes that all of its estimates are reasonable and consistent with the internal reporting and reflect management's best knowledge.

The changes in assumptions applied in the model used for impairment testing do not indicate any trigger for impairment because the fair value less cost of disposal and the value in use are significantly higher than the carrying values of the cash generating unit assets.

The result of applying discounted cash flows model reflects expectations about possible variations in the amount and timing of future cash flows and is based on reasonable and supportable assumptions that represent management's best estimate of the range of uncertain economic conditions.

### 14 OTHER INTANGIBLE ASSETS

Other intangible assets comprise the following:

	Brand and private labels	Software and other	Total
<b>Cost</b>			
<b>At 1 January 2021</b>	<b>16,843</b>	<b>42,302</b>	<b>59,145</b>
Additions	–	16,520	<b>16,520</b>
Acquisition of businesses (Note 7)	–	10	<b>10</b>
Disposals	–	(415)	<b>(415)</b>
<b>At 31 December 2021</b>	<b>16,843</b>	<b>58,417</b>	<b>75,260</b>
Additions	–	12,221	<b>12,221</b>
Assets from acquisitions	1,725	138	<b>1,863</b>
Disposals	–	(5,057)	<b>(5,057)</b>
<b>At 31 December 2022</b>	<b>18,568</b>	<b>65,719</b>	<b>84,287</b>
<b>Accumulated amortisation and impairment</b>			
<b>At 1 January 2021</b>	<b>(12,439)</b>	<b>(15,949)</b>	<b>(28,388)</b>
Amortisation charge	(76)	(7,846)	<b>(7,922)</b>
Impairment charge	–	(352)	<b>(352)</b>
Disposals	–	408	<b>408</b>
<b>At 31 December 2021</b>	<b>(12,515)</b>	<b>(23,739)</b>	<b>(36,254)</b>
Amortisation charge	(352)	(10,291)	<b>(10,643)</b>
Impairment charge	–	(3,918)	<b>(3,918)</b>
Disposals	–	4,855	<b>4,855</b>
<b>At 31 December 2022</b>	<b>(12,867)</b>	<b>(33,093)</b>	<b>(45,960)</b>
<b>Net book value at 31 December 2022</b>	<b>5,701</b>	<b>32,626</b>	<b>38,327</b>
<b>Net book value at 31 December 2021</b>	<b>4,328</b>	<b>34,678</b>	<b>39,006</b>
<b>Net book value at 1 January 2021</b>	<b>4,404</b>	<b>26,353</b>	<b>30,757</b>

## 14 OTHER INTANGIBLE ASSETS (continued)

The majority of additions of software are represented with internally generated development costs. Brand and private labels includes brand "Pyaterochka" with the carrying amount of RUB 4,029 (31 December 2021: RUB 4,029), brand "Karusel" with the carrying amount of RUB 42 (31 December 2021: RUB 298) and brands "Krasny Yar", "Baton", "Slata", "KhlebSol" with the carrying amount of RUB 1,630.

Amortisation charge, impairment charge and reversal of impairment are included in selling, general and administrative expenses in the consolidated statement of profit or loss for the years ended 31 December 2022 and 31 December 2021.

### Impairment test

At the end of 2022 management performed an impairment test of brands.

For private labels the evaluation performed and reasons for it are consistent with the approach for impairment testing of property, plant and equipment (Note 10). For brands, which are tested annually for impairment, evaluation performed is consistent with the approach for goodwill (Note 13).

Also the Group recognised an impairment of software which was no longer used.

## 15 INVENTORIES

At 31 December 2022 inventories in the amount of RUB 208,661 were accounted at the lower of cost and net realisable value (31 December 2021: RUB 166,840). Write-off of inventory to net realisable value at 31 December 2022 amounted to RUB 2,877 (31 December 2021: RUB 3,021). At 31 December 2022 and 31 December 2021 inventories consisted mainly of goods for resale.

## 16 FINANCIAL INSTRUMENTS BY CATEGORY

	<b>Financial assets at amortised cost</b>
<b>31 December 2022</b>	
<b>Assets as per consolidated statement of financial position</b>	
Short-term financial investments	50,067
Trade and other receivables excluding prepayments	15,462
Cash and cash equivalents	43,255
<b>Total</b>	<b>108,784</b>

	<b>Financial liabilities at amortised cost</b>
<b>31 December 2022</b>	
<b>Liabilities as per consolidated statement of financial position</b>	
Lease liabilities	591,160
Borrowings	234,532
Interest accrued	1,143
Trade, other current and non-current payables excluding statutory liabilities and advances	324,382
<b>Total</b>	<b>1,151,217</b>

	<b>Financial assets at amortised cost</b>
<b>31 December 2021</b>	
<b>Assets as per consolidated statement of financial position</b>	
Short-term financial investments	50,092
Trade and other receivables excluding prepayments	15,338
Cash and cash equivalents	26,062
<b>Total</b>	<b>91,492</b>

## 16 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

	<b>Financial liabilities at amortised cost</b>
<b>31 December 2021</b>	
<b>Liabilities as per consolidated statement of financial position</b>	
Lease liabilities	577,363
Borrowings	294,338
Interest accrued	1,792
Trade, other current and non-current payables excluding statutory liabilities and advances	290,074
<b>Total</b>	<b>1,163,567</b>

## 17 TRADE, OTHER ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<b>31 December 2022</b>	<b>31 December 2021</b>
Trade accounts receivable	13,123	11,499
Other receivables	3,117	4,658
Allowance for expected credit losses of trade and other receivables	(778)	(819)
<b>Total trade and other accounts receivable</b>	<b>15,462</b>	<b>15,338</b>
Prepayments	4,631	4,327
Advances made to trade suppliers	2,076	1,086
Allowance for impairment of prepayments and advances	(787)	(561)
<b>Total prepayments</b>	<b>5,920</b>	<b>4,852</b>
<b>Total</b>	<b>21,382</b>	<b>20,190</b>

The carrying amounts of the Group's trade and other receivables were primarily denominated in Russian Roubles. Trade receivables and other receivables are non-interest bearing and are generally on terms of 30 to 90 days.

