



NEW CHALLENGES  
NEW SOLUTIONS

# ABC GROUP

## MODEL CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## **Introduction**

This publication contains an illustrative set of consolidated financial statements (the “consolidated financial statements” or the “financial statements”) for PAO ABC (“ABC” or the “Company”) and its subsidiaries (collectively, the “Group” or “ABC Group”) that is prepared in accordance with International Financial Reporting Standards (IFRS). The Group is a fictitious, large machine-building company. The parent is publicly listed and is incorporated in the Russian Federation. The Group’s presentation currency is the Russian ruble.

We consider the transactions, events and circumstances reflected in these illustrative financial statements to be most common for a broad range of companies across a wide variety of industries in the non-financial sector.

## **How to use these illustrative financial statements**

Users of this publication are encouraged to prepare entity-specific disclosures, including disclosures related to other transactions which are significant for the entity (if any) other than those illustrated in these financial statements. It should be noted that the illustrative financial statements are not designed to satisfy any particular stock market or country-specific regulatory requirements, nor is this publication intended to reflect disclosure requirements that apply mainly to regulated or specialized industries.

## **Format of the financial statements**

In these illustrative financial statements, we structure the notes to the financial statements according to their nature and perceived importance, which, in our view, enhances the effectiveness of the financial statements presentation because users may find it easier to extract the relevant information. The significant accounting policies, judgments, key estimates and assumptions are placed within respective notes to provide a more holistic discussion to users of the financial statements.

At the same time, entities may structure the notes to the financial statements in another way as a result of careful assessment of their specific circumstances and the preferences of the primary users.

## **IFRS as at 29 December 2022**

These illustrative financial statements do not early adopt standards, amendments or interpretations before their effective date. The standards applied in these illustrative financial statements are those that were in issue as at 29 December 2022 and effective for annual periods beginning on or after 1 January 2022. It is important to keep in mind that these illustrative financial statements will require continual updating as standards are issued and/or revised.

Users of this publication are cautioned to check that there has been no change in IFRS requirements between 29 December 2022 and the date on which their financial statements are authorized for issue. Furthermore, if the financial year of an entity is other than the calendar year, new and revised standards applied in these illustrative financial statements may not be applicable.

**PAO ABC**

Consolidated financial statements

*for the year ended 31 December 2022*

# PAO ABC

## Consolidated financial statements for the year ended 31 December 2022 *(in millions of Russian rubles)*

### Contents

Independent auditor's report.....	4
Consolidated financial statements	
Consolidated statement of profit or loss.....	5
Consolidated statement of comprehensive income .....	6
Consolidated statement of financial position.....	7
Consolidated statement of cash flows.....	9
Consolidated statement of changes in equity.....	11
Notes to the consolidated financial statements	
1. Corporate information .....	13
2. Basis of preparation .....	14
3. Changes in accounting policies .....	14
4. Significant accounting judgments, estimates and assumptions .....	17
5. Other significant accounting policies not covered in other notes.....	17
6. Fair value measurement and related fair value disclosures.....	19
7. Basis of consolidation and financial information on subsidiaries with material non-controlling interests .....	23
8. Changes in the Group's composition and goodwill .....	27
9. Discontinued operations .....	29
10. Investments in an associate and a joint venture .....	32
11. Segment information .....	34
12. Related parties.....	37
13. Revenue.....	39
14. Cost of sales, selling and distribution expenses, general and administrative expenses, other operating income and expenses .....	44
15. Impairment of non-current assets.....	45
16. Finance income and costs .....	48
17. Property, plant and equipment .....	48
18. Leases.....	51
19. Intangible assets .....	55
20. Financial assets and liabilities.....	56
21. Income taxes .....	62
22. Inventories .....	66
23. Receivables and contract assets .....	67
24. Cash and cash equivalents.....	67
25. Employee benefits .....	68
26. Provisions .....	73
27. Payables.....	75
28. Contract liabilities.....	75
29. Other taxes and duties payable .....	76
30. Government grants.....	76
31. Commitments and contingencies .....	77
32. Equity .....	77
33. Capital and financial risk management .....	78
34. Events after the reporting period .....	83

## **Independent auditor's report**

Not illustrated in this publication.

PAO ABC

Consolidated statement of profit or loss  
for the year ended 31 December 2022

(in millions of Russian rubles)

	Note	Year ended 31 December	
		2022	2021
<b>Continuing operations</b>			
<b>Revenue</b>			
Revenue from distribution of machinery and tools	13	XXX	XXX
Revenue from construction services	13	XXX	XXX
		<b>XXX</b>	<b>XXX</b>
Cost of sales	14	XXX	XXX
<b>Gross profit</b>		<b>XXX</b>	<b>XXX</b>
Selling and distribution expenses	14	XXX	XXX
General and administrative expenses	14	XXX	XXX
Expected credit losses	20, 24, 33	XXX	XXX
Other operating income	14	XXX	XXX
Other operating expenses	14	XXX	XXX
<b>Operating profit</b>		<b>XXX</b>	<b>XXX</b>
Finance income	16	XXX	XXX
Finance costs	16	XXX	XXX
Share of profit of an associate and a joint venture	10	XXX	XXX
<b>Profit before tax from continuing operations</b>		<b>XXX</b>	<b>XXX</b>
Income tax expense	21	XXX	XXX
<b>Net profit for the year from continuing operations</b>		<b>XXX</b>	<b>XXX</b>
<b>Discontinued operations</b>			
Net profit for the year from discontinued operations	9	XXX	XXX
<b>Net profit for the year</b>		<b>XXX</b>	<b>XXX</b>
<b>Attributable to:</b>			
Shareholders of the parent		XXX	XXX
Non-controlling interests		XXX	XXX
Earnings per share attributable to shareholders of ABC Company, basic and diluted	32	XXX	XXX
Earnings per share for continuing operations attributable to shareholders of ABC Company, basic and diluted	32	XXX	XXX
Earnings per share for discontinued operations attributable to shareholders of ABC Company, basic and diluted	32	XXX	XXX

I. Ivanov,  
Chief Executive Officer,  
PAO ABC

15 March 2023

PAO ABC

Consolidated statement of comprehensive income

for the year ended 31 December 2022

(in millions of Russian rubles)

	Note	Year ended 31 December	
		2022	2021
<b>Net profit for the year</b>		<b>XXX</b>	<b>XXX</b>
<b>Other comprehensive income</b>			
<b><i>Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax</i></b>			
Foreign exchange differences on translation of foreign subsidiaries to presentation currency		XXX	XXX
Foreign exchange differences on translation of a foreign associate to presentation currency	10	XXX	XXX
Gain on debt instruments at fair value through other comprehensive income	20	XXX	XXX
		<b>XXX</b>	<b>XXX</b>
<b><i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax</i></b>			
Gain on equity instruments at fair value through other comprehensive income	20	XXX	XXX
Loss on revaluation of defined benefit obligations	25	XXX	XXX
Gain on revaluation of property, plant and equipment	17	XXX	-
		<b>XXX</b>	<b>XXX</b>
<b>Total other comprehensive income for the year, net of tax</b>		<b>XXX</b>	<b>XXX</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>XXX</b>	<b>XXX</b>
<b>Attributable to:</b>			
Shareholders of the parent		XXX	XXX
Non-controlling interests		XXX	XXX
		<b>XXX</b>	<b>XXX</b>

PAO ABC

Consolidated statement of financial position

as at 31 December 2022

(in millions of Russian rubles)

	Note	At 31 December	
		2022	2021
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	17	XXX	XXX
Right-of-use assets	18	XXX	XXX
Intangible assets	19	XXX	XXX
Goodwill	8	XXX	XXX
Prepayments for purchase of property, plant and equipment		XXX	XXX
Investments in a joint venture	10	XXX	XXX
Investments in an associate	10	XXX	XXX
Investments in equity and debt instruments	20	XXX	XXX
Deferred tax assets	21	XXX	XXX
		<b>XXX</b>	<b>XXX</b>
<b>Current assets</b>			
Inventories	22	XXX	XXX
Receivables	23	XXX	XXX
Contract assets	23	XXX	XXX
Investments in equity and debt instruments	20	XXX	-
Cash and cash equivalents	24	XXX	XXX
		<b>XXX</b>	<b>XXX</b>
Assets of discontinued operations	9	XXX	-
		<b>XXX</b>	<b>XXX</b>
<b>Total assets</b>		<b>XXX</b>	<b>XXX</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
<b>Equity attributable to shareholders of the parent</b>			
Issued capital	32	XXX	XXX
Treasury shares	32	XXX	XXX
Share premium	32	XXX	XXX
Foreign exchange differences on translation of foreign operations to presentation currency		XXX	XXX
Gain on debt instruments at fair value through other comprehensive income		XXX	XXX
Gain on equity instruments at fair value through other comprehensive income		XXX	XXX
Gain on revaluation of defined benefit obligations		XXX	XXX
Revaluation reserve for property, plant and equipment		XXX	XXX
Retained earnings		XXX	XXX
Reserves related to discontinued operations	9	XXX	-
		<b>XXX</b>	<b>XXX</b>
Non-controlling interests, continuing operations	7	XXX	XXX
Non-controlling interests, discontinued operations	9	XXX	-
		<b>XXX</b>	<b>XXX</b>

PAO ABC

Consolidated statement of financial position (continued)

	Note	At 31 December	
		2022	2021
<b>Non-current liabilities</b>			
Long-term loans and borrowings	20	XXX	XXX
Employee benefit obligations	25	XXX	XXX
Contract liabilities	28	XXX	XXX
Lease liabilities	18	XXX	XXX
Provisions	26	XXX	XXX
Deferred tax liabilities	21	XXX	XXX
Government grants	30	XXX	XXX
Other non-current financial liabilities		XXX	XXX
Other non-current non-financial liabilities		XXX	XXX
		<b>XXX</b>	<b>XXX</b>
<b>Current liabilities</b>			
Short-term loans and borrowings and current portion of long-term loans and borrowings	20	XXX	XXX
Payables	27	XXX	XXX
Employee benefit obligations	25	XXX	XXX
Contract liabilities	28	XXX	XXX
Lease liabilities	18	XXX	XXX
Income tax payable	21	XXX	XXX
Other taxes and levies payable	29	XXX	XXX
Provisions	26	XXX	XXX
Government grants	30	XXX	XXX
		<b>XXX</b>	<b>XXX</b>
Liabilities directly associated with discontinued operations	9	XXX	-
		<b>XXX</b>	<b>XXX</b>
<b>Total liabilities</b>		<b>XXX</b>	<b>XXX</b>
<b>Total equity and liabilities</b>		<b>XXX</b>	<b>XXX</b>

PAO ABC

Consolidated statement of cash flows  
for the year ended 31 December 2022

(in millions of Russian rubles)

	Note	Year ended 31 December	
		2022	2021
<b>Operating activities</b>			
Profit before tax from continuing operations		XXX	XXX
Profit before tax from discontinued operations	9	XXX	XXX
<i>Adjustments to reconcile profit for the year to net cash flows from operating activities</i>			
Depreciation of property, plant and equipment and right-of-use assets and amortization of intangible assets	17, 18, 19	XXX	XXX
Gain on disposal of property, plant and equipment		XXX	XXX
Finance income	16	XXX	XXX
Finance costs	16	XXX	XXX
Write-off of inventories to net realizable value	22	XXX	XXX
Foreign exchange gains	14	XXX	XXX
Gains on write-off of payables	14	XXX	XXX
Share of profit of an associate and a joint venture	10	XXX	XXX
Movement in allowance for expected credit losses	20, 24, 33	XXX	XXX
Movements in provisions, government grants, defined benefit obligations and other non-current liabilities		XXX	XXX
		<b>XXX</b>	<b>XXX</b>
<i>Working capital movements</i>			
Inventories		XXX	XXX
Receivables		XXX	XXX
Contract assets		XXX	XXX
Payables and other debt		XXX	XXX
Contract liabilities		XXX	XXX
		<b>XXX</b>	<b>XXX</b>
Income tax paid		XXX	XXX
Interest paid		XXX	XXX
<b>Net cash flows from operating activities</b>		<b>XXX</b>	<b>XXX</b>
<b>Investing activities</b>			
Loans to entities under common control	20	XXX	-
Acquisition of a subsidiary, net of cash and cash equivalents acquired	8	XXX	-
Purchase of property, plant and equipment and intangible assets		XXX	XXX
Disposal of property, plant and equipment and intangible assets		XXX	XXX
Receipt of government grants	30	XXX	XXX
Dividends received from an associate	10	XXX	-
Interest received		XXX	XXX
<b>Net cash flows used in investing activities</b>		<b>XXX</b>	<b>XXX</b>

PAO ABC

Consolidated statement of cash flows (continued)

	Note	Year ended 31 December	
		2022	2021
<b>Financing activities</b>			
Dividends paid to shareholders of the parent	32	XXX	-
Proceeds from loans and borrowings	20	XXX	XXX
Repayment of loans and borrowings	20	XXX	XXX
Settlement of lease liabilities, excluding interest	18	XXX	XXX
Purchase of treasury shares	32	XXX	-
<b>Net cash flows from / (used in) financing activities</b>		<b>XXX</b>	<b>XXX</b>
Effect of foreign exchange differences on cash and cash equivalents		XXX	XXX
Effect of movements in allowance for expected credit losses on cash and cash equivalents	24	XXX	XXX
Cash and cash equivalents, beginning of the year	24	XXX	XXX
Net increase in cash and cash equivalents for the year		XXX	XXX
<b>Cash and cash equivalents, end of the year</b>	24	<b>XXX</b>	<b>XXX</b>

The consolidated statement of cash flows includes discontinued operations (Note 9).

PAO ABC

Consolidated statement of changes in equity

for the year ended 31 December 2022

(in millions of Russian rubles)

	Issued capital	Treasury shares	Share premium	Foreign exchange differences on translation of foreign operations to presentation currency	Gain on debt instruments at fair value through OCI	Gain on equity instruments at fair value through OCI	Gain on revaluation of defined benefit obligations	Revaluation reserve for property, plant and equipment	Retained earnings	Reserves related to discontinued operations	Total	Non-controlling interests (continuing operations)	Non-controlling interests (discontinued operations)	Total equity
<b>At 31 December 2021</b>	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	-	XXX	XXX	-	XXX
Net profit for the year	-	-	-	-	-	-	-	-	XXX	-	XXX	XXX	XXX	XXX
Total other comprehensive income for the year, net of tax	-	-	-	XXX	XXX	XXX	XXX	XXX	XXX	-	XXX	XXX	XXX	XXX
<b>Total comprehensive income for the year, net of tax</b>	-	-	-	XXX	XXX	XXX	XXX	XXX	XXX	-	XXX	XXX	XXX	XXX
Discontinued operations (Note 9)	-	-	-	XXX	-	-	-	XXX	-	XXX	-	XXX	XXX	-
In-kind contribution by the ultimate controlling party (Note 32)	-	-	-	-	-	-	-	-	XXX	-	XXX	-	-	XXX
Purchase of treasury shares (Note 32)	-	XXX	XXX	-	-	-	-	-	-	-	XXX	-	-	XXX
Effect of initial recognition of loans received from the ultimate controlling party (Note 20)	-	-	-	-	-	-	-	-	XXX	-	XXX	-	-	XXX
Effect of initial recognition of loans provided to entities under common control (Note 20)	-	-	-	-	-	-	-	-	XXX	-	XXX	-	-	XXX
Non-controlling interest recognized on acquisition of a subsidiary (Note 8)	-	-	-	-	-	-	-	-	-	-	-	XXX	-	XXX
Dividends declared by the parent (Note 32)	-	-	-	-	-	-	-	-	XXX	-	XXX	-	-	XXX
<b>At 31 December 2022</b>	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

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

PAO ABC

Consolidated statement of changes in equity (continued)

	Issued capital	Treasury shares	Share premium	Foreign exchange differences on translation of foreign operations to presentation currency	Gain on debt instruments at fair value through OCI	Gain on equity instruments at fair value through OCI	Gain on revaluation of defined benefit obligations	Revaluation reserve for property, plant and equipment	Retained earnings	Total	Non-controlling interests	Total equity
<b>At 31 December 2020</b>	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Net profit for the year	-	-	-	-	-	-	-	-	XXX	XXX	XXX	XXX
Total other comprehensive income for the year, net of tax	-	-	-	XXX	XXX	XXX	XXX	-	XXX	XXX	XXX	XXX
<b>Total comprehensive income for the year, net of tax</b>	-	-	-	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Depreciation transfer for the building on disposal	-	-	-	-	-	-	-	XXX	XXX	-	-	-
Dividends declared by the parent (Note 32)	-	-	-	-	-	-	-	-	XXX	XXX	-	XXX
<b>At 31 December 2021</b>	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

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

# PAO ABC

## Notes to the consolidated financial statements

for the year ended 31 December 2022

*(in millions of Russian rubles)*

### 1. Corporate information

PAO ABC ("ABC" or the "Company") was established on 5 July 2017 as a public joint-stock company under the laws of the Russian Federation. The Company's registered address is 1 Petr Ivanov street, Moscow, 100100, Russian Federation.