### Trade receivables

Trade receivables are mainly bonuses from suppliers of goods for resale with a low historic default rate. The maximum exposure to credit risk at the reporting date was the carrying amount of each class of receivable. The Group did not hold any collateral as security.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	<b>Expected credit loss rate at 31 December 2022</b>	<b>Estimated total gross carrying amount at default 31 December 2022</b>	<b>Expected credit loss 31 December 2022</b>	<b>Expected credit loss rate at 31 December 2021</b>	<b>Estimated total gross carrying amount at default 31 December 2021</b>	<b>Expected credit loss 31 December 2021</b>
Not overdue – 1 month	0.16%	12,582	20	0.28%	11,018	31
1-6 months	2.80%	214	6	3.91%	256	10
6-12 months	40.32%	62	25	45.16%	62	28
Over 1 year	75.85%	265	201	71.17%	163	116
<b>Total</b>		<b>13,123</b>	<b>252</b>		<b>11,499</b>	<b>185</b>

## 17 TRADE, OTHER ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

### Trade receivables (continued)

Movements on the allowance for expected credit losses of trade receivables were as follows:

	2022	2021
<b>At 1 January</b>	<b>(185)</b>	<b>(472)</b>
Addition of allowance for expected credit losses	(308)	(110)
Release of allowance for expected credit losses	30	104
Trade receivables written off as uncollectable	211	293
<b>At 31 December</b>	<b>(252)</b>	<b>(185)</b>

The creation and release of the allowance for expected credit losses have been included in net impairment losses on financial assets in the consolidated statement of profit or loss.

### Other receivables

The maximum exposure to credit risk at the reporting date was the carrying amount of each class of receivable. The Group did not hold any collateral as security.

Set out below is the information about the credit risk exposure on the Group's other receivables using a provision matrix:

	Expected credit loss rate at 31 December 2022	Estimated total gross carrying amount at default 31 December 2022	Expected credit loss 31 December 2022	Expected credit loss rate at 31 December 2021	Estimated total gross carrying amount at default 31 December 2021	Expected credit loss 31 December 2021
Not overdue – 1 month	0.41%	1,930	8	0.85%	2,695	23
1-6 months	11.98%	668	80	9.07%	739	67
6-12 months	43.37%	83	36	44.12%	204	90
Over 1 year	92.20%	436	402	44.51%	1,020	454
<b>Total</b>		<b>3,117</b>	<b>526</b>		<b>4,658</b>	<b>634</b>

Movements on the allowance for expected credit losses of other receivables were as follows:

	2022	2021
<b>At 1 January</b>	<b>(634)</b>	<b>(609)</b>
Addition of allowance for expected credit losses	(270)	(356)
Release of allowance for expected credit losses	202	208
Other receivables written off as uncollectable	176	123
<b>At 31 December</b>	<b>(526)</b>	<b>(634)</b>

The creation and release of the allowance for expected credit losses have been included in net impairment losses on financial assets in the consolidated statement of profit or loss.

### Prepayments and advances made to trade suppliers

Movements on the allowance for impairment of prepayments and advances made to trade suppliers were as follows:

	2022	2021
<b>At 1 January</b>	<b>(561)</b>	<b>(500)</b>
Addition of allowance for prepayments and advances to trade suppliers impairment	(545)	(372)
Release of allowance for prepayments and advances to trade suppliers impairment	133	151
Prepayments and advances to trade suppliers written off as uncollectable	186	160
<b>At 31 December</b>	<b>(787)</b>	<b>(561)</b>

## 17 TRADE, OTHER ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

### Prepayments and advances made to trade suppliers (continued)

The creation and release of the allowance for impaired prepayments have been included in general and administrative costs in the consolidated statement of profit or loss.

The individually impaired prepayments mainly related to debtors that expected financial difficulties or there was likelihood of the debtor's insolvency. It was assessed that a portion of the prepayments was expected to be recovered.

## 18 VAT AND OTHER TAXES RECEIVABLE

	31 December 2022	31 December 2021
VAT receivable	8,794	8,462
Other taxes receivable	213	340
<b>Total</b>	<b>9,007</b>	<b>8,802</b>

## 19 PROVISIONS AND OTHER LIABILITIES

	31 December 2022	31 December 2021
Other accounts payable and accruals	34,212	31,896
Accrued salaries and bonuses	28,266	26,153
Accounts payable for property, plant and equipment	15,837	16,191
Taxes other than income tax	37,872	21,261
Advances received	1,796	1,680
Payables to landlords	1,771	1,443
Provisions and liabilities for tax uncertainties	10,696	6,049
<b>Total</b>	<b>130,450</b>	<b>104,673</b>

There were no significant amounts of other payables to foreign counterparties as at 31 December 2022 and 31 December 2021.

## 20 CONTRACT LIABILITIES

	31 December 2022	31 December 2021
<b>Short-term contract liabilities</b>		
Short-term contract liabilities related to loyalty programmes	3,487	2,146
Advances received from wholesales customers	42	40
Advances received from other customers	238	206
<b>Total</b>	<b>3,767</b>	<b>2,392</b>

Movements in short-term contract liabilities related to loyalty programmes comprise the following:

	2022	2021
<b>At 1 January</b>	<b>2,146</b>	<b>1,955</b>
Deferred during the year	11,949	2,146
Recognised at acquisition of businesses (Note 7)	26	–
Recognised as revenue during the year	(10,634)	(1,955)
<b>At 31 December</b>	<b>3,487</b>	<b>2,146</b>



## 21 BORROWINGS

The Group had the following borrowings at 31 December 2022 and 31 December 2021:

Current	Final maturity year*	Fair value		Carrying value	
		2022	2021	2022	2021
RUB Bonds X5 Finance series BO-07		–	5,023	–	5,000
RUB Bonds X5 Finance series 001P-06		–	9,920	–	9,999
RUB Bonds X5 Finance series 001P-05		–	5,017	–	4,999
RUB Bonds X5 Finance series 001P-10		–	9,875	–	9,998
RUB Bonds X5 Finance series 001P-07		–	4,967	–	4,999
RUB Bonds X5 Finance series BO-05	2023	9	–	9	–
RUB Bonds X5 Finance series BO-04		–	2,091	–	2,150
RUB Bonds X5 Finance series BO-06		–	1,201	–	1,201
RUB Bonds X5 Finance series 001P-11		–	9,726	–	9,994
RUB Bonds X5 Finance series 001P-08		–	4,915	–	4,998
RUB Bonds X5 Finance series 001P-09		–	4,915	–	4,998
RUB Bonds X5 Finance series 001P-01	2023	96	–	96	–
RUB Bonds X5 Finance series 001P-03	2023	51	–	48	–
RUB Bonds X5 Finance series 001P-12	2023	9,906	–	9,996	–
RUB Bonds X5 Finance series 001P-02	2023	7	–	8	–
RUB Bilateral Loans	2023	76,989	29,431	76,989	29,431
<b>Total current borrowings</b>		<b>87,058</b>	<b>87,081</b>	<b>87,146</b>	<b>87,767</b>

Non-current	Final maturity year*	Fair value		Carrying value	
		2022	2021	2022	2021
RUB Bonds X5 Finance series BO-05		–	8	–	9
RUB Bonds X5 Finance series 001P-01		–	98	–	96
RUB Bonds X5 Finance series 001P-02		–	7	–	8
RUB Bonds X5 Finance series 001P-03		–	43	–	48
RUB Bonds X5 Finance series 001P-12		–	9,609	–	9,989
RUB Bonds X5 Finance series 002P-01	2024	9,860	9,951	9,992	9,998
RUB Bonds X5 Finance series 002P-02	2025	19,972	–	19,956	–
RUB Bonds X5 Finance series 002P-03	2025	13,930	–	13,969	–
RUB Bilateral Loans	2025	101,279	179,255	103,469	186,423
<b>Total non-current borrowings</b>		<b>145,041</b>	<b>198,971</b>	<b>147,386</b>	<b>206,571</b>
<b>Total borrowings</b>		<b>232,099</b>	<b>286,052</b>	<b>234,532</b>	<b>294,338</b>

\* In case of the Group's Bonds – the next put/call option date.

In December 2022 the Group issued RUB 20,000 exchange-registered corporate bonds series 002P-02 with 8.90% coupon rate with put-option in 2.5 years and RUB 14,000 exchange-registered corporate bonds series 002P-03 with 8.68% coupon rate with call-option in 2.25 years.

The weighted average effective interest rate on X5's total borrowings for the year ended 31 December 2022 comprised 8.64% per annum (year ended 31 December 2021: 6.56%).

All borrowings at 31 December 2022 are shown net of related transaction costs of RUB 129 which are amortised over the term of the loans using the effective interest method (31 December 2021: RUB 119). Borrowing costs capitalised for the year ended 31 December 2022 amounted to RUB 13 (for year ended 31 December 2021: RUB 24). The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was approximate to weighted average effective interest rate for the period.

Change in total borrowings in amount of RUB 59,806 in 2022 equals to the proceeds from borrowings in amount of RUB 148,974, repayment of borrowings in amount of RUB 210,615 (the Consolidated Statement of Cash Flows), increase due to acquisitions during the year recorded as part of the purchase price allocation (Note 7) in the amount of RUB 1,819 and other non-cash movements in amount of RUB 70 plus amortisation of transaction costs in amount of RUB 86. Changes in lease liabilities which also form liabilities arising from financing activities are disclosed in the Note 11.

## 21 BORROWINGS (continued)

Change in total borrowings in amount of RUB 32,391 in 2021 equals to the proceeds from borrowings in amount of RUB 132,345, repayment of borrowings in amount of RUB 99,585 (the Consolidated Statement of Cash Flows) and other non-cash movements in amount of RUB 447 plus amortisation of transaction costs in amount of RUB 78. Changes in lease liabilities which also form liabilities arising from financing activities are disclosed in the Note 11.

In accordance with a few loan agreements, the Group maintains an optimal leverage ratio by tracking covenant: the maximum level of Net Debt/EBITDA pre-IFRS 16 (4.00/4.25 during 2 quarters after acquisition). At 31 December 2022 the Group complied with this covenant and Net Debt/EBITDA pre-IFRS 16 was equal to 1.02 (31 December 2021: 1.67). Metric EBITDA specified in all loan agreements is equal to EBITDA pre-IFRS 16 (for calculation please refer to Note 5).