ABC Group comprises the parent, PAO ABC, and its subsidiaries (collectively, the "Group" or "ABC Group").

The Company is a holding company which owns enterprises engaged in the production and sale of computer numerical control (CNC) machines, electric power tools and accessories as well as in the turnkey construction of industrial facilities based on CNC production lines.

As at 31 December 2022 and 31 December 2021, the Group's controlling shareholder (the Group's ultimate parent) is OOO ABC owning 80% of the Company's shares. The Group is ultimately controlled by Mr. A. Vanin.

These consolidated financial statements were authorized for issue by a resolution of ABC's Board of Directors on 15 March 2023.

The following table summarizes subsidiaries included in the Group's consolidated financial statements as at 31 December:

<b>Subsidiary</b>	<b>Effective equity interest, %</b>		<b>Principal activity</b>	<b>Location</b>
	<b>2022</b>	<b>2021</b>		
AO Proizvodstvo i sborka	100	100	Assembly operations	Russia
OOO Komplektuyushchiye	80	80	Production of components	Belarus
China Equipment Ltd.	70	70	Production of machinery	China
Mumbai Machinery Ltd.	70	–	Production of machinery	India
OOO Stroy servis	55	55	Construction	Russia
AO Elektroinstrument	100	100	Production and sale of electric power tools	Russia

As at 31 December 2022, China Equipment Ltd. was classified as a disposal group and discontinued operations (Note 9) since its sale is highly probable within the following 12 months.

The associate and the joint venture: as at 31 December 2022 and 31 December 2021, the Group's interest in the associate, TOO Astana Instrument (Kazakhstan), was 30% and the Group's interest in the joint venture, AO Stroyprom (Russia), was 50% (Note 10).

## Notes to the consolidated financial statements (continued)

**1. Corporate information (continued)****Effect of geopolitical situation**

Since February 2022, the aggravation of geopolitical tensions and the conflict over Ukraine have had an impact on the economy of the Russian Federation. The European Union, the United States and several other countries have imposed new sanctions against a number of Russian state organizations and commercial entities, including banks, individuals and certain industries, as well as restrictions on certain types of transactions, including freezing Russian accounts with foreign banks and blocking payments on Eurobonds of the Russian Federation and Russian entities. Some global companies announced that they would either suspend their operations in or stop supplies to Russia. This resulted in increased volatility in stock and currency markets. The Russian Federation introduced temporary restrictive economic measures; in particular, it prohibited Russian residents from providing foreign currency loans to non-residents and from crediting foreign currency to their accounts with foreign banks, as well as imposed restrictions on securities-related payments to foreign investors and on transactions involving persons of a number of foreign countries. In response to heightened volatility in financial markets and growing inflation risks, the Bank of Russia increased the key rate to 20% at the extraordinary meeting held in February 2022; later the key rate was gradually reduced to 7.5%.

The Group continues to assess the effect of these circumstances and changes in micro- and macroeconomic conditions on its operations, financial position and financial performance.

**2. Basis of preparation**

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

These consolidated financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these consolidated financial statements.

The consolidated financial statements are presented in Russian rubles and all values are rounded to the nearest million except when otherwise indicated.

These financial statements have been prepared using the going concern assumption.

**3. Changes in accounting policies****New and amended standards and interpretations**

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards effective from 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

Notes to the consolidated financial statements (continued)

**3. Changes in accounting policies (continued)**

**New and amended standards and interpretations (continued)**

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

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

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

These amendments had no impact on the Group's consolidated financial statements and the amount of provision for onerous contracts.

*Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework*

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

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

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

These amendments had no impact on the Group's consolidated financial statements as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

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

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

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

## Notes to the consolidated financial statements (continued)

**3. Changes in accounting policies (continued)****New and amended standards and interpretations (continued)***Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a First-time Adopter*

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

This amendment had no impact on the Group's consolidated financial statements because the Group is not a first-time adopter.

*Amendment to IFRS 9 Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*

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

The amendment had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

*Amendment to IAS 41 Agriculture – Taxation in Fair Value Measurements*

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

The amendment had no impact on the Group's consolidated financial statements as the Group does not have assets in the scope of IAS 41.

**Standards issued but not yet effective**

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

<b>Standards not effective for the reporting period ended 31 December 2022</b>	<b>Effective for annual reporting periods beginning on or after</b>
▶ IFRS 17 <i>Insurance Contracts</i> , including amendments	1 January 2023
▶ Amendments to IAS 1 and IFRS Practice Statement 2 – <i>Disclosure of Accounting Policies</i>	1 January 2023
▶ Amendments to IAS 8 – <i>Definition of Accounting Estimates</i>	1 January 2023
▶ Amendments to IAS 12 – <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
▶ Amendments to IAS 1 – <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
▶ Amendments to IFRS 16 – <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024

## Notes to the consolidated financial statements (continued)

**3. Changes in accounting policies (continued)****Standards issued but not yet effective (continued)**

These amendments are not expected to have a material impact on the Group.

**4. Significant accounting judgments, estimates and assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of preparing the Group's financial statements and applying the Group's accounting policies, management has made various judgments. Information on the judgments, which in management's opinion, have had the most significant effect on the financial statements is disclosed in the related notes to the financial statements.

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

**5. Other significant accounting policies not covered in other notes**

Significant accounting policies are disclosed in the related notes to the financial statements. This note discusses other significant accounting policies that are necessary to understand these financial statements.

**Current versus non-current classification**

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

- ▶ Expected to be realized or intended to be sold or consumed in the normal operating cycle
- ▶ Held primarily for the purpose of trading
- ▶ Expected to be realized within twelve months after the reporting period, or
- ▶ Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

Notes to the consolidated financial statements (continued)

**5. Other significant accounting policies not covered in other notes (continued)**

**Current versus non-current classification (continued)**

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

**Transactions in foreign currencies**

The financial statements are presented in Russian rubles as such presentation is convenient for the majority of users of the consolidated financial statements.

The functional currency of all Russian companies of the Group is the Russian ruble. The functional currency of foreign subsidiaries is their local currency.

***Group companies***

Any goodwill arising on the acquisition of a foreign subsidiary and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign subsidiary and translated at the spot rate of exchange at the reporting date.

As at the reporting date, assets and liabilities of foreign subsidiaries with the functional currency other than the Russian ruble are translated into the presentation currency at the spot rate of exchange at the reporting date, and their statements of profit and loss and statements of comprehensive income are translated at the average exchange rate approximating the rate at the date of transactions. All resulting foreign exchange differences are recognized in other comprehensive income (OCI). Upon loss of control over a foreign subsidiary with the functional currency other than the Russian ruble, the deferred amount of accumulated foreign exchange differences recognized in other comprehensive income and relating to that particular entity is transferred to the statement of profit or loss.

***Transactions and balances***

Transactions in foreign currencies other than the functional currency ("foreign currency transactions") are recorded at the spot rate at the dates of respective transactions.

Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates effective at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in the fair value of the item.

## Notes to the consolidated financial statements (continued)

**5. Other significant accounting policies not covered in other notes (continued)****Transactions in foreign currencies (continued)**

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

**Finance costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**Value-added tax (VAT)**

Expenses, income, assets and liabilities are recognized net of the VAT amount, except when the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

Advances issued and advances received (contract liabilities) are recorded without VAT whereas receivables and payables are stated with the amount of VAT included. The net amount of VAT recoverable from, or payable to, the tax authority is included as part of other non-financial assets or other taxes and levies payable in the statement of financial position.

**6. Fair value measurement and related fair value disclosures**

The Group measures financial instruments, such as debt and equity instruments at fair value through other comprehensive income, at fair value at each reporting date. Land and buildings are revalued in accordance with the accounting policies set out in Note 17.

Assets of the disposal group as at the reporting date are measured at the fair value less costs to sell if it is lower than their carrying amount.

Assets and liabilities for which fair value is measured or disclosed in the financial statements are described in this note.

Accounting policies

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.

## Notes to the consolidated financial statements (continued)

**6. Fair value measurement and related fair value disclosures (continued)**

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.

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

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.

All assets and liabilities, for which fair value is measured or disclosed in the financial statements are categorized 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

The Group's Valuation Department determines the policies and procedures for both recurring fair value measurement, such as unquoted financial instruments, land and buildings, and for non-recurring measurement, such as assets held for sale in discontinued operations.

The Group's Valuation Department decides which valuation techniques and inputs to use for each case and performs valuation using in-house resources. At each reporting date, the Group's Valuation Department analyses movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per standards and the Group's accounting policies. For this analysis, the Group's Valuation Department verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group's Valuation Department also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. On a regular basis, the Group's Valuation Department presents the valuation results to the Audit Committee and the Group's Board of Directors. This includes a discussion of the major assumptions and judgments used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of their classification according to standards, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

**Valuation models and assumptions**

Management assessed that fair values of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

## Notes to the consolidated financial statements (continued)

**6. Fair value measurement and related fair value disclosures (continued)****Valuation models and assumptions (continued)**

The following methods and assumptions were used to estimate fair values:

- ▶ Fixed-rate loans are evaluated by the Group based on parameters such as interest rates, specific country risk factors and individual creditworthiness of the customer.
- ▶ The fair value of unquoted instruments, loans from banks and other financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. In addition to being sensitive to a reasonably possible change in the forecast cash flows or discount rates, the fair value of the equity instruments is also sensitive to a reasonably possible change in the growth rates included in the models. The valuation requires management to use unobservable inputs in the model, of which the most significant unobservable inputs are disclosed in the tables below. Management regularly assesses a range of reasonably possible alternatives for those significant unobservable inputs and determines their impact on the total fair value.
- ▶ The fair values of non-listed equity investments have been estimated using a discounted cash flows model ("DCF model"). The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these non-listed equity investments.
- ▶ The fair values of the Group's interest-bearing loans and borrowings are determined by using the DCF model using a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

**Fair value measurement hierarchy for assets and liabilities as at 31 December**

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

	2022			2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Assets measured at fair value</b>						
Land and buildings (Note 17)	-	-	XXX	-	-	XXX
Investments in equity instruments at fair value through OCI (Note 20)	-	-	XXX	-	-	XXX
Investments in debt instruments at fair value through OCI (Note 20)	-	XXX	-	-	XXX	-
Assets of discontinued operations (Note 9)	-	-	XXX	-	-	-
<b>Assets for which fair values are disclosed</b>						
Loans to entities under common control – measured at amortized cost (Note 20)	-	-	XXX	-	-	-
<b>Liabilities for which fair values are disclosed</b>						
Bank loans – measured at amortized cost (Note 20)	-	XXX	-	-	-	XXX
Loans from the ultimate controlling party – measured at amortized cost (Note 20)	-	-	XXX	-	-	-

There were no transfers between Level 2 and Level 3 during the reporting period.

PAO ABC

Notes to the consolidated financial statements (continued)

**6. Fair value measurement and related fair value disclosures (continued)**

**Description of significant non-observable inputs to valuation**

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy, together with the sensitivity analysis as at 31 December are shown below:

	<b>Valuation techniques</b>	<b>Unobservable inputs</b>	<b>Range (weighted average value)</b>	<b>Sensitivity to changes in inputs</b>
Land	Comparative method	Price per hectare	2022: XXX; 2021: XXX	XXX% (2021: XXX%) increase (decrease) would result in an increase (decrease) in fair value by XXX (2021: XXX)
Buildings	Comparative method	Price per square meter	2022: XXX; 2021: XXX	XXX% (2021: XXX%) increase (decrease) would result in an increase (decrease) in fair value by XXX (2021: XXX)
Investments in equity instruments at fair value through OCI	DCF model	Weighted average cost of capital	2022: XXX; 2021: XXX	XXX% (2021: XXX%) increase (decrease) would result in an increase (decrease) in fair value by XXX (2021: XXX)
		Long-term growth rate for cash flows for subsequent years	2022: XXX; 2021: XXX	XXX% (2021: XXX%) increase (decrease) would result in an increase (decrease) in fair value by XXX (2021: XXX)
Loans to entities under common control	DCF model	Discount rate	2022: XXX	XXX% increase (decrease) would result in an increase (decrease) in fair value by XXX
		Discount for non-performance risk	2022: XXX	XXX% increase (decrease) would result in an increase (decrease) in fair value by XXX
Loans from the ultimate controlling party	DCF model	Discount rate	2022: XXX	XXX% increase (decrease) would result in an increase (decrease) in fair value by XXX
		Discount for own non-performance risk	2022: XXX	XXX% increase (decrease) would result in an increase (decrease) in fair value by XXX

# PAO ABC

## Notes to the consolidated financial statements (continued)

### 6. Fair value measurement and related fair value disclosures (continued)

#### Fair values versus carrying amounts

The following table shows financial instruments with carrying amounts that differ from their fair values as at 31 December. The carrying amounts of other financial assets and liabilities approximate their respective fair values at both reporting dates.

	At 31 December 2022		At 31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Loans to entities under common control	XXX	XXX	-	-
	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
<b>Financial liabilities</b>				
Long-term bank loans – measured at amortized cost	XXX	XXX	XXX	XXX
Loans from the ultimate controlling party – measured at amortized cost	XXX	XXX	-	-
	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>

### 7. Basis of consolidation and financial information on subsidiaries with material non-controlling interests

#### Accounting policies

The consolidated financial statements comprise the financial statements of ABC and its subsidiaries as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

The Group controls all its subsidiaries because it has a majority of voting rights. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the shareholders of the Group's parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

## Notes to the consolidated financial statements (continued)

**7. Basis of consolidation and financial information on subsidiaries with material non-controlling interests (continued)**

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

Financial information on subsidiaries that have material non-controlling interests is provided below:

**Proportion of equity interest held by non-controlling interests**

Subsidiary	Country of incorporation	2022	2021
OOO Komplektuyushchiye	Russia	20%	20%
Mumbai Machinery Ltd.	India	30%	–
OOO Stroyservis	Russia	45%	45%

	2022	2021
<b>Accumulated balances of material non-controlling interests</b>		
OOO Komplektuyushchiye	XXX	XXX
Mumbai Machinery Ltd.	XXX	–
OOO Stroyservis	XXX	XXX
	<b>XXX</b>	<b>XXX</b>
<b>Profit allocated to material non-controlling interests</b>		
OOO Komplektuyushchiye	XXX	XXX
Mumbai Machinery Ltd.	XXX	–
OOO Stroyservis	XXX	XXX
	<b>XXX</b>	<b>XXX</b>

The summarized financial information of these subsidiaries is provided below. This information is based on amounts before intra-group eliminations.