## 22 SHARE CAPITAL

As at 31 December 2022 the Group had 190,000,000 authorised ordinary shares (31 December 2021: 190,000,000) of which 67,888,696 ordinary shares were outstanding (31 December 2021: 67,888,696) and 4,521 ordinary shares in amount of RUB 41 were held as treasury stock (31 December 2021: 4,521 ordinary shares in amount of RUB 41). The nominal par value of each ordinary share is EUR 1.

Dividends approved for distribution at the General Meeting in May 2021 have been paid in the amount of RUB 30,006 during the year ended 31 December 2021 (RUB 441.99 per share).

In December 2021 interim dividends proposed by the Supervisory Board for the nine months ended 30 September 2021 have been paid in amount of RUB 20,000 (RUB 294.60 per share).

## 23 EARNINGS PER SHARE

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

Earnings per share were calculated as follows:

	2022	2021
Profit attributable to equity holders of the parent	45,199	42,738
Weighted average number of ordinary shares in issue	67,888,696	67,886,315
Effect of share options granted to employees, number of shares	–	1,801
Weighted average number of ordinary shares for the purposes of diluted earnings per share	67,888,696	67,888,116
<b>Basic earnings per share for profit (expressed in RUB per share)</b>	<b>665.78</b>	<b>629.55</b>
<b>Diluted earnings per share for profit (expressed in RUB per share)</b>	<b>665.78</b>	<b>629.54</b>

## 24 REVENUE

	2022			Total
	Pyaterochka	Perekrestok	Other segments	
Revenue from sale of goods through own stores (at a point of time)	2,089,270	385,025	87,798	<b>2,562,093</b>
Revenue from sale of goods through franchisees (at a point of time)	33,523	470	–	<b>33,993</b>
Revenue from wholesale of goods (at a point of time)	572	104	3,571	<b>4,247</b>
Revenue from other services (over time)	1,252	600	3,047	<b>4,899</b>
<b>Total</b>	<b>2,124,617</b>	<b>386,199</b>	<b>94,416</b>	<b>2,605,232</b>

## 24 REVENUE (continued)

	2021			Total
	Pyaterochka	Perekrestok	Other segments	
Revenue from sale of goods through own stores (at a point of time)	1,770,731	348,553	51,858	2,171,142
Revenue from sale of goods through franchisees (at a point of time)	22,946	389	–	23,335
Revenue from wholesale of goods (at a point of time)	372	1,596	3,558	5,526
Revenue from other services (over time)	969	562	3,285	4,816
<b>Total</b>	<b>1,795,018</b>	<b>351,100</b>	<b>58,701</b>	<b>2,204,819</b>

## 25 EXPENSES BY NATURE

	2022	2021
Cost of goods sold	1,893,469	1,580,063
Staff costs (Note 28)	248,368	218,948
Lease expenses (Note 11)	19,925	14,541
Depreciation, amortisation	153,950	145,554
Impairment of non-current assets	10,781	4,724
Other store costs	34,693	31,430
Utilities	54,147	47,935
Net impairment losses on financial assets	346	154
Other	74,460	67,775
<b>Total</b>	<b>2,490,139</b>	<b>2,111,124</b>

Other expenses included impairment of prepayments in amount to RUB 412 in 2022 (2021: RUB 221).

The fees listed below related to the procedures applied to the Group by accounting firms and external auditors as referred to in article 1(1) of the Dutch Accounting Firms Oversight Act (Dutch acronym: Wta):

	2022	2021
Audit of financial statements	77	70
Other assurance services performed by other companies being part of external auditor's network	4	7
Non-audit services by other companies being part of external auditor's network	48	43
<b>Total</b>	<b>129</b>	<b>120</b>

In addition to the statutory audit of the financial statements the members of the group, comprising the external auditor entity in Russia, provided non-audit services in the areas of retail pricing proof and business trainings.

## 26 LEASE/SUBLEASE AND OTHER INCOME

	2022	2021
Lease/sublease income (Note 11)	7,214	7,007
Income from sales of waste	8,391	8,412
Gain on derecognition of right-of-use assets and lease liabilities	2,551	2,940
Other	4,869	5,518
<b>Total</b>	<b>23,025</b>	<b>23,877</b>

## 27 FINANCE INCOME AND COSTS

	2022	2021
Interest expense on lease liabilities	49,877	40,562
Interest expense on borrowings	22,535	16,412
Interest income	(5,248)	(154)
Other finance costs, net	1,253	409
<b>Total</b>	<b>68,417</b>	<b>57,229</b>

## 28 STAFF COSTS

	2022	2021
Wages and salaries	194,883	171,225
Social security costs	53,472	47,634
Share-based payments expense	13	89
<b>Total</b>	<b>248,368</b>	<b>218,948</b>

Wages and salaries include expenses for outstaffing and outsourcing services. Wages and salaries in 2022 included expenses of RUB 2,171 related to the long-term incentive programme (LTI) for key employees, including members of the Management Board, other key management and other key employees (2021: RUB 2,535). The liability for LTI in amount of RUB 3,869 (including social security costs) was included in other non-current liabilities in the consolidated statement of financial position as at 31 December 2022 (31 December 2021: RUB 1,525) and in amount of RUB 105 (including social security costs) in provisions and other liabilities in the consolidated statement of financial position (31 December 2021: RUB 2,403).

Social security costs in 2022 included pension contributions amounted to RUB 35,178 (2021: RUB 32,052).

The number of employees as at 31 December 2022 amounted to 353,196 (31 December 2021: 340,928).