**Summarized statement of comprehensive income for 2022**

	OOO Komplektuyushchiye	Mumbai Machinery Ltd.	OOO Stroyservis
Revenue	XXX	XXX	XXX
Cost of sales	XXX	XXX	XXX
<b>Gross profit</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
Selling and distribution expenses	XXX	XXX	XXX
General and administrative expenses	XXX	XXX	XXX
Other operating income	XXX	XXX	XXX
Other operating expenses	XXX	XXX	XXX
<b>Operating profit</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
Finance income	XXX	XXX	XXX
Finance costs	XXX	XXX	XXX
<b>Profit before tax</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
Income tax expense	XXX	XXX	XXX
<b>Net profit for the year</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
Other comprehensive income	XXX	XXX	XXX
<b>Total comprehensive income</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
Attributable to non-controlling interests	XXX	XXX	XXX

PAO ABC

Notes to the consolidated financial statements (continued)

**7. Basis of consolidation and financial information on subsidiaries with material non-controlling interests (continued)**

**Summarized statement of comprehensive income for 2021**

	<b>000 Komplekt- uyushchiye</b>	<b>000 Stroyservis</b>
Revenue	XXX	XXX
Cost of sales	XXX	XXX
<b>Gross profit</b>	<b>XXX</b>	<b>XXX</b>
Selling and distribution expenses	XXX	XXX
General and administrative expenses	XXX	XXX
Other operating income	XXX	XXX
Other operating expenses	XXX	XXX
<b>Operating profit</b>	<b>XXX</b>	<b>XXX</b>
Finance income	XXX	XXX
Finance costs	XXX	XXX
<b>Profit before tax</b>	<b>XXX</b>	<b>XXX</b>
Income tax expense	XXX	XXX
<b>Net profit for the year</b>	<b>XXX</b>	<b>XXX</b>
Other comprehensive income	XXX	XXX
<b>Total comprehensive income</b>	<b>XXX</b>	<b>XXX</b>
Attributable to non-controlling interests	XXX	XXX

**Summarized statement of financial position as at 31 December 2022**

	<b>000 Komplekt- uyushchiye</b>	<b>Mumbai Machinery Ltd.</b>	<b>000 Stroyservis</b>
Property, plant and equipment	XXX	XXX	XXX
Intangible assets	XXX	XXX	XXX
Inventories	XXX	XXX	XXX
Receivables	XXX	XXX	XXX
Cash and cash equivalents	XXX	XXX	XXX
Other assets	XXX	XXX	XXX
<b>Total assets</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
Loans and borrowings	XXX	XXX	XXX
Payables	XXX	XXX	XXX
Contract liabilities	XXX	XXX	XXX
Deferred tax liabilities	XXX	XXX	XXX
Other liabilities	XXX	XXX	XXX
<b>Total liabilities</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
<b>Equity</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
Attributable to:			
Shareholders of the parent	XXX	XXX	XXX
Non-controlling interests	XXX	XXX	XXX

## Notes to the consolidated financial statements (continued)

**7. Basis of consolidation and financial information on subsidiaries with material non-controlling interests (continued)****Summarized statement of financial position as at 31 December 2021**

	<b>000 Komplekt- uyushchiye</b>	<b>000 Stroyservis</b>
Property, plant and equipment	XXX	XXX
Intangible assets	XXX	XXX
Inventories	XXX	XXX
Receivables	XXX	XXX
Cash and cash equivalents	XXX	XXX
Other assets	XXX	XXX
<b>Total assets</b>	<b>XXX</b>	<b>XXX</b>
Loans and borrowings	XXX	XXX
Payables	XXX	XXX
Contract liabilities	XXX	XXX
Deferred tax liabilities	XXX	XXX
Other liabilities	XXX	XXX
<b>Total liabilities</b>	<b>XXX</b>	<b>XXX</b>
<b>Equity</b>	<b>XXX</b>	<b>XXX</b>
Attributable to:		
Shareholders of the parent	XXX	XXX
Non-controlling interests	XXX	XXX

**Summarized cash flow information for 2022**

	<b>000 Komplekt- uyushchiye</b>	<b>Mumbai Machinery Ltd.</b>	<b>000 Stroyservis</b>
Operating activities	XXX	XXX	XXX
Investing activities	XXX	XXX	XXX
Financing activities	XXX	XXX	XXX

**Summarized cash flow information for 2021**

	<b>000 Komplekt- uyushchiye</b>	<b>000 Stroyservis</b>
Operating activities	XXX	XXX
Investing activities	XXX	XXX
Financing activities	XXX	XXX

## Notes to the consolidated financial statements (continued)

**8. Changes in the Group's composition and goodwill**Accounting policies**Acquisition of subsidiaries**

The Group accounts for business combinations using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred and included in administrative expenses.

**Goodwill**

Goodwill represents the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed by the Group. If the fair value of the net identifiable assets is in excess of the aggregate consideration transferred, the difference is recognized in profit or loss in the period of the transaction.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently when circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

For the purpose of goodwill impairment testing, the Group determines the recoverable amount of CGUs to which the goodwill relates. If this amount is less than the carrying amount, an impairment loss is recognized, and this loss cannot be subsequently reversed.

Where goodwill has been allocated to a CGU and an operation that is a portion of that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

**Acquisitions in 2022*****Acquisition of Mumbai Machinery Ltd.***

On 3 October 2022, the Company acquired 70% of voting shares of Mumbai Machinery Ltd., a non-listed company, in exchange for cash consideration of XXX. The acquiree operates in India and specializes in manufacturing chips for CNC machines. The Group acquired Mumbai Machinery Ltd. because it significantly enlarges the range of products that can be offered to its customers both in this region and on other markets where the Group operates. The Group elected to measure the non-controlling interest in the acquiree at its proportionate share in the acquiree's identifiable net assets.

PAO ABC

Notes to the consolidated financial statements (continued)

**8. Changes in the Group's composition and goodwill (continued)**

**Acquisitions in 2022 (continued)**

The fair values of the identifiable assets and liabilities of Mumbai Machinery Ltd. as at the acquisition date were as follows:

	<b>Mumbai Machinery Ltd.</b>
<b>Assets</b>	
Property, plant and equipment	XXX
Intangible assets	XXX
Inventories	XXX
Receivables	XXX
Cash and cash equivalents	XXX
	<b>XXX</b>
<b>Liabilities</b>	
Payables	XXX
Contract liabilities	XXX
Loans and borrowings	XXX
Deferred tax liabilities	XXX
	<b>XXX</b>
<b>Fair value of identifiable net assets</b>	<b>XXX</b>
Non-controlling interests	XXX
Fair value of consideration given	XXX
<b>Goodwill</b>	<b>XXX</b>
Cash paid for the acquisition	XXX
Cash acquired with the subsidiary	XXX
<b>Net cash outflow</b>	<b>XXX</b>

The fair value of the trade receivables amounts to XXX. The gross amount of trade receivables is XXX. Trade receivables are expected to be collected in full.

The goodwill of XXX comprises the value of expected synergies arising from the acquisition. Goodwill is allocated entirely to CGUs within the Machine Tools segment.

From the date of acquisition, Mumbai Machinery Ltd. contributed XXX to the Group's revenue and XXX to the Group's profit before tax from continuing operations. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been XXX and profit before tax from continuing operations for the Group would have been XXX.

**Goodwill**

The following table reflects the movements in the total carrying amount of goodwill by CGU to which it was allocated:

	<b>China Equipment Ltd.</b>	<b>Mumbai Machinery Ltd.</b>	<b>AO Elektro- instrument</b>
<b>At 31 December 2020</b>	<b>XXX</b>	-	<b>XXX</b>
Foreign exchange differences	XXX	-	-
<b>At 31 December 2021</b>	<b>XXX</b>	-	<b>XXX</b>
Acquisition of Mumbai Machinery Ltd.	-	XXX	-
Reclassification of goodwill associated with discontinued operations	XXX	-	-
Impairment (Note 15)	-	-	XXX
Foreign exchange differences	XXX	XXX	-
<b>At 31 December 2022</b>	<b>-</b>	<b>XXX</b>	<b>XXX</b>

## Notes to the consolidated financial statements (continued)

**8. Changes in the Group's composition and goodwill (continued)****Goodwill (continued)**

The results of goodwill impairment testing are presented in Note 15.

**9. Discontinued operations**Accounting policies

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification are regarded as met only when the sale is highly probable, and the non-current assets or disposal groups are available for immediate sale in their present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment, right-of-use assets and intangible assets are not depreciated or amortized once classified as held for sale. Assets and liabilities classified as held for sale (disposal groups) are presented separately as current items in the statement of financial position.

A disposal group is classified as discontinued operation if it is a component of the Group that either has been disposed of, or is classified as held for sale, and

- ▶ Represents a separate major line of business or major geographical area of operations
- ▶ Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- ▶ Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

**Discontinued operations**

ABC's Board of Directors concluded that as at 5 October 2022, the subsidiary, China Equipment Ltd., met all criteria for classification as discontinued operations because of the following reasons:

- ▶ China Equipment Ltd. is available for immediate sale and can be sold to a customer in its present condition
- ▶ Actions to complete the sale have been initiated and should be completed within one year from the date of initial classification
- ▶ A potential buyer has been identified, and the negotiations are at the advanced stage as at 5 October 2022
- ▶ The shareholders approved the sale plan on 5 October 2022 as part of the general plan to dispose of the geographical area of operations (China) which was significant for the Group in general and the Machine Tools segment, in particular

## Notes to the consolidated financial statements (continued)

**9. Discontinued operations (continued)****Discontinued operations (continued)**

As at 31 December 2022, China Equipment Ltd. was classified as discontinued operations (disposal group). The business of China Equipment Ltd. was a significant geographical area of the Group's operations and part of the Machine Tools segment; however, the Group decided to include results of China Equipment Ltd. into the segment information (Note 11).

The results of discontinued operations are presented below:

	<b>2022</b>	<b>2021</b>
Revenue from sales of microchips for CNC machines	XXX	XXX
	<b>XXX</b>	<b>XXX</b>
Cost of sales	XXX	XXX
<b>Gross profit</b>	<b>XXX</b>	<b>XXX</b>
Selling and distribution expenses	XXX	XXX
General and administrative expenses	XXX	XXX
Impairment loss recognized on remeasurement to fair value less costs to sell	XXX	–
Other operating income	XXX	XXX
Other operating expenses	XXX	XXX
Finance income	XXX	XXX
Finance costs	XXX	XXX
<b>Profit before tax earned by discontinued operations for the year</b>	<b>XXX</b>	<b>XXX</b>
Income tax expense	XXX	XXX
<b>Net profit earned by discontinued operations for the year</b>	<b>XXX</b>	<b>XXX</b>
<b>Net profit from discontinued operations for the year attributable to:</b>		
Shareholders of the parent	XXX	XXX
Non-controlling interests	XXX	XXX
	<b>XXX</b>	<b>XXX</b>

The net cash inflow/(outflow) incurred by China Equipment Ltd. was as follows:

	<b>2022</b>	<b>2021</b>
Operating activities	XXX	XXX
Investing activities	XXX	XXX
Financing activities	XXX	XXX

Information on earnings per share for profit from discontinued operations is provided in Note 32.

## Notes to the consolidated financial statements (continued)

**9. Discontinued operations (continued)****Discontinued operations (continued)**

The major classes of assets and liabilities of China Equipment Ltd. as at the reporting date were as follows:

	<b>At 31 December 2022</b>
<b>Non-current assets</b>	
Property, plant and equipment	XXX
Right-of-use assets	XXX
Intangible assets	XXX
Goodwill	XXX
	<b>XXX</b>
<b>Current assets</b>	
Inventories	XXX
Receivables	XXX
Cash and cash equivalents	XXX
	<b>XXX</b>
<b>Assets of disposal group</b>	<b>XXX</b>
<b>Non-current liabilities</b>	
Loans and borrowings	XXX
Lease liabilities	XXX
Provisions	XXX
Deferred tax liabilities	XXX
	<b>XXX</b>
<b>Current liabilities</b>	
Payables	XXX
Contract liabilities	XXX
Lease liabilities	XXX
Income tax liabilities	XXX
Other tax liabilities	XXX
Provisions	XXX
	<b>XXX</b>
<b>Liabilities directly associated with disposal group</b>	<b>XXX</b>
Amounts included in accumulated other comprehensive income (OCI), net of tax:	
Gain from revaluation of property, plant and equipment	XXX
Foreign exchange differences on translation of foreign operations to presentation currency	XXX
	<b>XXX</b>
<b>Accumulated OCI from discontinued operations, net of tax</b>	<b>XXX</b>

The non-controlling interest in the discontinued operations as at 31 December 2022 was XXX and was presented separately from the non-controlling interest in the continuing operations in the Group's statement of changes in equity.

Immediately before the classification of China Equipment Ltd. as discontinued operations, the Group determined the recoverable amount of property, plant and equipment, intangible and other assets and identified no impairment loss.

As at 31 December 2022, the Group recognized an impairment loss of XXX within discontinued operations in the statement of profit or loss because the disposal group's carrying amount exceeded its fair value less costs to sell.

## Notes to the consolidated financial statements (continued)

**9. Discontinued operations (continued)****Discontinued operations (continued)**

Liabilities under loans and borrowings comprise a fixed rate bank loan of XXX. The effective interest rate on this loan is XXX%. The loan is repayable in full on 1 January 2029.

**10. Investments in an associate and a joint venture**Accounting policies

An associate, TOO Astana Instrument (Kazakhstan), is an entity over which the Group has significant influence.

A joint venture, AO Stroyprom (Russia), is a type of joint arrangement whereby the Group and another investor that have joint control of the arrangement have rights to the net assets of the joint venture.

The Group accounts for investments in the joint venture and the associate under the equity method.

The aggregate of the Group's share of profit or loss of the associate and the joint venture is shown in the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

**Investments in an associate and a joint venture**

The Group holds a 50% interest in AO Stroyprom, a joint venture that designs industrial facilities. The Group purchases design services from this joint venture for subsequent construction of facilities. The Group also holds a 30% interest in TOO Astana Instrument, an associate that purchases electric power tools and related goods from the Group for subsequent resale in Kazakhstan.

Movements in investments in the associate and the joint venture were as follows:

	<b>TOO Astana Instrument</b>	<b>AO Stroyprom</b>	<b>Total</b>
<b>Investments at 31 December 2020</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
Group's share of net profit for the period	XXX	XXX	<b>XXX</b>
Foreign exchange differences	XXX	-	<b>XXX</b>
<b>Investments at 31 December 2021</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
Group's share of net profit for the period	XXX	XXX	<b>XXX</b>
Adjustment for unrealized gains	XXX	-	<b>XXX</b>
Dividends paid	XXX	-	<b>XXX</b>
Foreign exchange differences	XXX	-	<b>XXX</b>
<b>Investments at 31 December 2022</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>

PAO ABC

Notes to the consolidated financial statements (continued)

**10. Investments in an associate and a joint venture (continued)**

**Investments in an associate and a joint venture (continued)**

The following table illustrates the assets and liabilities of AO Stroyprom as at 31 December:

	<b>2022</b>	<b>2021</b>
Inventories	XXX	XXX
Other current assets	XXX	XXX
Non-current assets	XXX	XXX
<b>Total assets</b>	<b>XXX</b>	<b>XXX</b>
Non-current liabilities	XXX	XXX
Current liabilities	XXX	XXX
<b>Total liabilities</b>	<b>XXX</b>	<b>XXX</b>
<b>Net assets</b>	<b>XXX</b>	<b>XXX</b>
<b>Net assets relating to the 50% interest – carrying amount of the investment</b>	<b>XXX</b>	<b>XXX</b>

The following table illustrates the assets and liabilities of TOO Astana Instrument as at 31 December:

	<b>2022</b>	<b>2021</b>
Inventories	XXX	XXX
Other current assets	XXX	XXX
Non-current assets	XXX	XXX
<b>Total assets</b>	<b>XXX</b>	<b>XXX</b>
Non-current liabilities	XXX	XXX
Current liabilities	XXX	XXX
<b>Total liabilities</b>	<b>XXX</b>	<b>XXX</b>
<b>Net assets</b>	<b>XXX</b>	<b>XXX</b>
<b>Net assets relating to the 30% interest</b>	<b>XXX</b>	<b>XXX</b>
<b>Goodwill</b>	<b>XXX</b>	<b>XXX</b>
<b>Carrying amount of the investment</b>	<b>XXX</b>	<b>XXX</b>

The following table illustrates the income and expenses of AO Stroyprom as at 31 December:

	<b>2022</b>	<b>2021</b>
Revenue	XXX	XXX
Cost of services sold	XXX	XXX
Selling and distribution expenses	XXX	XXX
General and administrative expenses	XXX	XXX
Other operating income	XXX	XXX
Other operating expenses	XXX	XXX
<b>Operating profit</b>	<b>XXX</b>	<b>XXX</b>
Finance income	XXX	XXX
Finance costs	XXX	XXX
<b>Profit before tax</b>	<b>XXX</b>	<b>XXX</b>
Income tax expense	XXX	XXX
<b>Net profit for the year</b>	<b>XXX</b>	<b>XXX</b>
<b>Group's share of net profit of the joint venture</b>	<b>XXX</b>	<b>XXX</b>

## Notes to the consolidated financial statements (continued)

**10. Investments in an associate and a joint venture (continued)****Investments in an associate and a joint venture (continued)**

The following table illustrates the income and expenses of TOO Astana Instrument as at 31 December:

	<b>2022</b>	<b>2021</b>
Revenue	XXX	XXX
Cost of sales	XXX	XXX
Selling and distribution expenses	XXX	XXX
General and administrative expenses	XXX	XXX
Other operating income	XXX	XXX
Other operating expenses	XXX	XXX
<b>Operating profit</b>	<b>XXX</b>	<b>XXX</b>
Finance income	XXX	XXX
Finance costs	XXX	XXX
<b>Profit before tax</b>	<b>XXX</b>	<b>XXX</b>
Income tax expense	XXX	XXX
<b>Net profit for the year</b>	<b>XXX</b>	<b>XXX</b>
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax</b>		
Foreign exchange differences on translation of foreign operations to presentation currency	XXX	XXX
<b>Total comprehensive income for the year</b>	<b>XXX</b>	<b>XXX</b>
<b>Group's share of net profit of the associate</b>	<b>XXX</b>	<b>XXX</b>
<b>Group's share of other comprehensive income of the associate</b>	<b>XXX</b>	<b>XXX</b>

As at 31 December 2022 and 31 December 2021, the joint venture and the associate had no contingent liabilities.