## 29 SHARE-BASED PAYMENTS

### Restricted Stock Unit Plan

Under the remuneration policy for members of the Supervisory Board, Supervisory Board members were entitled to annual awards of restricted stock units (RSUs) under the Group's Restricted Stock Unit Plan (RSU Plan). RSU awards to members of the Supervisory Board were not subject to performance criteria, and determined by the General Meeting of Shareholders.

Since the trading of X5 GDRs at the London Stock Exchange was suspended in March 2022, the General Meeting of Shareholders approved in its extraordinary meeting on 30 November 2022 a new phantom stock plan for eligible Supervisory Board members. The new plan replaces the RSU Plan that was terminated on 22 September 2022. In accordance with termination conditions under the RSU Plan, 46,704 RSUs vested and were settled in cash based on the X5 GDR value at the Moscow Exchange on 22 September 2022. A total number of 50,496 RSUs were forfeited during the year ended 31 December 2022.

For the remaining outstanding RSUs, the General Meeting of Shareholders approved the option to settle RSUs in cash upon vesting on the GDR value at Moscow Exchange or other Exchange where GDRs are primarily traded at the time of vesting.

Details of the conditional rights outstanding were as follows:

	2022		2021	
	Number of conditional rights	Weighted average fair value, RUB	Number of conditional rights	Weighted average fair value, RUB
<b>Outstanding at the beginning of the period</b>	<b>120,448</b>	<b>2,156.84</b>	<b>116,479</b>	<b>2,025.96</b>
Awarded during the period	–	–	47,319	2,243.40
Vested during the period	(46,704)	2,114.72	(39,643)	1,878.34
Forfeited during the period	(50,496)	2,167.29	(3,707)	2,127.76
<b>Outstanding at the end of the period</b>	<b>23,248</b>	<b>2,218.76</b>	<b>120,448</b>	<b>2,156.84</b>

Expenses recognised during the year for the RSU Plan were as follows:

	2022	2021
Equity settled RSU (benefit)/expenses	(3)	89
Cash settled RSU expenses	6	–
<b>Total</b>	<b>3</b>	<b>89</b>

## 29 SHARE-BASED PAYMENTS (continued)

### Restricted Stock Unit Plan (continued)

At 31 December 2022 the carrying amount of liability related to RSU was RUB 24 (31 December 2021: Nil), the equity component was RUB 38 (31 December 2021: RUB 118). The fair value of services received in return for the conditional RSUs granted to employees is measured by reference to the market price of the GDRs which is determined at grant date.

### Phantom Stock Unit Plan

Members of the Supervisory Board are entitled to annual awards of phantom stock units (PSUs) under the Group's Phantom Stock Unit Plan (PSU Plan) approved by the General Meeting of Shareholders on November 2022. PSUs awards to members of the Supervisory Board are not subject to performance criteria, and PSUs are converted into cash after a three-year vesting period.

During the year ended 31 December 2022 a total number of 38,925 PSUs were awarded under tranche 1 of the PSU Plan and will vest in 2025.

In total during the year ended 31 December 2022 the Group recognised expense related to the PSU Plan in the amount of RUB 10 (expense during the year ended 31 December 2021: Nil).

At 31 December 2022 the carrying amount of liability related to PSU was RUB 10 (31 December 2021: Nil). The fair value of services received in return for the conditional PSUs granted to employees is measured by reference to the market price of the GDRs which is determined at grant date.

Details of the conditional rights outstanding were as follows:

	2022		2021	
	Number of conditional rights	Weighted average fair value, RUB	Number of conditional rights	Weighted average fair value, RUB
<b>Outstanding at the beginning of the period</b>	–	–	–	–
Awarded during the period	38,925	1,049.50	–	–
<b>Outstanding at the end of the period</b>	<b>38,925</b>	<b>1,049.50</b>	–	–

## 30 INCOME TAX

	2022	2021
Current income tax charge	21,186	22,190
Deferred income tax charge/(benefit)	1,295	(4,186)
<b>Income tax charge for the year</b>	<b>22,481</b>	<b>18,004</b>

The theoretical and effective tax rates are reconciled as follows:

	2022	2021
<b>Profit before taxation</b>	<b>67,669</b>	<b>60,742</b>
<b>Theoretical tax at the effective statutory rate*</b>	<b>13,534</b>	<b>12,148</b>
<b>Tax effect of items which are not deductible or assessable for taxation purposes</b>		
Current tax on dividends distributed by the Group's subsidiaries	–	5,305
Change in deferred tax liability associated with investments in subsidiaries	–	(1,580)
Expenses on inventory shortage	400	337
Unrecognised tax loss carry forwards for the year	16	153
Effect of income taxable at rates different from standard statutory rates	(6)	14
Adjustments in respect of current income tax of previous years	1,600	–
Deferred tax expenses arising from deferred tax asset write down	1,599	–
Other non-deductible expense	5,338	1,627
<b>Income tax charge for the year</b>	<b>22,481</b>	<b>18,004</b>

\* Profit before taxation on Russian operations is assessed based on the statutory rate of 20%.

### 30 INCOME TAX (continued)

As at 31 December 2022 37 Russian subsidiaries of the Group were the members of the CGT (consolidated group of taxpayers) with X5 Corporate Center LLC acting as a responsible CGT member. At 1 January 2023 the CGT agreement was terminated and the former members of the CGT started accounting for income tax on standalone basis.

#### Deferred income tax

Deferred tax assets and liabilities and the deferred tax charge in the consolidated statement of profit or loss were attributable to the following items for the year ended 31 December 2022:

	1 January 2022	Credited/ (debited) to profit and loss	Deferred tax on business combinations (Note 7)	31 December 2022
<b>Tax effects of deductible temporary differences and tax loss carry forwards</b>				
Tax losses available for carry forward	5,369	(2,675)	–	2,694
Right-of-use assets and lease liabilities	20,115	697	128	20,940
Property, plant and equipment and investment property	333	309	–	642
Other intangible assets	53	111	–	164
Inventories	2,426	133	20	2,579
Accounts receivable	31	239	–	270
Accounts payable	10,487	2,802	103	13,392
Other	437	261	5	703
<b>Gross deferred tax assets</b>	<b>39,251</b>	<b>1,877</b>	<b>256</b>	<b>41,384</b>
Less offsetting with deferred tax liabilities	(16,204)	2,430	(128)	(13,902)
<b>Recognised deferred tax assets</b>	<b>23,047</b>	<b>4,307</b>	<b>128</b>	<b>27,482</b>
<b>Tax effects of taxable temporary differences</b>				
Right-of-use assets and lease liabilities	(53)	3	(29)	(79)
Property, plant and equipment and investment property	(8,404)	(3,233)	(217)	(11,854)
Investments into subsidiary	–	–	–	–
Other intangible assets	(6,806)	397	(288)	(6,697)
Inventories	–	(10)	–	(10)
Accounts receivable	(1,698)	(50)	(18)	(1,766)
Accounts payable	(2)	(338)	–	(340)
Other	(169)	59	–	(110)
<b>Gross deferred tax liabilities</b>	<b>(17,132)</b>	<b>(3,172)</b>	<b>(552)</b>	<b>(20,856)</b>
Less offsetting with deferred tax assets	16,204	(2,430)	128	13,902
<b>Recognised deferred tax liabilities</b>	<b>(928)</b>	<b>(5,602)</b>	<b>(424)</b>	<b>(6,954)</b>

### 30 INCOME TAX (continued)

#### Deferred income tax (continued)

Deferred tax assets and liabilities and the deferred tax charge in the consolidated statement of profit or loss were attributable to the following items for the year ended 31 December 2021:

	1 January 2021	Credited/ (debited) to profit and loss	Deferred tax on business combinations (Note 7)	31 December 2021
<b>Tax effects of deductible temporary differences and tax loss carry forwards</b>				
Tax losses available for carry forward	5,487	(118)	–	5,369
Right-of-use assets and lease liabilities	18,506	1,365	244	20,115
Property, plant and equipment and investment property	276	57	–	333
Other intangible assets	52	1	–	53
Inventories	2,293	133	–	2,426
Accounts receivable	27	4	–	31
Accounts payable	7,997	2,490	–	10,487
Other	396	41	–	437
<b>Gross deferred tax assets</b>	<b>35,034</b>	<b>3,973</b>	<b>244</b>	<b>39,251</b>
Less offsetting with deferred tax liabilities	(14,576)	(1,628)	–	(16,204)
<b>Recognised deferred tax assets</b>	<b>20,458</b>	<b>2,345</b>	<b>244</b>	<b>23,047</b>
<b>Tax effects of taxable temporary differences</b>				
Right-of-use assets and lease liabilities	(11)	(42)	–	(53)
Property, plant and equipment and investment property	(9,559)	1,155	–	(8,404)
Investments into subsidiary	(1,580)	1,580	–	–
Other intangible assets	(4,880)	(1,926)	–	(6,806)
Accounts receivable	(1,149)	(549)	–	(1,698)
Accounts payable	(4)	2	–	(2)
Other	(162)	(7)	–	(169)
<b>Gross deferred tax liabilities</b>	<b>(17,345)</b>	<b>213</b>	<b>–</b>	<b>(17,132)</b>
Less offsetting with deferred tax assets	14,576	1,628	–	16,204
<b>Recognised deferred tax liabilities</b>	<b>(2,769)</b>	<b>1,841</b>	<b>–</b>	<b>(928)</b>

The temporary differences associated with investments in the Group's subsidiaries, for which a deferred tax liability was not recognised at 31 December 2022 amounted to RUB 35,252 (2021: Nil).

Management believes that the future taxable profits in tax jurisdictions that suffered a loss in the current or preceding years will be available to utilise the deferred tax asset of RUB 2,694 recognised at 31 December 2022 for the carry forward of unused tax losses (31 December 2021: RUB 5,369).

The Group estimated unrecognised potential deferred tax assets in respect of unused tax loss carry forwards at 31 December 2022 of RUB 7,984 (31 December 2021: RUB 3,206). At 31 December 2022 and 31 December 2021 unused tax losses had no time restrictions for carry forward.

### 31 FINANCIAL RISK MANAGEMENT

Financial risk management is a part of integrated risk management and internal control framework described in "Corporate Governance" section of this Annual Report. The primary objectives of the financial risk management are to establish risk limits, and then ensure that exposure to risks stays within these limits.

Financial risk management is carried out by the Group's centralised Finance Department. The Finance Department monitors and measures financial risks and undertakes steps to limit their influence on the Group's performance.



## **31 FINANCIAL RISK MANAGEMENT (continued)**

### **(a) Market risk**

#### **Currency risk**

Group is exposed to foreign exchange risk arising from foreign currency denominated assets and liabilities with respect to import purchases and lease liabilities mainly in USD and EUR. As at 31 December 2022 the Group had trade accounts payable denominated in USD in the amount of RUB 8,140, in EUR in the amount of RUB 2,307 and in CNY in the amount of RUB 354 (31 December 2021: denominated in USD in the amount of RUB 7,351 and in EUR in the amount of RUB 2,101) and leases denominated in USD in the amount of RUB 4,523 and in EUR in the amount of RUB 2,532 (31 December 2021: denominated in USD in the amount of RUB 7,028 and in EUR in the amount of RUB 3,506). As at 31 December 2022 the Group did not have any other significant assets and liabilities denominated in foreign currency and the exposure for the Group was estimated as not significant.