AO Stroyprom cannot distribute its profits without the written consent of the other investor. TOO Astana Instrument also needs the Group's consent to distribute its profits and the Group does not intend to provide such consent at the reporting date.

**11. Segment information**

For management purposes, the Group is organized into three operating and reportable segments:

- ▶ Machine tools – production and sale of CNC machines to industrial customers and their after-sales maintenance
- ▶ Turnkey construction of industrial facilities based on CNC production lines
- ▶ Production and sale of electric power tools and accessories to wholesale and retail customers

No operating segments have been aggregated to form the above reportable operating segments. Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties.

PAO ABC

Notes to the consolidated financial statements (continued)

**11. Segment information (continued)**

ABC's Board of Directors as the Group's chief operating decision maker monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on EBITDA, which is derived from management accounting data.

The segment's EBITDA reflects the segment's earnings from operations before depreciation and amortization, finance income and costs, and the share of profit or loss of the associate and the joint venture.

The segment information includes the discontinued operations because this is the way in which management analyses the information.

For 2022:

	<b>Machine tools</b>	<b>Turnkey construction of industrial facilities based on CNC production lines</b>	<b>Production and sale of electric power tools and accessories to wholesale and retail customers</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
<b>Revenue</b>					
External customers	XXX	XXX	XXX	–	XXX
Inter-segment sales	XXX	XXX	XXX	XXX	XXX
<b>Total revenue</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
Cost of sales*	XXX	XXX	XXX	XXX	XXX
Selling and distribution expenses*	XXX	XXX	XXX	–	XXX
General and administrative expenses*	XXX	XXX	XXX	XXX	XXX
Expected credit losses	XXX	XXX	XXX	–	XXX
Other operating income	XXX	XXX	XXX	–	XXX
Other operating expenses	XXX	XXX	XXX	–	XXX
<b>Segment result – EBITDA</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>

\* Excluding depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets.

For 2021:

	<b>Machine tools</b>	<b>Turnkey construction of industrial facilities based on CNC production lines</b>	<b>Production and sale of electric power tools and accessories to wholesale and retail customers</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
<b>Revenue</b>					
External customers	XXX	XXX	XXX	–	XXX
Inter-segment sales	XXX	XXX	XXX	XXX	XXX
<b>Total revenue</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
Cost of sales*	XXX	XXX	XXX	XXX	XXX
Selling and distribution expenses*	XXX	XXX	XXX	–	XXX
General and administrative expenses*	XXX	XXX	XXX	XXX	XXX
Expected credit losses	XXX	XXX	XXX	–	XXX
Other operating income	XXX	XXX	XXX	–	XXX
Other operating expenses	XXX	XXX	XXX	–	XXX
<b>Segment result – EBITDA</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>

\* Excluding depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets.

PAO ABC

Notes to the consolidated financial statements (continued)

**11. Segment information (continued)**

The table below presents a reconciliation of segment EBITDA to the financial results reported in the consolidated statement of profit or loss:

For 2022:

	Machine tools	Turnkey construction of industrial facilities based on CNC production lines	Production and sale of electric power tools and accessories to wholesale and retail customers	Adjustments and eliminations	Total
<b>EBITDA</b>	XXX	XXX	XXX	XXX	XXX
Elimination of inter-segment sales	XXX	XXX	XXX	XXX	XXX
Amortization and depreciation	XXX	XXX	XXX	XXX	XXX
<b>Operating profit</b>					XXX
<b>Unallocated income and expenses</b>					
Finance income and costs, net					XXX
Share of profit of an associate and a joint venture					XXX
<b>Elimination of profit before tax from discontinued operations</b>					
Profit before tax from discontinued operations					XXX
<b>Profit before tax from continuing operations</b>					XXX

For 2021:

	Machine tools	Turnkey construction of industrial facilities based on CNC production lines	Production and sale of electric power tools and accessories to wholesale and retail customers	Adjustments and eliminations	Total
<b>EBITDA</b>	XXX	XXX	XXX	XXX	XXX
Elimination of inter-segment sales	XXX	XXX	XXX	XXX	XXX
Amortization and depreciation	XXX	XXX	XXX	XXX	XXX
<b>Operating profit</b>					XXX
<b>Unallocated income and expenses</b>					
Finance income and costs, net					XXX
Share of profit of an associate and a joint venture					XXX
<b>Elimination of profit before tax from discontinued operations</b>					
Profit before tax from discontinued operations					XXX
<b>Profit before tax from continuing operations</b>					XXX

**Geographical information**

Revenue by geographical region is presented in Note 13.

PAO ABC

Notes to the consolidated financial statements (continued)

**11. Segment information (continued)**

**Non-current operating assets**

	<b>2022</b>	<b>2021</b>
Russia	XXX	XXX
Belarus	XXX	XXX
China	XXX	XXX
India	XXX	-
<b>Total</b>	<b>XXX</b>	<b>XXX</b>

Non-current assets for the purpose of this table consist of property, plant and equipment, right-of-use assets and intangible assets.

None of the customers accounted for more than 10% of the Group's consolidated revenue in 2022 and 2021. The Group decided to present segment information for the Machine Tools segment taking into account the results of the discontinued operations (Note 9) because this is the way in which the information is provided to ABC's Board of Directors.

**12. Related parties**

The associate and the joint venture, the joint venture partner, the key management personnel, the Group's ultimate parent, the Group's ultimate controlling party and entities under common control are considered the Group's related parties. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Receivables from and payables to related parties as at 31 December included the following:

	<b>Receivables from related parties</b>		<b>Payables to related parties</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Loans issued</b>				
Entities under common control	XXX	-	-	-
Allowance for expected credit losses	XXX	-	-	-
<b>Loans received</b>				
Ultimate controlling party	-	-	XXX	-
<b>Trade receivables and payables</b>				
AO Stroyprom	-	-	XXX	XXX
TOO Astana Instrument	XXX	XXX	-	-
Allowance for expected credit losses	XXX	XXX	-	-
	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>

Information on the in-kind contribution by the ultimate controlling party in 2022 is provided in Note 32.

Loans issued to entities under common control and received from the ultimate controlling party are unsecured. The Group recognized an allowance for expected credit losses of XXX for loans issued to entities under common control as at 31 December 2022 (31 December 2021: XXX). Outstanding receivables and payables at the year-end are unsecured, interest-free and settlement occurs in cash. There were no guaranties provided or received for any related party receivables or payables. The Group recognized an allowance for expected credit losses of XXX for related party receivables as at 31 December 2022 (31 December 2021: XXX). The Group recognized an expense of XXX in respect of bad or doubtful debts due from related parties in 2022 (2021: XXX).

# PAO ABC

## Notes to the consolidated financial statements (continued)

### 12. Related parties (continued)

Transactions with related parties for the years ended 31 December were as follows:

	Sales to related parties		Purchases from related parties	
	2022	2021	2022	2021
AO Stroyprom	-	-	XXX	XXX
TOO Astana Instrument	XXX	XXX	-	-
	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>

  

	Interest income		Interest expense	
	2022	2021	2022	2021
Entities under common control	XXX	-	-	-
Ultimate controlling party	-	-	XXX	-
	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>

There were no transactions other than dividends paid and in-kind contribution received between the Group and OOO ABC, the Group's ultimate parent, in 2022 and 2021.

AO Stroyprom is a Russia-based joint venture from which the Group purchases industrial design services. TOO Astana Instrument is an associate which purchases electric power tools and related goods produced by the Group for subsequent resale to wholesale and retail customers in Kazakhstan.

In 2022, the Group issued loans to entities under common control with maturities ranging from 6 months to 3 years in the amount of XXX and at the interest rate of XXX%, i.e., significantly below the market rate. The Group recognized interest income on these loans for 2022 in the amount of XXX. The effect of initial recognition of these loans was recorded directly in the Group's equity.

In 2022, the Group received interest-free loans in the amount of XXX from the ultimate controlling party. The Group recognized interest expense on these loans for 2022 in the amount of XXX. The effect of initial recognition of these loans was recorded directly in the Group's equity.

Transactions with related parties were made on terms that prevail in arm's length transactions, except for financing and contribution provided and received as described above.

### Compensation to key management personnel

The key management personnel comprise the following employees of the Group:

- ▶ Directors, President and Vice President of PAO ABC
- ▶ Key management personnel of the largest subsidiaries

Total compensation paid to key management personnel was recorded in general and administrative expenses and consisted of the following:

	2022	2021
Salary	XXX	XXX
Bonuses	XXX	XXX
Social security contributions	XXX	XXX
Expenses for defined benefit plan	XXX	XXX
	<b>XXX</b>	<b>XXX</b>

## Notes to the consolidated financial statements (continued)

**13. Revenue**Accounting policies

Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

**Production and sale of CNC machines and their after-sales maintenance**

Revenue from the sale of CNC machines is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment at the customer's location. The normal credit term is 30 to 60 days upon delivery.

The Group performs maintenance services throughout the entire life cycle of the machines. The Group concluded that maintenance services were distinct from the machines sold and were provided throughout the entire life cycle of these goods. The customer simultaneously receives and consumes the benefits provided by the Group. Hence, according to IFRS 15 *Revenue from Contracts with Customers*, the Group recognizes revenue over the life of the contract. These services are either sold to customers separately from the sale of machinery or are bundled together in a single contract. In the latter case, IFRS 15 requires to allocate the price to the goods and services sold on the basis of the relative stand-alone selling price.

The Group recognizes revenue from maintenance services by measuring its progress towards complete satisfaction of a performance obligation using the input method.

**Turnkey construction of industrial facilities based on CNC production lines**

The Group transfers control of facilities being constructed over time and, therefore, satisfies a performance obligation and recognizes revenue over time, as the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. The Group recognizes revenue from construction services by measuring its progress towards complete satisfaction of a performance obligation using the input method.

**Production and sale of electric power tools and accessories to wholesale and retail customers**

Revenue from the sale of electric power tools and accessories is recognized at the point in time when control of the asset is transferred to the customer, which usually takes place when goods are sold in retail stores or at wholesale warehouses. Goods sold to retail customers are paid for at the time of sale. The normal credit term for equipment sold to wholesale customers is 30 to 60 days upon sale.

**Loyalty program**

The Group has a loyalty program, which allows customers to accumulate points that can be redeemed only for payment of part of next purchases of similar goods. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer that it would not have received without entering into the contract. A portion of the transaction price is allocated to the loyalty points based on relative stand-alone selling price and recognized as a contract liability until the points are redeemed. Contract liabilities are recognized as revenue as the customer uses the loyalty points.

## Notes to the consolidated financial statements (continued)

**13. Revenue (continued)****Loyalty program (continued)**

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 quarterly basis and any adjustments to the contract liability balance are recognized in revenue.

**Contract assets**

Revenue from certain construction contracts is recognized in correspondence with contract assets because the final confirmation of the customer's acceptance of services provided is conditional on successful completion of the entire set of services under such contracts. Upon completion of services and acceptance by the customer, i.e., when consideration becomes unconditional, the amount recognized as contract assets is reclassified to trade receivables. Contract assets are subject to impairment assessment. The accounting policies related to expected credit losses on contract assets are disclosed in Note 20.

**Trade receivables**

A receivable is recognized if the right to consideration is unconditional. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due. The accounting policies related to expected credit losses on trade receivables are disclosed in Note 20.

**Contract liabilities**

A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

**Revenue recognition – estimation of variable consideration where the retrospective volume rebates exist**

When machinery is sold with retrospective volume rebates, the Group estimates the amount of variable consideration to be included in the transaction price. The Group's expected volume rebates are analyzed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will be likely entitled to a rebate will depend on the customer's historical rebates entitlement and accumulated purchases to date.

The Group updates its assessment of expected retrospective volume rebates quarterly and the refund liabilities are adjusted accordingly.

## Notes to the consolidated financial statements (continued)

**13. Revenue (continued)****Information on the Group's revenue from contracts with customers by reportable segment**

<b>2022</b>	<b>Machine tools</b>	<b>Turnkey construction of industrial facilities based on CNC production lines</b>	<b>Production and sale of electric power tools and accessories to wholesale and retail customers</b>	<b>Total</b>
<b>Type of goods or services</b>				
Sales of CNC machines	XXX	-	-	XXX
Sales of after-sales maintenance services for CNC machines	XXX	-	-	XXX
Sales of services involving turnkey construction of industrial facilities based on CNC production lines	-	XXX	-	XXX
Sales of electric power tools and accessories to wholesale and retail customers	-	-	XXX	XXX
<b>Total revenue from contracts with customers</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
<b>Geographical markets</b>				
Russia	XXX	XXX	XXX	XXX
China	XXX	XXX	XXX	XXX
India	XXX	XXX	XXX	XXX
Kazakhstan	XXX	XXX	XXX	XXX
<b>Total revenue from contracts with customers</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
<b>Timing of revenue recognition</b>				
Revenue recognized at a point in time	XXX	-	XXX	XXX
Revenue recognized over time	XXX	XXX	-	XXX
<b>Total revenue from contracts with customers</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>

Notes to the consolidated financial statements (continued)

**13. Revenue (continued)**

**Information on the Group's revenue from contracts with customers by reportable segment (continued)**

<b>2021</b>	<b>Machine tools</b>	<b>Turnkey construction of industrial facilities based on CNC production lines</b>	<b>Production and sale of electric power tools and accessories to wholesale and retail customers</b>	<b>Total</b>
<b>Type of goods or services</b>				
Sales of CNC machines	XXX	-	-	<b>XXX</b>
Sales of after-sales maintenance services for CNC machines	XXX	-	-	<b>XXX</b>
Sales of services involving turnkey construction of industrial facilities based on CNC production lines	-	XXX	-	<b>XXX</b>
Sales of electric power tools and accessories to wholesale and retail customers	-	-	XXX	<b>XXX</b>
<b>Total revenue from contracts with customers</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
<b>Geographical markets</b>				
Russia	XXX	XXX	XXX	<b>XXX</b>
China	XXX	XXX	XXX	<b>XXX</b>
Kazakhstan	XXX	XXX	XXX	<b>XXX</b>
<b>Total revenue from contracts with customers</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
<b>Timing of revenue recognition</b>				
Revenue recognized at a point in time	XXX	-	XXX	<b>XXX</b>
Revenue recognized over time	XXX	XXX	-	<b>XXX</b>
<b>Total revenue from contracts with customers</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

<b>Revenue</b>	<b>2022</b>			<b>2021</b>		
	<b>Machine tools</b>	<b>Turnkey construction of industrial facilities based on CNC production lines</b>	<b>Production and sale of electric power tools and accessories to wholesale and retail customers</b>	<b>Machine tools</b>	<b>Turnkey construction of industrial facilities based on CNC production lines</b>	<b>Production and sale of electric power tools and accessories to wholesale and retail customers</b>
External customers	XXX	XXX	XXX	XXX	XXX	XXX
Inter-segment sales	XXX	XXX	XXX	XXX	XXX	XXX
	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
Inter-segment adjustments and eliminations	XXX	XXX	XXX	XXX	XXX	XXX
<b>Total revenue from contracts with customers</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>

## Notes to the consolidated financial statements (continued)

**13. Revenue (continued)****Information on contract assets and contract liabilities from contracts with customers**

	<b>At 31 December 2022</b>	<b>At 31 December 2021</b>	<b>At 1 January 2021</b>
Receivables (Note 23)	XXX	XXX	XXX
Contract assets (Note 23)	XXX	XXX	XXX
Contract liabilities (Note 28)	XXX	XXX	XXX
	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>

Contract assets relate to revenue earned from construction services. Thus, the balances of this account vary and depend on the number of construction services which were provided but not accepted by the customer at the end of the year. As at 31 December 2022, XXX (31 December 2021: XXX) was recognized as an allowance for expected credit losses on contract assets (Note 23).