#### **Interest rates risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As at 31 December 2022 the Group had no floating interest-bearing assets (31 December 2021: Nil), but had 4% (31 December 2021: 16%) share of borrowings with floating interest rates based on the Key rate of the Central Bank of the Russian Federation.

If the Key rate had been 100 b.p. higher the profit before tax for the year ended 31 December 2022 would have been RUB 85 lower. If the Key rate had been 100 b.p. lower the profit before tax for the year ended 31 December 2022 would have been RUB 85 higher. The Group's income and operating cash inflows were largely independent of changes in market interest rates but part of The Group's interest expenses was marginally exposed to changes in market interest rates.

### **(b) Credit risk**

Financial assets, which are potentially subject to credit risk, consisted principally of cash and cash equivalents and short-term financial investments held in banks, trade and other receivables (Note 9 and Note 17). Due to the nature of its main activities (retail sales to individual customers) the Group had no significant concentration of credit risk. Cash was placed in financial institutions which were considered at the time of deposit to have low risk of default (Note 9).

The Group has policies in place to ensure that in case of credit sales of products and services to wholesale customers and reverse franchise schemes only those counteragents with an appropriate credit history are selected. Although collection of receivables could be influenced by economic factors, management believes that there was no significant risk of loss to the Group beyond the allowance already recorded. In accordance with the Group treasury policies and exposure management practices, counterparty credit exposure limits were continually monitored and no individual exposure was considered significant.

### **(c) Liquidity risk**

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is managed by the Corporate Finance Department.

The Group finances its operations by a combination of cash flows from operating activities and long-term and short-term debt. The objective is to ensure continuity of funding on the best available market terms. The policy is to keep the Group's credit portfolio diversified structure, continue to improve the debt maturity profile, to arrange funding ahead of requirements and to maintain sufficient undrawn available bank lines/limits, and a strong credit rating so that maturing debt may be refinanced as it falls due.

## 31 FINANCIAL RISK MANAGEMENT (continued)

### (c) Liquidity risk (continued)

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

<b>Year ended 31 December 2022</b>	<b>During 1 year</b>	<b>In 1 to 5 years</b>	<b>Over 5 years</b>
Lease liabilities	122,886	418,196	318,224
Borrowings	104,323	157,776	–
Trade payables	238,641	–	–
Other financial liabilities	80,086	5,655	–
<b>Total</b>	<b>545,936</b>	<b>581,627</b>	<b>318,224</b>

  

<b>Year ended 31 December 2021</b>	<b>During 1 year</b>	<b>In 1 to 5 years</b>	<b>Over 5 years</b>
Lease liabilities	111,953	389,062	289,176
Borrowings	107,339	223,397	–
Trade payables	212,949	–	–
Other financial liabilities	75,683	1,442	–
<b>Total</b>	<b>507,924</b>	<b>613,901</b>	<b>289,176</b>

At 31 December 2022 the Group had net current liabilities of RUB 198,625 (31 December 2021: RUB 206,373) including short-term borrowings of RUB 87,146 (31 December 2021: RUB 87,767). At 31 December 2022 the Group had available bank credit lines of RUB 475,020 (31 December 2021: RUB 482,263). At 31 December 2022 the Group had RUB registered bonds programme available for issue on MOEX of RUB 156,000 (31 December 2021: RUB 190,000).

Management regularly monitors the Group's operating cash flows and available credit lines/limits to ensure that these are adequate to meet the Group's ongoing obligations and its expansion programmes. Part of the existing lines is provided on rolling basis which is closely monitored by detailed cash flow forecasts and are managed by the Corporate Finance Department.

The Group's capital expenditure programme is highly discretionary. The Group optimises its cash outflows by managing the speed of execution of current capex projects and by delaying future capital extensive programmes, if required.

The Group is carefully monitoring its liquidity profile by optimizing the cost of funding and the drawdown periods within revolving credit facilities as well as extending existing credit facilities or obtaining new credit lines. The Group manages liquidity requirements by the use of both short-term and long-term projections and maintaining the availability of funding. Based on the review of the current liquidity position of the Group management considers that the available credit lines and expected cash flows are more than sufficient to finance the Group's current operations.

The Group has assessed the impact of climate related matters on its financial statements as not material.

## 32 OPERATING ENVIRONMENT OF THE GROUP

Since late February 2022 the aggravation of geopolitical tensions and the conflict related to Ukraine had a negative impact on the economy of the Russian Federation. The European Union, the United States and a number of other countries imposed new sanctions against certain entities and individuals in Russia. Some international companies announced the suspension of activities in Russia or the termination of the supply of products to Russia. This led to increased volatility in the stock and currency markets. In response to increased volatility in financial markets and rising inflation risks, the Central Bank of Russian Federation raised its key rate to 20% at an extraordinary meeting in February 2022. Subsequently, the key rate was gradually lowered to 7.5%.

The future stability of the Russian economy is largely dependent upon the impact of the sanctions being imposed. Should the economy be in a long-term recession after the sanctions, that may affect the Group's financial position, cash flows and results of operations.

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

### **33 CAPITAL RISK MANAGEMENT**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group manages total equity attributable to equity holders recognised under IFRS requirements. The Group is in compliance with externally imposed capital requirements.

In accordance with a few loan facilities the Group maintains an optimal leverage ratio by tracking covenant: the maximum level of Net Debt/EBITDA pre-IFRS 16 (4.00/4.25 during two quarters after acquisition). Net debt is calculated as the sum of short-term and long-term borrowings less cash and cash equivalents. Reconciliation of EBITDA pre-IFRS 16 to operating profit is presented in Note 5. This ratio is included as covenants into some of Group's loan agreements (Note 21). At 31 December 2022 and 31 December 2021 the Group complied with the requirements under the loan facilities.

### **34 FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

#### **Financial assets carried at amortised cost**

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

The carrying amount of cash and cash equivalents and trade and other financial receivables approximates their fair value.

#### **Liabilities carried at amortised cost**

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

The fair value of bonds traded on the MOEX and the SE is determined based on active market quotations and amounted to RUB 53,831 at 31 December 2022 (31 December 2021: RUB 77,366). The measurement is classified in level 1 of the fair value hierarchy. The carrying value of these bonds amounted to RUB 54,074 at 31 December 2022 (31 December 2021: RUB 78,484) (Note 21). The fair value of long-term borrowings amounted to RUB 101,279 at 31 December 2022 (31 December 2021: RUB 179,255). The measurement is classified in level 3 of the fair value hierarchy and is determined based on expected cash flows discounted using interest rate of similar instruments available on the market. The sensitivity analysis shows that the increase/decrease of the market interest rate by 10% leads to the decrease/increase of fair value of long-term borrowings by RUB 1,304 at 31 December 2022 (31 December 2021: RUB 2,470). The fair value of short-term borrowings was not materially different from their carrying amounts.

### **35 COMMITMENTS AND CONTINGENCIES**

#### **Capital expenditure commitments**

At 31 December 2022 the Group contracted for capital expenditure for the acquisition of property, plant and equipment and intangible assets of RUB 4,540 (net of VAT) (31 December 2021: RUB 7,659).

#### **Legal contingencies**

The Group has been and continues to be the subject of legal proceedings and adjudications from time to time. Management believes that there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued at 31 December 2022.

## **35 COMMITMENTS AND CONTINGENCIES (continued)**

### **Tax contingencies, commitments and risks**

Russian tax, customs, and currency legislation allows for various interpretations and is subject to frequent amendments. Relevant regional and federal authorities can challenge the Group management interpretation of legislation provisions in the context of the Group's transactions and operations. The Group includes companies incorporated outside Russia. These companies are subject to tax at the rates prescribed by the legislation of the jurisdiction where the companies are tax residents. According to the Russian legislation, foreign companies of the Group are not subject to profit tax except for cases of withholding tax (i.e. dividends, interest, capital gain, etc.), since tax obligations of the foreign companies of the Group are determined on the assumption that the foreign companies of the Group are not Russian tax residents.

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

Recent trends of interpretation and application of particular provisions of the Russian tax legislation highlight the fact that tax authorities can enter the more rigid position with regards to the interpretation of the legislation and tax calculations. Therefore, tax authorities can dispute lawfulness of transactions and accounting methods that were previously out of question. As a result, material additional taxes, penalties and fines can be charged. It is impossible to forecast the amount of potential claims and to evaluate the probability of an unfavourable outcome. Generally, tax audits can cover three calendar years preceding the year in which the decision on the performance of audit is adopted. In certain circumstances a tax audit can cover earlier tax periods.

In May 2021 the Federal Law on denunciation of the Double Tax Treaty (DTT) with the Netherlands was adopted, as a result respective DTT expired starting from 2022. These changes do not apply retrospectively to income paid prior to 2022.

MLI standards came into effect on 1 January 2021. The MLI requires the setting of minimum standards – rules that must be observed in order to benefit from reduced rates under a tax treaty. The Russian Federation adopted the following standards:

- The principal purpose test (PPT); and
- Simplified limitation on benefits (sLoB).

The principal purpose test means that tax treaty benefits may not be applied if obtaining them was the principal purpose of a transaction.

The simplified limitation on benefits means that reduced rates under a tax treaty may be enjoyed only by “qualified persons” (individuals, a state or political subdivision thereof, public companies, pension funds, non-profit organizations, etc.) and other persons who are not “qualified persons” if they carry on “active business” and the income received is connected to that business. The term “active business” does not include activities of holding companies, intra-group financing, making or managing investments (except for professional participants in the market), etc.

It follows from the above that where income is paid to a foreign company which qualifies for reduced rates or exemption from taxation only on the basis of the provisions of a tax treaty with a specific state, it is essential to ensure compliance both with local law and with the provisions of the MLI as a document that regulates the application of DTTs between specific countries.

In the first half of 2022 the Russian authorities took an array of measures meant to support the population and businesses due to the impact of economic sanctions imposed on the Russian Federation in response to the military operation initiated on 24 February 2022, including a number of tax initiatives which are aimed to shield the business and relevant to the Group:

- Right to make income tax instalment payment for March 2022 one month later, i.e. on April 28, 2022;
- Right to pay contributions to social funds for second and third quarters of 2022 one year later (in 2023 for 2022);
- Reducing of late tax payment interest rate (1/300 instead of 1/150 of the Central Bank of the Russian Federation refinancing rate applied for each day of late tax payment during the period from 9 March 2022 to 31 December 2023);
- Availability of accelerated (before desk tax audit is ended) VAT refund without presenting a bank guarantee.

## **35 COMMITMENTS AND CONTINGENCIES (continued)**

### **Tax contingencies, commitments and risks (continued)**

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

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

## **36 SUBSEQUENT EVENTS**

There were no significant events after the reporting date.