Contract liabilities include short-term advances received to deliver machinery and equipment as well as part of the transaction price allocated to loyalty points not yet redeemed as at the reporting date. The outstanding balances of these accounts increased in 2022 due to the increase in the Group's customer base.

Set out below is the amount of revenue recognized from:

	<b>2022</b>	<b>2021</b>
Settlement of contract liabilities recognized as at the beginning of the reporting period	XXX	XXX
Performance obligations satisfied in previous periods	-	XXX

Revenue recognized in the reporting period from performance obligations satisfied in previous periods is represented by a decrease in retrospective volume rebates recognized as variable consideration on contracts with customers in previous periods.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December was as follows:

	<b>2022</b>	<b>2021</b>
Within one year	XXX	XXX
More than one year	XXX	XXX

The performance obligations disclosed above relate to future deliveries of CNC machines under existing contracts, construction contracts in progress and unredeemed points under the customer loyalty program. The customer loyalty points have no expiration and are usually redeemed within three years after they were awarded.

## Notes to the consolidated financial statements (continued)

**14. Cost of sales, selling and distribution expenses, general and administrative expenses, other operating income and expenses**

Cost of sales comprises the following:

	<b>2022</b>	<b>2021</b>
Raw and other materials (inventories)	XXX	XXX
Transportation expenses to deliver goods to customers	XXX	XXX
Personnel expenses, including social security contributions	XXX	XXX
Amortization and depreciation	XXX	XXX
Electricity and fuel	XXX	XXX
Expenses relating to short-term leases, leases of low-value assets and variable lease payments that do not depend on an index or a rate, including lease payments linked to cadastral value (Note 18)	XXX	XXX
Other	XXX	XXX
	<b>XXX</b>	<b>XXX</b>

Selling and distribution expenses comprise the following:

	<b>2022</b>	<b>2021</b>
Personnel expenses, including social security contributions	XXX	XXX
Amortization and depreciation	XXX	XXX
Utilities	XXX	XXX
Advertising	XXX	XXX
Storage	XXX	XXX
Other	XXX	XXX
	<b>XXX</b>	<b>XXX</b>

General and administrative expenses comprise the following:

	<b>2022</b>	<b>2021</b>
Personnel expenses, including social security contributions	XXX	XXX
Amortization and depreciation	XXX	XXX
Utilities	XXX	XXX
Expenses relating to short-term leases and leases of low-value assets (Note 18)	XXX	XXX
Office repairs and maintenance	XXX	XXX
Professional services	XXX	XXX
Other	XXX	XXX
	<b>XXX</b>	<b>XXX</b>

Other operating income comprise the following:

	<b>2022</b>	<b>2021</b>
Gain on disposal of property, plant and equipment	XXX	XXX
Income from government grants	XXX	XXX
Gain on write-off of payables	XXX	XXX
Foreign exchange gains	XXX	XXX
Other	XXX	XXX
	<b>XXX</b>	<b>XXX</b>

Other operating expenses comprise the following:

	<b>2022</b>	<b>2021</b>
Movements in provisions (Note 26)	XXX	XXX
Impairment of goodwill (Note 15)	XXX	-
Other	XXX	XXX
	<b>XXX</b>	<b>XXX</b>

## Notes to the consolidated financial statements (continued)

**15. Impairment of non-current assets**Accounting policies

The Group assesses, at each reporting date, whether there is an indication that a non-current asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required (for goodwill and intangible assets with indefinite useful lives or intangible assets that are not yet ready for use), the Group estimates the asset's or CGU's recoverable amount. The recoverable amount of an asset or CGU is the higher of an asset's or CGU's fair value less costs of disposal and value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and must be written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation technique is used.

The Group bases its impairment assessment on most recent budgets and forecast calculations, which are prepared separately for each CGU to which the assets tested are allocated. These budgets and forecast calculations generally cover a period of up to five years. After the fifth year, the Group calculates a long-term growth rate and applies it to projected future cash flows.

Impairment losses of continuing operations are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for land and buildings previously revalued with the revaluation taken to OCI. For such items, the impairment is recognized in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such an indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal of impairment is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying amount may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill is allocated. When the recoverable amount of a CGU (or group of CGUs) is less than its carrying amount, an impairment loss is recognized for goodwill and potentially other assets included in the CGU. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are also tested for impairment annually as at 31 December at the CGU level to which the assets relate, and when circumstances indicate that their carrying amount may be impaired.

## Notes to the consolidated financial statements (continued)

**15. Impairment of non-current assets (continued)****Goodwill and intangible assets with indefinite useful lives**

For the purpose of impairment testing, goodwill acquired in business combinations was allocated to three CGUs that correspond to three business units: China Equipment Ltd., Mumbai Machinery Ltd. and AO Elektroinstrument. China Equipment Ltd. and Mumbai Machinery Ltd. are included in the Machine Tools operating segment and AO Elektroinstrument is included in the Production and Sale of Electric Power Tools and Accessories to Wholesale and Retail Customers operating segment. The trademark, an intangible asset with an indefinite useful life, also acquired in a business combination, was allocated in full to the AO Elektroinstrument CGU.

The carrying amounts of goodwill and intangible assets with indefinite useful lives allocated to the respective CGUs as at 31 December were as follows:

	2022		2021	
	Goodwill	Trademark	Goodwill	Trademark
China Equipment Ltd. (CGU 1)	-	-	XXX	-
Mumbai Machinery Ltd. (CGU 2)	XXX	-	-	-
AO Elektroinstrument (CGU 3)	XXX	XXX	XXX	XXX
	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>

As at 31 December 2022, goodwill of XXX previously allocated to China Equipment Ltd., which was classified as a disposal group as at 31 December 2022, was reclassified to assets of the disposal group (discontinued operations) (Note 9).

**Impairment testing of CGUs**

As at 31 December 2022 and 31 December 2021, the Group identified several external adverse indicators such as a decrease in indices of business activity and growth rates of the machine tool industry compared with prior expectations and a decline in investments in the industrial production sector in the regions where the Group operates. The Group performed impairment testing of all non-current assets, including intangible assets with indefinite useful lives and goodwill. All assets were tested at the level of respective CGUs.

**Mumbai Machinery Ltd. (CGU 2)**

As at 31 December 2022 and 31 December 2021, the recoverable amount of this CGU totaled XXX and was determined based on a value in use calculation using cash flows projections from financial budgets covering a five-year period. The pre-tax discount rate applied to cash flow projections is XXX% (31 December 2021: XXX%) and cash flow projections beyond the five-year period are extrapolated using the growth rate of XXX% (31 December 2021: XXX%). The growth rate is consistent with the long-term average growth rate for the electronics industry in India. The Group's management determined that the value in use of this CGU exceeded its carrying amount including goodwill by XXX (31 December 2021: XXX) and concluded that there was no impairment.

## Notes to the consolidated financial statements (continued)

**15. Impairment of non-current assets (continued)****Impairment testing of CGUs (continued)*****AO Elektroinstrument (CGU 3)***

As at 31 December 2022 and 31 December 2021, the recoverable amount of this CGU totaled XXX and was determined based on a value in use calculation using cash flows projections from financial budgets covering a five-year period. The pre-tax discount rate applied to cash flow projections is XXX% (31 December 2021: XXX%) and cash flow projections beyond the five-year period are extrapolated using the growth rate of XXX% (31 December 2021: XXX%). The growth rate is consistent with the long-term average growth rate for the electric power tool industry in the Russian Federation. The Group's management came to the conclusion that the fair value less costs of disposal of this CGU at the reporting and comparative dates did not exceed its value in use. The Group's management determined that the value in use of this CGU as at 31 December 2021 exceeded its carrying amount including goodwill by XXX, therefore, it concluded that there was no impairment at that date. As at 31 December 2022, the carrying amount of this CGU exceeded its recoverable amount by XXX, as a result, the Group recognized an impairment of goodwill in the amount of XXX. The impairment loss was recognized in other operating expenses in the statement of profit or loss.

The calculation of value in use for all CGUs to which the goodwill and intangible assets with indefinite useful lives were allocated is most sensitive to the following assumptions:

*Discount rates*

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest rates on loans and borrowings the Group is obliged to service.

As at 31 December 2022, the recoverable amount of CGU 2 exceeded its carrying amount by XXX. A rise in the pre-tax discount rate by XXX% from the current XXX% would result in the recoverable amount of CGU 2 becoming equal to its carrying amount as well as in an increase in impairment for CGU 3 of XXX.

*Raw materials price inflation*

Estimates are obtained from published indices and other data for the countries in which the Group purchases raw and other materials. Management has considered the possibility of greater-than-forecast increases in raw materials price inflation. This may occur if anticipated regulatory changes result in an increase in demand that cannot be met by suppliers. The forecast price inflation lies within a range of XXX% to XXX% for CGU 2 and XXX% to XXX% for CGU 3, depending on the country from which materials are purchased. If prices of raw materials increase on average by XXX% more than the forecast price inflation, the Group will recognize an impairment loss for CGU 2 of XXX and there will be an increase in impairment loss for CGU 3 of XXX.

## Notes to the consolidated financial statements (continued)

**15. Impairment of non-current assets (continued)****Impairment testing of CGUs (continued)***Growth rates used to extrapolate cash flows beyond the forecast period*

Growth rates are based on published industry research. Management recognizes that the speed of technological change and the possibility of new entrants to the markets can have a significant impact on growth rate assumptions. The effect of new entrants is not expected to have an adverse impact on the forecasts, but could yield a reasonably possible alternative to the estimated long-term growth rate of XXX%. A reduction by XXX% in the long-term growth rate would result in impairment for CGU 2 in the amount of XXX and impairment loss for CGU 3 will increase by XXX.

**16. Finance income and costs**

Finance income comprises the following:

	<b>2022</b>	<b>2021</b>
Interest on debt instruments at fair value through OCI	XXX	XXX
Interest on bank deposits	XXX	XXX
Interest on loans to entities under common control	XXX	-
Other	XXX	XXX
	<b>XXX</b>	<b>XXX</b>

Finance costs comprise the following:

	<b>2022</b>	<b>2021</b>
Interest on loans and borrowings	XXX	XXX
Interest on lease liabilities (Note 18)	XXX	XXX
Unwinding of discount on provisions (Note 26)	XXX	XXX
Other	XXX	XXX
	<b>XXX</b>	<b>XXX</b>

**17. Property, plant and equipment**Accounting policies

Items of property, plant and equipment are carried at cost (the cost model), except for land and buildings which are measured using the revaluation model.

The cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment require replacement at regular intervals, the Group depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognized in profit or loss as incurred.

Revaluations of land and buildings are performed with sufficient frequency to ensure that the carrying amount of a revalued asset at the reporting date does not differ materially from its fair value.

## Notes to the consolidated financial statements (continued)

**17. Property, plant and equipment (continued)**

A revaluation surplus is recorded in OCI and credited to the revaluation reserve for property, plant and equipment in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the surplus is recognized in profit or loss. A revaluation deficit is recognized in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset previously recognized in the revaluation reserve in equity.

Upon disposal of an asset, any revaluation reserve balance relating to the asset being sold is transferred to retained earnings.

Depreciation of property, plant and equipment is calculated on a straight-line basis over the estimated useful lives of the assets.

The table below presents the useful lives of items of property, plant and equipment:

	<b>Useful life (years)</b>
Land and buildings	XXX-XXX
Machinery and equipment	XXX-XXX
Motor vehicles	XXX-XXX
Other	XXX-XXX

An item of property, plant and equipment and any significant part of such item is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the statement of profit or loss.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at the end of each reporting period and adjusted prospectively, if appropriate.

The present value of the expected costs for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to Note 26 for further information about the recognized decommissioning provisions and the significant accounting judgments, estimates and assumptions made by management.

The Group's accounting policies on impairment of non-current assets and the information about the impairment tests performed for property, plant and equipment included in the respective CGUs are disclosed in Note 15.

No impairment loss for property, plant and equipment was identified in 2022 and 2021. There was no capitalized interest on loans and borrowings in 2022 and 2021.

PAO ABC

Notes to the consolidated financial statements (continued)

**17. Property, plant and equipment (continued)**

**Breakdown of the carrying amounts of property, plant and equipment by class and their movements during the periods**

For 2022:

	Land and buildings	Machinery and equipment	Motor vehicles	Construction in progress	Other	Total
<b>Carrying amount at 31 December 2021</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
Cost	XXX	XXX	XXX	XXX	XXX	XXX
Accumulated depreciation and impairment losses	XXX	XXX	XXX	XXX	XXX	XXX
Additions	-	XXX	-	XXX	-	XXX
In-kind contribution by the ultimate controlling party (Note 32)	-	-	XXX	-	-	XXX
Acquisition of a subsidiary (Note 8)	-	XXX	XXX	XXX	-	XXX
Commissioning of property, plant and equipment	-	XXX	XXX	XXX	-	-
Disposals	-	-	XXX	-	XXX	XXX
Reclassification into disposal group (Note 9)	-	XXX	XXX	-	XXX	XXX
Depreciation charge	XXX	XXX	XXX	-	XXX	XXX
Revaluation adjustment	XXX	-	-	-	-	XXX
Foreign exchange differences	-	XXX	XXX	XXX	-	XXX
<b>Carrying amount at 31 December 2022</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
Cost	XXX	XXX	XXX	XXX	XXX	XXX
Accumulated depreciation and impairment losses	XXX	XXX	XXX	XXX	XXX	XXX

For 2021:

	Land and buildings	Machinery and equipment	Motor vehicles	Construction in progress	Other	Total
<b>Carrying amount at 31 December 2020</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
Cost	XXX	XXX	XXX	XXX	XXX	XXX
Accumulated depreciation and impairment losses	XXX	XXX	XXX	XXX	XXX	XXX
Additions	XXX	-	XXX	XXX	-	XXX
Commissioning of property, plant and equipment	-	XXX	XXX	XXX	-	-
Disposals	XXX	XXX	-	-	-	XXX
Depreciation charge	XXX	XXX	XXX	-	XXX	XXX
Foreign exchange differences	-	XXX	XXX	XXX	-	XXX
<b>Carrying amount at 31 December 2021</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
Cost	XXX	XXX	XXX	XXX	XXX	XXX
Accumulated depreciation and impairment losses	XXX	XXX	XXX	XXX	XXX	XXX

**Disposals of property, plant and equipment**

In 2022 and 2021, the Group sold motor vehicles and equipment with a total carrying amount of XXX and XXX for a cash consideration of XXX and XXX, respectively. In 2021, the Group also sold a building with a carrying amount of XXX for a cash consideration of XXX, whereupon the reserve of XXX accumulated for this asset was reclassified from the revaluation reserve for property, plant and equipment into retained earnings. The net gains on these disposals were recognized as part of other operating income in the statement of profit or loss (Note 14).

## Notes to the consolidated financial statements (continued)

**17. Property, plant and equipment (continued)****Revaluation of land and buildings**

The Group performed the revaluation of land and buildings as at 31 December 2022. Fair value of the properties was determined by the Group's Valuation Department using the market approach based on available databases of prices of comparable transactions for properties of similar nature, location and condition. The revaluation gain of XXX (31 December 2021: nil) was recognized in other comprehensive income.

Fair value measurement disclosures for the revalued property, plant and equipment are provided in Note 6.

If the land and buildings were measured using the cost model, the carrying amounts as at 31 December would be as follows:

	<b>2022</b>	<b>2021</b>
Cost	XXX	XXX
Accumulated depreciation and impairment	XXX	XXX
<b>Carrying amount</b>	<b>XXX</b>	<b>XXX</b>

**18. Leases**Accounting policies

The Group assesses at contract inception whether a contract is, or contains, a lease.

**Group as a lessee**

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets to which the Group applies a recognition exemption provided in IFRS 16 *Leases*. Lease payments under short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term. If a contract contains non-lease components, the Group applies a practical expedient and does not allocate the consideration in the contract to lease components and non-lease components, and accounts for the entire contract as a single lease.

**Right-of-use assets**

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	<b>Useful life (years)</b>
Buildings	XXX-XXX
Equipment	XXX-XXX

However, if ownership of the leased asset transfers to the Group at the end of the lease term or the lease cost reflects the exercise of a purchase option for the underlying asset, the right-of-use asset is depreciated over the estimated useful life of the underlying asset.

## Notes to the consolidated financial statements (continued)

**18. Leases (continued)****Group as a lessee (continued)**

Right-of-use assets are also subject to impairment testing. The Group's accounting policies on impairment of non-current assets and the information about the impairment tests performed for the right-of-use assets included in the respective CGUs are disclosed in Note 15.

***Leases with payments linked to cadastral value***

Under IFRS 16, variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and the carrying amount of right-of-use assets. The Group's subsidiaries in Russia enter into land leases with municipal and federal institutions to locate manufacturing facilities. Lease payments in such contracts are linked to the cadastral value of land and are determined by multiplying the current cadastral value of the related land plot by coefficients established by government authorities. Under such contracts, lease payments change every time government authorities revise the cadastral value of the specific land plot or the coefficients applicable to it. The Group has determined that, in accordance with the existing revision procedure, lease payments in such contracts cannot be treated as either variable payments that depend on an index or a rate or in-substance fixed payments. Therefore, the Group does not include them in the measurement of lease liabilities and the carrying amount of right-of-use assets.

***Determining the lease term for contracts with extension and termination options***

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

The Group has several lease contracts that include extension options. The Group applies judgment in evaluating whether it is reasonably certain to exercise the extension option considering all relevant factors that create an economic incentive for it to exercise the option. After the commencement date, the Group reassesses the lease term only if there is a significant event or change in circumstances that is within the Group's control and affects its ability to exercise the extension option (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group includes the period covered by the extension option as part of the lease term for certain leases of equipment with shorter non-cancellable period (i.e., three to five years). The Group typically exercises the extension option for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The extension periods for leases of equipment with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term as the extension options are not reasonably certain to be exercised.

## Notes to the consolidated financial statements (continued)

**18. Leases (continued)****Group as a lessee (continued)*****Estimating the incremental borrowing rate***

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group 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. Therefore, the IBR reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

The Group estimates the IBR using observable inputs (such as market interest rates) when available and applies certain estimates specific to Group companies (such as the subsidiary's stand-alone credit rating).

***Liabilities associated with right-of-use assets***

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. 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. Lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and amounts of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the IBR at the lease commencement date. 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 lease payments or a change in the assessment of exercising an option to purchase the underlying asset or an option to terminate the lease.

Set out below are the carrying amounts of right-of-use assets and the movements during the reporting period:

	<b>Buildings</b>	<b>Equipment</b>	<b>Total</b>
<b>At 1 January 2021, net of accumulated depreciation</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
Additions	–	XXX	<b>XXX</b>
Depreciation charge	XXX	XXX	<b>XXX</b>
Foreign exchange differences	XXX	–	<b>XXX</b>
<b>At 31 December 2021, net of accumulated depreciation</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
Additions	XXX	XXX	<b>XXX</b>
Reclassification into disposal group (Note 9)	–	XXX	<b>XXX</b>
Modifications	–	XXX	<b>XXX</b>
Depreciation charge	–	XXX	<b>XXX</b>
Foreign exchange differences	XXX	–	<b>XXX</b>
<b>At 31 December 2022, net of accumulated depreciation</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>

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Notes to the consolidated financial statements (continued)

**18. Leases (continued)**

**Group as a lessee (continued)**

Set out below are the carrying amounts of lease liabilities and the movements during the reporting period:

	<b>2022</b>	<b>2021</b>
<b>At 1 January</b>	<b>XXX</b>	<b>XXX</b>
Additions	XXX	XXX
Reclassification into disposal group (Note 9)	XXX	–
Accretion of interest (Note 16)	XXX	XXX
Payments of principal portion of lease liabilities	XXX	XXX
Payments of interest	XXX	XXX
Modifications	XXX	–
Foreign exchange differences	XXX	XXX
<b>At 31 December</b>	<b>XXX</b>	<b>XXX</b>

Lease expenses are set out below:

	<b>2022</b>	<b>2021</b>
Interest expense on lease liabilities (Note 16)	XXX	XXX
Depreciation charge	XXX	XXX
Expense relating to variable lease payments that do not depend on an index or a rate, including lease payments linked to cadastral value (included in cost of sales)	XXX	XXX
Expense relating to short-term leases (included in cost of sales, general and administrative expenses)	XXX	XXX
Expense relating to leases of low-value assets (included in cost of sales, general and administrative expenses)	XXX	XXX
	<b>XXX</b>	<b>XXX</b>

Variable lease payments under leases of land with payments linked to the cadastral value amounted to XXX for 2022 (2021: XXX). A XXX% increase in the cadastral value of land would increase annual variable lease payments by XXX.

The Group had total cash outflows for leases of XXX and XXX in 2022 and 2021, respectively.

The Group has lease contracts for equipment that contain minimum payments and variable payments based on the number of units to be manufactured. These terms allow reasonable alignment of the lease expense with the units manufactured and revenue earned. The total amount of variable payments included in lease expenses was XXX and XXX in 2022 and 2021, respectively.

The Group has several lease contracts that include extension options. These options are meant to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs.

Set out below are the undiscounted potential future lease payments relating to periods following the exercise date of extension options that are not included in the lease term:

	<b>5 to 10 years</b>	<b>More than 10 years</b>
Extension options expected not to be exercised at 31 December 2022	XXX	XXX
Extension options expected not to be exercised at 31 December 2021	XXX	XXX

## Notes to the consolidated financial statements (continued)

**19. Intangible assets**Accounting policies

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the related expenses are recognized in profit or loss in the period in which the expenses are incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortized over the established useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortization expense on intangible assets with finite useful lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the specific intangible asset.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually at the CGU level.

The Group's accounting policies on impairment of non-current assets and the information about the impairment tests performed for intangible assets included in the respective CGUs are disclosed in Note 15.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control over the asset) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset is included in the statement of profit or loss.

Licenses for the use of intellectual property are granted for the periods in the range between five and ten years depending on the specific licenses. The licenses may not be renewed at little cost to the Group. As a result, those licenses are assessed as having a finite useful life.

Customer bases are assessed as intangible assets with finite useful lives of three to five years.

Trademarks recognized in business combinations in previous periods are assessed by the Group's management as having indefinite useful lives.

## Notes to the consolidated financial statements (continued)

**19. Intangible assets (continued)**

Set out below are the movements in intangible assets:

For 2022:

	<b>Licenses</b>	<b>Customer bases</b>	<b>Trademarks</b>	<b>Total</b>
<b>At 31 December 2021, net of accumulated amortization</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
Additions through acquisition of a subsidiary (Note 8)	-	XXX	-	<b>XXX</b>
Additions	XXX	-	-	<b>XXX</b>
Amortization charge	XXX	XXX	-	<b>XXX</b>
Reclassification into disposal group (Note 9)	-	XXX	-	<b>XXX</b>
Foreign exchange differences	XXX	XXX	XXX	<b>XXX</b>
<b>At 31 December 2022, net of accumulated amortization</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>

For 2021:

	<b>Licenses</b>	<b>Customer bases</b>	<b>Trademarks</b>	<b>Total</b>
<b>At 31 December 2020, net of accumulated amortization</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
Additions	XXX	-	-	<b>XXX</b>
Amortization charge	XXX	XXX	-	<b>XXX</b>
Foreign exchange differences	XXX	XXX	XXX	<b>XXX</b>
<b>At 31 December 2021, net of accumulated amortization</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>

**Acquisitions in 2022**

Intangible assets include customer bases acquired within the subsidiary in 2022. Management expects that due to efforts made to build relationships with customers and maintain their loyalty, customers will continue to conduct business with the Group for 5 years.

**20. Financial assets and liabilities**Accounting policies

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.

**Financial assets*****Initial recognition and measurement***

The Group classifies its financial assets at initial recognition as subsequently measured at amortized cost, at fair value through profit or loss and at fair value through OCI.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Except for trade receivables that management believes do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures financial assets at fair value plus transaction costs. Trade receivables are measured at the transaction price.

## Notes to the consolidated financial statements (continued)

**20. Financial assets and liabilities (continued)****Financial assets (continued)**

In order for a financial asset to be classified as measured at amortized 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 for each individual instrument. Financial assets with cash flows that do not meet the SPPI criterion are classified as measured at fair value through profit or loss, irrespective of the business model.

The Group's business model used for managing financial assets determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified as measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified as measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling the financial assets.

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 recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

***Subsequent measurement****Financial assets at amortized cost (debt instruments)*

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method that involves the accrual of interest income. Besides, such financial assets are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost other than cash include trade receivables and loans to entities under common control.

*Financial assets at fair value through OCI (debt instruments)*

For assets in this category, interest income, foreign exchange revaluation and impairment losses or reversals of such losses are recognized in the statement of profit or loss and calculated in the same manner as for financial assets measured at amortized cost. The remaining fair value changes for the period are recognized in OCI. Upon derecognition of such assets, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group's financial assets at fair value through OCI include investments in unquoted bonds of third parties.

*Financial assets designated at fair value through OCI (equity instruments)*

Upon initial recognition, the Group elected to designate irrevocably its equity investments (non-controlling interests between 5% and 10% in some entities) as equity instruments designated at fair value through OCI (without subsequent reclassification to profit or loss). Dividends on such investments are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in OCI.

## Notes to the consolidated financial statements (continued)

**20. Financial assets and liabilities (continued)****Financial assets (continued)*****Derecognition***

A financial asset is derecognized 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 recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes 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***

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the cash flows due under the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate or an approximation thereof. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead it recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group uses a provision matrix based on its historical credit loss experience, adjusted for forward-looking factors specific to the counterparties and the overall economic environment.

## Notes to the consolidated financial statements (continued)

**20. Financial assets and liabilities (continued)****Financial assets (continued)**

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group's debt instruments at fair value through OCI comprise unquoted bonds. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since initial recognition, the loss allowance will be based on the lifetime ECLs. The Group uses the ratings from Expert RA and ACRA credit rating agencies both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a financial asset in default when contractual payments are 90 days past due.

Financial assets (except for cash and cash equivalents and receivables which are disclosed in Note 24 and Note 23, respectively) as at 31 December were as follows:

	2022			2021		
	Total	Non-current	Current	Total	Non-current	Current
<b>Debt instruments at amortized cost</b>						
Receivables	XXX	-	XXX	XXX	-	XXX
Loans to entities under common control	XXX	XXX	XXX	-	-	-
<b>Debt instruments at fair value through OCI</b>						
Investments in unquoted bonds	XXX	XXX	-	XXX	XXX	-
<b>Equity instruments at fair value through OCI</b>						
Investments in unquoted equity instruments of entities in related industries	XXX	XXX	-	XXX	XXX	-
	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>-</b>

Gain on debt instruments at fair value through OCI of XXX (2021: XXX) represents fair value changes for the corresponding period and is recorded in OCI.

Set out below are the movements in the allowance for expected credit losses on debt instruments at fair value through OCI:

	2022	2021
<b>At 1 January</b>	<b>XXX</b>	<b>XXX</b>
Charge	XXX	XXX
Utilization	XXX	XXX
<b>At 31 December</b>	<b>XXX</b>	<b>XXX</b>

Gain on equity instruments at fair value through OCI of XXX (2021: XXX) represents only fair value changes for the corresponding period and is recorded in OCI.

## Notes to the consolidated financial statements (continued)

**20. Financial assets and liabilities (continued)****Financial liabilities*****Initial recognition and measurement***

At initial recognition, the Group classifies its financial liabilities as financial liabilities subsequently measured at amortized cost and these include loans and borrowings and payables.

These financial liabilities are recognized initially at fair value net of directly attributable transaction costs.

***Subsequent measurement***

After initial recognition, interest-bearing loans and borrowings and payables are subsequently measured at amortized cost using the EIR method. Gains and losses on such financial liabilities are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized 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 amortization is included as finance costs in the statement of profit or loss.

***Derecognition***

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another liability 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 recognized in the statement of profit or loss.

Financial liabilities (except for payables which are disclosed in Note 27) as at 31 December were as follows:

	<b>Interest rate</b>	<b>Maturity</b>	<b>2022</b>	<b>2021</b>
<b>Current loans and borrowings and current portion of non-current loans and borrowings</b>				
CNY XXX bank loan	XXX	XXX	-	XXX
INR XXX bank loan	XXX	XXX	XXX	-
USD XXX bank loan	XXX	XXX	XXX	XXX
USD XXX bank loan	XXX	XXX	XXX	XXX
RUB XXX bank loan	CBR key rate + XXX	XXX	XXX	XXX
<b>Total current loans and borrowings and current portion of non-current loans and borrowings</b>			<b>XXX</b>	<b>XXX</b>

PAO ABC

Notes to the consolidated financial statements (continued)

**20. Financial assets and liabilities (continued)**

**Financial liabilities (continued)**

	<b>Interest rate</b>	<b>Maturity</b>	<b>2022</b>	<b>2021</b>
<b>Non-current loans and borrowings</b>				
CNY XXX bank loan	XXX	XXX	-	XXX
INR XXX bank loan	XXX	XXX	XXX	-
USD XXX bank loan	XXX	XXX	XXX	XXX
RUB XXX bank loan	CBR key rate + XXX	XXX	XXX	XXX
RUB XXX bank loan	CBR key rate + XXX	XXX	XXX	XXX
RUB XXX loans from the ultimate controlling party	XXX	XXX	XXX	-
<b>Total non-current loans and borrowings</b>			<b>XXX</b>	<b>XXX</b>

All Group's financial liabilities were measured at amortized cost at both reporting dates.

In 2022, the Group received from the ultimate controlling party unsecured loans of RUB XXX bearing an interest of XXX%, which is significantly below market rates. The loans were initially recognized at fair value in the amount of XXX, with a discount of XXX recorded in equity. All other loans were received on market terms.

As at 31 December 2022, the Group pledged property, plant and equipment and intangible assets with the carrying amount of XXX (31 December 2021: XXX) as collateral for the loans received.

Set out below are the movements in loans and borrowings:

	<b>2022</b>	<b>2021</b>
<b>At 1 January</b>		
Non-current interest-bearing loans and borrowings	XXX	XXX
Current loans and borrowings and current portion of non-current loans and borrowings	XXX	XXX
Cash movements		
- Proceeds from loans and borrowings	XXX	XXX
- Repayment of loans, including interest	XXX	XXX
Non-cash movements		
- Interest accrued (Note 16)	XXX	XXX
- Discount on loans from the ultimate controlling party	XXX	-
- Additions through acquisition of a subsidiary (Note 8)	XXX	-
- Reclassification into disposal group (Note 9)	XXX	-
- Foreign exchange differences	XXX	XXX
<b>At 31 December</b>		
Non-current interest-bearing loans and borrowings	XXX	XXX
Current loans and borrowings and current portion of non-current loans and borrowings	XXX	XXX

The movements in lease liabilities are disclosed in Note 18.

## Notes to the consolidated financial statements (continued)

**21. Income taxes**Accounting policies**Current income tax**

Current income tax recoverable or payable for the current or previous period is measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates used to calculate the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity.

**Deferred income tax**

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized either in OCI or directly in equity in correlation to the underlying transaction that led to the deferred tax effect.

## Notes to the consolidated financial statements (continued)

**21. Income taxes (continued)****Deferred income tax (continued)**

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off the deferred tax assets and deferred tax liabilities that relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which intend either to settle deferred tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management applies significant judgment to determine the amount of deferred tax assets that can be recognized, based on the likely timing and the level of future taxable profits, together with future tax planning strategies.

As at 31 December 2022, the Group has XXX (31 December 2021: XXX) of tax losses carried forward, for which no deferred tax assets were recognized. These losses relate to certain Group companies that have neither any taxable temporary difference nor any tax planning opportunities available that could support the recognition of the relevant deferred tax assets. Besides, these losses may not be used to offset taxable income elsewhere in the Group.

The Group's income was subject to tax at the following tax rates:

	<b>2022</b>	<b>2021</b>
Russia	XXX	XXX
Belarus	XXX	XXX
China	XXX	XXX
India	XXX	-

The major components of income tax expense for the years ended 31 December were as follows:

**Consolidated profit**

	<b>2022</b>	<b>2021</b>
Current tax	XXX	XXX
Deferred tax relating to origination and reversal of temporary differences	XXX	XXX
<b>Income tax expense reported in the statement of profit or loss</b>	<b>XXX</b>	<b>XXX</b>

**Consolidated other comprehensive income**

	<b>2022</b>	<b>2021</b>
<b>Deferred tax relating to items recognized in OCI during the year</b>		
Gain on debt instruments at fair value through OCI	XXX	XXX
Gain on equity instruments at fair value through OCI	XXX	XXX
Gain on revaluation of property, plant and equipment	XXX	-
Gain on revaluation of defined benefit obligations	XXX	XXX
<b>Income tax expense charged to OCI in the statement of comprehensive income</b>	<b>XXX</b>	<b>XXX</b>

## Notes to the consolidated financial statements (continued)

**21. Income taxes (continued)****Deferred income tax (continued)**

Set out below is the reconciliation of income tax expense and the accounting profit multiplied by the income tax rate applicable in the Russian Federation, for 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Profit before tax from continuing operations	XXX	XXX
Profit before tax from discontinued operations (Note 9)	XXX	XXX
<b>Profit before tax</b>	<b>XXX</b>	<b>XXX</b>
<b>At Russia's statutory income tax rate of 20%</b>	<b>XXX</b>	<b>XXX</b>
Effect of non-taxable income and non-deductible expenses including:		
- Impairment of goodwill (Note 15)	XXX	-
- Other non-taxable income and non-deductible expenses	XXX	XXX
- Non-taxable government grants	XXX	XXX
Utilization of previously unrecognized tax losses	XXX	XXX
Effect of different income tax rates in other jurisdictions	XXX	XXX
Share of profit of an associate and a joint venture	XXX	XXX
<b>Income tax expense</b>	<b>XXX</b>	<b>XXX</b>
Income tax expense reported in the consolidated statement of profit or loss	XXX	XXX
Income tax expense attributable to discontinued operations	XXX	XXX

As at 31 December 2022, the Group did not recognize any deferred tax liabilities for taxable temporary differences of XXX (31 December 2021: XXX) associated with investments in subsidiaries, an associate and a joint venture, as the Group's management controls the timing of the reversal of these temporary differences and does not expect that they will reverse in the foreseeable future. The Group has an agreement with its associate that the profits of the associate will not be distributed until it obtains the consent of the Group. The Group does not anticipate giving such consent at the reporting date. Furthermore, the Group's joint venture will not distribute its profits until it obtains the consent of all joint venturers.

Notes to the consolidated financial statements (continued)

**21. Income taxes (continued)**

**Deferred income tax (continued)**

Set out below are the deferred tax assets and deferred tax liabilities as at the reporting dates and their movements:

For 2022:

	2021	Changes reported in profit or loss	Changes reported in OCI	Changes related to transfer to disposal group	Changes related to acquisition of a subsidiary	Foreign exchange differences	2022
<b>Deferred tax liabilities</b>							
Property, plant and equipment	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Intangible assets	XXX	XXX	-	XXX	XXX	XXX	XXX
Financial assets at fair value through OCI	XXX	-	XXX	-	-	-	XXX
Foreign exchange differences*	-	XXX	-	-	-	-	XXX
Right-of-use assets	XXX	XXX	-	XXX	-	XXX	XXX
Other	XXX	XXX	-	-	-	XXX	XXX
	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
<b>Deferred tax assets</b>							
Losses deductible for tax purposes in future periods	XXX	XXX	-	XXX	XXX	-	XXX
Contract liabilities	XXX	XXX	-	XXX	XXX	XXX	XXX
Employee benefit obligations	XXX	XXX	XXX	-	-	-	XXX
Debt financial assets	XXX	XXX	-	XXX	-	-	XXX
Lease liabilities	XXX	XXX	-	XXX	-	XXX	XXX
Other	XXX	XXX	-	XXX	XXX	XXX	XXX
	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
Deferred income tax expense	-	XXX	XXX	-	-	-	-
<b>Deferred tax liability, net</b>	<b>XXX</b>	<b>-</b>	<b>-</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>

\* The amendments to the Tax Code of the Russian Federation issued in 2022 require foreign exchange gains arising from claims (liabilities) to be included in the calculation of taxable income only when the debt is settled. The amendments are effective from 1 January 2022 till 2024. In accordance with the amendments, the Group accrued deferred tax liabilities of XXX as at 31 December 2022.

Reported in the statement of financial position as at 31 December:

	2022	2021
Deferred tax assets	XXX	XXX
Deferred tax liabilities:		
- from continuing operations	XXX	XXX
- from discontinued operations	XXX	-
<b>Deferred tax liability, net</b>	<b>XXX</b>	<b>XXX</b>

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Notes to the consolidated financial statements (continued)

**21. Income taxes (continued)**

**Deferred income tax (continued)**

For 2021:

	2020	Changes reported in profit or loss	Changes reported in OCI	Foreign exchange differences	2021
<b>Deferred tax liabilities</b>					
Property, plant and equipment	XXX	XXX	XXX	XXX	XXX
Intangible assets	XXX	XXX	-	XXX	XXX
Financial assets at fair value through OCI	XXX	-	XXX	-	XXX
Right-of-use assets	XXX	XXX	-	XXX	XXX
Other	XXX	XXX	-	XXX	XXX
	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
<b>Deferred tax assets</b>					
Losses deductible for tax purposes in future periods	XXX	XXX	-	-	XXX
Contract liabilities	XXX	XXX	-	XXX	XXX
Employee benefit obligations	XXX	XXX	XXX	-	XXX
Debt financial assets	XXX	XXX	-	-	XXX
Lease liabilities	XXX	XXX	-	XXX	XXX
Other	XXX	XXX	-	XXX	XXX
	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
Deferred tax expense	-	XXX	XXX	-	-
<b>Deferred tax liability, net</b>	<b>XXX</b>	<b>-</b>	<b>-</b>	<b>XXX</b>	<b>XXX</b>

**22. Inventories**

Accounting policies

Inventories are valued at the lower of cost and net realizable value. Costs incurred when bringing an item of inventory to its present location and condition are accounted for as follows:

- ▶ Raw materials: purchase cost on a first-in/first-out basis
- ▶ Finished goods and work in progress: cost of direct materials and labor and a proportion of production overheads based on the normal operating capacity, but excluding borrowing costs

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

As at 31 December, inventories comprised the following:

	2022	2021
Raw and other materials (at cost)	XXX	XXX
Work in progress (at cost)	XXX	XXX
Finished goods (at cost and net realizable value)	XXX	XXX
	<b>XXX</b>	<b>XXX</b>

The write-down of inventories to net realizable value amounted to XXX and XXX for 2022 and 2021, respectively. The amounts were recognized in cost of sales.

## Notes to the consolidated financial statements (continued)

**23. Receivables and contract assets**

Accounting policies relating to these classes of assets are disclosed in Notes 13 and 20.

**Receivables**

As at 31 December, receivables comprised the following:

	<b>2022</b>	<b>2021</b>
Trade receivables	XXX	XXX
Other receivables	XXX	XXX
	<b>XXX</b>	<b>XXX</b>
Allowance for expected credit losses	XXX	XXX
	<b>XXX</b>	<b>XXX</b>

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

	<b>2022</b>	<b>2021</b>
<b>At 1 January</b>	<b>XXX</b>	<b>XXX</b>
Charge	XXX	XXX
Utilization	XXX	XXX
Foreign exchange differences	XXX	XXX
<b>At 31 December</b>	<b>XXX</b>	<b>XXX</b>

Trade receivables are non-interest bearing, unsecured and generally mature within 30 to 60 days.

**Contract assets**

As at 31 December 2022, the Group had contract assets of XXX (31 December 2021: XXX), which is net of an allowance for expected credit losses of XXX (31 December 2021: XXX).

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

	<b>2022</b>	<b>2021</b>
<b>At 1 January</b>	<b>XXX</b>	<b>XXX</b>
Charge	XXX	XXX
Utilization	XXX	XXX
Foreign exchange differences	XXX	XXX
<b>At 31 December</b>	<b>XXX</b>	<b>XXX</b>

The information about credit risks associated with trade receivables and contract assets is disclosed in Note 33.

**24. Cash and cash equivalents**Accounting policies

Cash and short-term deposits in the statement of financial position comprise cash at banks and cash on hand and short-term highly liquid deposits with a maturity of three months or less or repayable on demand, that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

## Notes to the consolidated financial statements (continued)

**24. Cash and cash equivalents (continued)**

Short-term deposits are made for varying periods, depending on the immediate cash requirements of the Group. The deposits earn interest at the applicable short-term deposit rates that vary between XXX% and XXX% (2021: between XXX% and XXX%).

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprised the following as at 31 December:

	<b>2022</b>	<b>2021</b>
Cash at banks and on hand	XXX	XXX
Short-term deposits	XXX	XXX
Cash attributable to disposal group	XXX	-
	<b>XXX</b>	<b>XXX</b>

As at 31 December 2022, the Group had available XXX (31 December 2021: XXX) of undrawn committed borrowing facilities.

Set out below is the movement in the allowance for expected credit losses on cash and cash equivalents:

	<b>2022</b>	<b>2021</b>
<b>At 1 January</b>	<b>XXX</b>	<b>XXX</b>
Charge	XXX	XXX
Utilization	XXX	XXX
<b>At 31 December</b>	<b>XXX</b>	<b>XXX</b>

**25. Employee benefits**Accounting policies**Defined contribution plans**

Defined contribution plans represent contributions made by Group companies to the respective retirement fund in accordance with the established regulations based on the total payroll costs of the respective company. Group companies have no legal or constructive obligations to make further contributions in respect of subsequent payments to employees made by the retirement fund.

Contributions from Group companies relating to defined contribution plans are expensed in the period in which they occur.

The Group's expense for defined contribution plans was XXX and XXX for 2022 and 2021, respectively.

**Defined benefit plans**

Defined benefit plans represent additional retirement insurance provided as post-employment benefits to specific groups of employees by some subsidiaries in the Russian Federation. These benefits are ensured by contributions of these subsidiaries to a special non-state retirement fund (the "Fund") and depend on the length of service, salary, the amount of retirement benefits under the collective employment agreement and other indicators, given that an employee joined the retirement plan before 1 January 2018. The Fund is responsible for the administration of the plan assets and the investment strategy.

The defined benefit plan obligations are determined using the 'projected unit credit method.'

## Notes to the consolidated financial statements (continued)

**25. Employee benefits (continued)****Defined benefit plans (continued)**

The method sees each year of service as giving rise to an additional unit to post-employment benefits and measures each unit separately to build up the obligation of the Group at the end of the reporting period.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability, and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability) are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service cost is recognized in profit or loss at the earlier of the following dates:

- ▶ When the plan amendment or curtailment occurs, and
- ▶ When the Group recognizes related restructuring costs under IAS 37 or termination benefits

Net interest is calculated by applying the discount rate to net defined benefit liability or asset. The Group recognizes the following changes in net defined benefit obligation within 'Cost of sales,' 'Selling and distribution expenses' and 'General and administrative expenses' as 'Personnel expenses, including social security contributions' in the consolidated statement of profit or loss:

- ▶ Service cost comprising current service cost, past service cost, any gains and losses on curtailments and non-routine settlements
- ▶ Net interest expense or income

**Other long-term benefits**

The Group's obligations to pay long-service bonuses are determined using the 'projected unit credit method.'

In accordance with the plan, long-service bonuses are paid regularly after the first five years of an employee's service with the Group and every five years thereafter. Long-service bonuses are calculated as 1.5 monthly salaries for each year of the employee's service since the date of payment of the most recent long-service bonus.

Expense is reported in the statement of profit or loss in order to recognize in the financial statements the total cost of benefits over the period of employees' service and to reflect the cumulative liability.

This liability is measured at the present value of estimated future cash flows using a discount rate based on the market yield on government bonds at the end of the reporting period. Actuarial gains and losses are recognized in profit or loss in full as they arise.

Past service cost related to long-service bonuses is recognized in the statement of profit or loss in the respective period.

There were no significant amendments, curtailments or settlements of the above plans in 2022 and 2021.

## Notes to the consolidated financial statements (continued)

**25. Employee benefits (continued)****Expense for defined benefit plans and other long-term benefits recognized in profit or loss**

For 2022:

	<b>Defined benefit plans</b>	<b>Other long-term benefits</b>	<b>Total</b>
Current service cost	XXX	XXX	<b>XXX</b>
Net interest expense	XXX	XXX	<b>XXX</b>
Actuarial gains	-	XXX	<b>XXX</b>
<b>Net expense for defined benefit plans and other long-term benefits</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>

For 2021:

	<b>Defined benefit plans</b>	<b>Other long-term benefits</b>	<b>Total</b>
Current service cost	XXX	XXX	<b>XXX</b>
Net interest expense	XXX	XXX	<b>XXX</b>
Actuarial gains	-	XXX	<b>XXX</b>
<b>Net expense for defined benefit plans and other long-term benefits</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>

Gains recognized in other comprehensive income are net actuarial gains on defined benefit plans of XXX and XXX for 2022 and 2021, respectively.

**Net liability on defined benefit plans and other long-term benefits**

As at 31 December 2022:

	<b>Defined benefit plans</b>	<b>Other long-term benefits</b>	<b>Total</b>
Benefit obligations	XXX	XXX	<b>XXX</b>
Plan assets	XXX	-	<b>XXX</b>
<b>Net liability on defined benefit plans and other long-term benefits</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>

As at 31 December 2021:

	<b>Defined benefit plans</b>	<b>Other long-term benefits</b>	<b>Total</b>
Benefit obligations	XXX	XXX	<b>XXX</b>
Plan assets	XXX	-	<b>XXX</b>
<b>Net liability on defined benefit plans and other long-term benefits</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>

## Notes to the consolidated financial statements (continued)

**25. Employee benefits (continued)****Movements in the net liability on defined benefit plans and other long-term benefits**

	<b>Defined benefit plans</b>	<b>Other long-term benefits</b>	<b>Total</b>
<b>At 31 December 2020</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
Interest expense	XXX	XXX	XXX
Current service cost	XXX	XXX	XXX
Benefits paid	XXX	XXX	XXX
Actuarial gains	XXX	XXX	XXX
<b>At 31 December 2021</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
Interest expense	XXX	XXX	XXX
Current service cost	XXX	XXX	XXX
Benefits paid	XXX	XXX	XXX
Actuarial gains	XXX	XXX	XXX
<b>At 31 December 2022</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>

**Changes in the fair value of the defined benefit plan assets**

	<b>Defined benefit plans</b>
<b>At 31 December 2020</b>	<b>XXX</b>
Interest income on plan assets	XXX
Contributions by employer	XXX
Benefits paid	XXX
<b>At 31 December 2021</b>	<b>XXX</b>
Interest income on plan assets	XXX
Contributions by employer	XXX
Benefits paid	XXX
<b>At 31 December 2022</b>	<b>XXX</b>

Set out below are the principal assumptions used in determining defined benefit plan and other long-term benefit obligations:

	<b>2022</b>		<b>2021</b>	
	<b>Defined benefit plans</b>	<b>Other long-term benefits</b>	<b>Defined benefit plans</b>	<b>Other long-term benefits</b>
Discount rate	XXX	XXX	XXX	XXX
Future pension increases	XXX	-	XXX	-
Future salary increases	XXX	XXX	XXX	XXX
Average expected length of the remaining service period, years	XXX	XXX	XXX	XXX
Average life expectancy, male, years	XXX	-	XXX	-
Average life expectancy, female, years	XXX	-	XXX	-

## Notes to the consolidated financial statements (continued)

**25. Employee benefits (continued)****Principal assumptions and sensitivity analysis**

Expense for the defined benefit plan and other long-term benefits and the present value of the pension obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. Due to the difficulties involved in the valuation, defined benefit plan and other long-term benefit obligations are highly sensitive to changes in these assumptions. In determining the applicable discount rate, the Group's management considers the interest rates of government bonds with maturities and in currencies consistent with the expected duration and currencies of the defined benefit obligations. All assumptions are reviewed at each reporting date.

The table below shows the sensitivity analysis for the expected changes in significant assumptions used to determine the liability on defined benefit plans and other long-term benefits, with all other variables held constant:

	Expected change in assumption	Impact on employee benefit obligation at 31 December 2022		Impact on employee benefit obligation at 31 December 2021	
		Defined benefit plans	Other long-term benefits	Defined benefit plans	Other long-term benefits
Discount rate	XXX	XXX	XXX	XXX	XXX
	XXX	XXX	XXX	XXX	XXX
Future pension increases	XXX	XXX	-	XXX	-
	XXX	XXX	-	XXX	-
Future salary increases	XXX	XXX	XXX	XXX	XXX
	XXX	XXX	XXX	XXX	XXX
Average life expectancy, male, years	XXX	XXX	-	XXX	-
	XXX	XXX	XXX	XXX	XXX
Average life expectancy, female, years	XXX	XXX	-	XXX	-
	XXX	XXX	XXX	XXX	XXX
Average expected length of the remaining service period, years	XXX	XXX	XXX	XXX	XXX
	XXX	XXX	XXX	XXX	XXX

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a certain significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

As at 31 December 2022, the weighted average duration of the defined benefit plan obligation was XX years (31 December 2021: XX years). The Group expects that required contributions to the Fund will amount to XXX in 2023, XXX in 2024-2029, XXX in 2030-2040, and XXX thereafter.

**Termination benefits**Accounting policies

The Group recognizes a liability and expense for termination benefits if and only if it has constructive obligations to either:

- ▶ Terminate the employment of an employee or group of employees before the normal retirement date, or
- ▶ Provide termination benefits in exchange for an employee accepting an offer to terminate the employment voluntarily

## Notes to the consolidated financial statements (continued)

**25. Employee benefits (continued)****Termination benefits (continued)**

Termination benefits do not provide any economic benefits to the Group and are expensed immediately.

The Group paid termination benefits of XXX and XXX in 2022 and 2021, respectively, which were included in general and administrative expenses and cost of sales. All termination benefits were paid in the period in which they were accrued.

**26. Provisions**Accounting policies**General**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, 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. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as finance cost.

**Provisions for decommissioning costs**

The Group recognizes a provision for decommissioning costs of a manufacturing facility for the production of machinery. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the respective asset.

The unwinding of the discount is expensed as incurred and recognized in the statement of profit or loss as finance cost. The estimated future decommissioning costs are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

**Provisions for onerous contracts**

If the Group has a contract that is onerous, the present obligation under the contract is recognized and measured as a provision. However, before a separate provision for an onerous contract is established, the Group shall recognize any impairment loss that has occurred on assets used in fulfilling the contract.

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

When assessing whether a contract is onerous or loss-making, the Group considers costs that relate directly to the contract to provide goods or services, including both the incremental costs (e.g., direct labor and materials) and an allocation of other costs that relate directly to fulfilling the contract (e.g., allocated depreciation of equipment used to fulfil the contract).

## Notes to the consolidated financial statements (continued)

**26. Provisions (continued)****Provisions for legal claims**

A provision is established when the Group's management believes that it is highly probable that a legal action against Group companies will be successful. A provision is recorded in accordance with the general rules described above. The probability-weighted outcome method is used to determine the amount to be recognized as a provision.

As at 31 December, provisions comprised the following:

	2022		2021	
	Non-current	Current	Non-current	Current
Provisions for decommissioning costs	XXX	XXX	XXX	XXX
Provisions for onerous contracts	XXX	XXX	-	-
Provisions for legal claims	XXX	XXX	XXX	XXX
	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>

Set out below are the movements in provisions during 2022 and 2021:

	Decommissioning costs	Onerous contracts	Legal claims	Total
<b>At 31 December 2020</b>	<b>XXX</b>	-	<b>XXX</b>	<b>XXX</b>
Accrued during the period	-	-	XXX	XXX
Utilized during the period	-	-	XXX	XXX
Change in costs estimate	XXX	-	XXX	XXX
Change in discount rate	XXX	-	XXX	XXX
Unwinding of discount	XXX	-	XXX	XXX
Foreign exchange differences	-	-	XXX	XXX
<b>At 31 December 2021</b>	<b>XXX</b>	-	<b>XXX</b>	<b>XXX</b>
Accrued during the period	-	XXX	XXX	XXX
Utilized during the period	-	-	XXX	XXX
Change in costs estimate	XXX	XXX	XXX	XXX
Change in discount rate	XXX	XXX	XXX	XXX
Unwinding of discount	XXX	XXX	XXX	XXX
Foreign exchange differences	-	XXX	XXX	XXX
<b>At 31 December 2022</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>

**Provisions for decommissioning costs**

The provision was recognized in 2018 for decommissioning costs related to the construction of a manufacturing facility for the production of machinery in the Russian Federation. The costs estimate is reviewed on an annual basis.

As at 31 December, key assumptions used to measure the provision were as follows:

	2022	2021
Discount rate	XXX	XXX
Expected time of the facility closure	XXX	XXX
Expected inflation rate during the forecast period	XXX	XXX

**Provisions for onerous contracts**

A provision for an onerous fixed-price construction contract was recognized in 2022 due to a significant increase in the cost of construction materials required to complete the project.

## Notes to the consolidated financial statements (continued)

**26. Provisions (continued)****Provisions for legal claims**

Several suppliers at different times commenced actions against the Group in respect of delayed payments for construction materials. The Group's Legal Department believes that it is probable that some of the actions will succeed. Accordingly, a provision for payments under those obligations has been recorded in these financial statements.

**27. Payables**

As at 31 December, payables comprised the following:

	<b>2022</b>	<b>2021</b>
Trade payables	XXX	XXX
Salaries payable	XXX	XXX
Other payables	XXX	XXX
	<b>XXX</b>	<b>XXX</b>

Trade payables are non-interest bearing and are normally settled within 60 days.

Other payables are non-interest bearing and are normally settled within 90 days.

**28. Contract liabilities**

	<b>2022</b>	<b>2021</b>
Long-term advances under construction contracts	XXX	XXX
Short-term advances for machinery maintenance	XXX	XXX
Unredeemed points under loyalty programs	XXX	XXX
<b>Non-current contract liabilities</b>	<b>XXX</b>	<b>XXX</b>
<b>Current contract liabilities</b>	<b>XXX</b>	<b>XXX</b>

Set out below are the movements in liabilities for unredeemed points under loyalty programs:

	<b>2022</b>	<b>2021</b>
<b>At 1 January</b>	<b>XXX</b>	<b>XXX</b>
Accrued during the period	XXX	XXX
Change in accounting estimate	XXX	XXX
Recognized as revenue during the period	XXX	XXX
<b>At 31 December</b>	<b>XXX</b>	<b>XXX</b>
Non-current portion	XXX	XXX
Current portion	XXX	XXX

## Notes to the consolidated financial statements (continued)

**28. Contract liabilities (continued)**

The stand-alone selling price of the points awarded under the loyalty program is calculated by multiplying the estimated redemption rate and the monetary value assigned to the loyalty points by their number. 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 quarterly and the liability for the unredeemed points is adjusted accordingly. In estimating the value of the points issued, the Group considers the mix of products that will be available in the future in exchange for loyalty points and customers' preferences. 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.

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 XXX (31 December 2021: XXX). If the estimated redemption rate used had been XXX% higher than management's estimate, the carrying amount of the estimated liability for unredeemed points as at 31 December 2022 would have been higher by XXX (31 December 2021: XXX).

**29. Other taxes and duties payable**

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

	<b>2022</b>	<b>2021</b>
VAT	XXX	XXX
Social security contributions	XXX	XXX
Personal income tax	XXX	XXX
Import/export duties	XXX	XXX
Property tax	XXX	XXX
	<b>XXX</b>	<b>XXX</b>

**30. Government grants**Accounting policies

Government grants are recognized where there is a reasonable assurance that the grant will be received and all the attached conditions will be met. The Group receives grants only in relation to the acquisition of property, plant and equipment, and they are recognized as income in equal amounts over the expected useful life of the related asset.

Set out below are the movements in government grants during 2022 and 2021:

	<b>2022</b>	<b>2021</b>
<b>At 1 January</b>	<b>XXX</b>	<b>XXX</b>
Received during the period	XXX	XXX
Recognized in the statement of profit or loss during the period (Note 14)	XXX	XXX
<b>At 31 December</b>	<b>XXX</b>	<b>XXX</b>
Non-current portion	XXX	XXX
Current portion	XXX	XXX

There are no unfulfilled conditions attached to these grants at either reporting date.

## Notes to the consolidated financial statements (continued)

**31. Commitments and contingencies**

This note provides additional information about items not recognized in the financial statements that may have a material effect on the financial position and financial performance of the Group.

**Commitments**

As at 31 December 2022, the Group had commitments of XXX, VAT (20%) included (31 December 2021: XXX, VAT (20%) included), relating to the completion of a new workshop for the production of auxiliary equipment.

The Group has various lease contracts that have not yet commenced as at 31 December 2022. The future lease payments for these non-cancellable leases amount to XXX, of which XXX is payable within one year, XXX within five years and XXX thereafter.

**Legal claims contingencies**

A customer has commenced an action against the Group's company in Russia in respect of late delivery of a batch of machinery. The estimated payout is XXX should the action be successful. However, a trial date has not yet been set.

The Legal Department estimates that it is only possible, but not probable, that the action will succeed. Accordingly, no provision for this claim has been recorded in these financial statements.

**32. Equity****Issued capital****Number of shares**

Ordinary shares issued and fully paid

	<b>At 31 December</b>	
	<b>2022</b>	<b>2021</b>
	XXX	XXX

**Treasury shares**Accounting policies

No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any consideration paid or received in such transactions is recognized directly in equity.

**Number of shares**

Treasury shares

	<b>At 31 December</b>	
	<b>2022</b>	<b>2021</b>
	XXX	XXX

The Company purchased XXX of its own ordinary shares for XXX in 2022. There were no movements in treasury shares in 2021.

**Earnings per share**Accounting policies

Basic earnings per share are calculated by dividing the profit for the year attributable to holders of the parent's ordinary shares by the weighted average number of ordinary shares outstanding during the year.

## Notes to the consolidated financial statements (continued)

**32. Equity (continued)****Earnings per share (continued)**

Diluted earnings per share are calculated by dividing the profit for the year attributable to holders of the parent's ordinary shares (adjusted for the dilutive effect relating to potential shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that will be issued on conversion of the dilutive potential ordinary shares into ordinary shares.

As at 31 December 2022 and 31 December 2021, the Group did not have any potential ordinary shares, accordingly, its basic and diluted earnings per share were equal.

The following table reflects profit and share data used in the calculations of basic and diluted earnings per share:

	<b>2022</b>	<b>2021</b>
Weighted average number of ordinary shares outstanding during the period	XXX	XXX
Net profit for the year attributable to shareholders of the parent including:	XXX	XXX
- net profit from continuing operations	XXX	XXX
- net profit from discontinued operations (Note 9)	XXX	XXX
Earnings per share:		
<i>Continuing operations</i>		
- basic and diluted	XXX	XXX
<i>Discontinued operations</i>		
- basic and diluted	XXX	XXX
<i>Continuing and discontinued operations</i>		
- basic and diluted	XXX	XXX

There have been no other transactions involving ordinary shares between the reporting date and the date of authorization of these financial statements for issue.

**Dividends**Accounting policies

The Company recognizes a liability to pay dividends when their distribution has been authorized by the shareholders in accordance with the laws of the Russian Federation and the Company no longer has discretion to change or cancel the distribution. The respective amount is recognized directly in equity.

In 2022, the Company declared and paid dividends for 2021 in the amount of XXX, which is XXX per share. In 2021, the Company did not declare or pay any dividends.

**Other transactions with shareholders**

In 2022, the ultimate controlling party made an in-kind contribution in the form of several motor vehicles, which was recorded in equity at the fair value of the contributed assets of XXX (Notes 17 and 12).

**33. Capital and financial risk management**

The Group's principal financial liabilities comprise loans and borrowings, and trade and other payables. The main purpose of these financial instruments is to finance the Group's operations. The Group's principal financial assets include trade receivables, and cash and short-term deposits. The Group also holds investments in debt and equity instruments.

## Notes to the consolidated financial statements (continued)

**33. Capital and financial risk management (continued)**

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Financial Risk Committee provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed on a timely and regular basis in accordance with the Group's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

**Interest rate risk**

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt liabilities with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rates loans and borrowings.

The Group's policy is to maintain borrowings at fixed rates of interest of not more than 50% of the overall loan portfolio. The Group performs a detailed analysis of exposure to interest rate risk on a regular basis, considering various scenarios and forecasting models.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected by the interest rate risk. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

	<b>Effect on profit before tax</b>	
	<b>2022</b>	<b>2021</b>
<b>Change in floating rate (CBR key rate)</b>		
+ XXX b.p.	XXX	XXX
- XXX b.p.	XXX	XXX

**Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss to the Group. The Group is potentially exposed to credit risk on such financial instruments as loans issued, receivables, cash and cash equivalents, and debt financial instruments at fair value through OCI.

To manage credit risk related to cash and cash equivalents, the Group places free cash denominated primarily in Russian rubles, US dollars and Chinese yuans at reputable international banks and major Russian banks. Management periodically reviews the reliability and solvency of the banks where the Group places its cash.

The major debtors of the Group are customers from different sectors of the metalworking industry located primarily in the Russian Federation and Kazakhstan. As at 31 December 2022, the Group had 50 customers (31 December 2021: 62 customers) that owed it more than XXX each and accounted for approximately XXX% (31 December 2021: XXX%) of all the receivables and contract assets outstanding. There were seven customers (31 December 2021: eight customers) each with balances greater than XXX, accounting for just over XXX% (31 December 2021: XXX%) of the total amounts of receivables and contract assets.

An impairment analysis of receivables and contract assets is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar characteristics (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

## Notes to the consolidated financial statements (continued)

**33. Capital and financial risk management (continued)****Credit risk (continued)**

The provision matrix is initially based on historical observable default factors specific to the Group's counterparties. The Group adjusts the matrix in order to update the historical credit loss experience taking into account forward-looking information.

Assessment of relationship between historical observable default rates, forecast economic environment and expected credit losses is a significant estimate. Expected credit losses are sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast economic conditions are not necessarily indicative of the customer's potential default in the future.

The Group conducts part of its sales on the terms requiring a letter of credit or prepayment. In certain circumstances, the Group may require its customers to provide additional bank guarantees or pledge assets. Letters of credit and other forms of credit insurance are considered an integral part of trade receivables and the calculation of impairment losses.

The maximum exposure to credit risk is the carrying amount of financial assets disclosed in the respective notes to the financial statements.

The analysis of expected credit losses on loans to entities under common control is performed on an instrument-by-instrument basis. The allowance for expected credit losses amounted to XXX as at 31 December 2022 (31 December 2021: nil).

The analysis of expected credit losses on cash and cash equivalents is disclosed in Note 24 and on debt instruments at fair value through OCI in Note 20.

Set out below is the analysis of the allowance for expected credit losses on receivables and contract assets as at 31 December:

	2022			2021		
	Loss rate, %	Gross amount	Expected credit losses	Loss rate, %	Gross amount	Expected credit losses
Contract assets	XXX-XXX	XXX	XXX	XXX	XXX	XXX
Trade receivables:						
Current	XXX-XXX	XXX	XXX	XXX	XXX	XXX
1-45 days past due	XXX-XXX	XXX	XXX	XXX	XXX	XXX
46-90 days past due	XXX-XXX	XXX	XXX	XXX	XXX	XXX
91-180 days past due	XXX-XXX	XXX	XXX	XXX	XXX	XXX
181-360 days past due	XXX-XXX	XXX	XXX	XXX	XXX	XXX
More than 360 days past due	XXX-XXX	XXX	XXX	XXX	XXX	XXX
		<b>XXX</b>	<b>XXX</b>		<b>XXX</b>	<b>XXX</b>

**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to settle its liabilities as they become due.

The Group manages its liquidity risk in a way that ensures availability of funds sufficient to meet its current obligations at any time, both under normal business conditions and conditions of significant uncertainty, without incurring unacceptable losses or material risk of damage to the Group's reputation.

## Notes to the consolidated financial statements (continued)

**33. Capital and financial risk management (continued)****Liquidity risk (continued)**

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio of debt liabilities. Identified concentrations of credit risks are controlled and managed accordingly.

The Group has access to a variety of funding sources and debt liabilities maturing within 12 months after the reporting date can be extended. The Group regularly reviews potential and actual compliance with financial covenants on bank loans. If there is a risk of a breach, the Group considers appropriate measures to mitigate liquidity risk, including settlement of liabilities, refinancing and renegotiation of covenants. The Group constantly reviews the standard terms of payment of trade payables and monitors the timeliness of payments to suppliers and contractors.

The table below summarizes the maturity profile of the Group's loans and borrowings, lease liabilities, and trade and other payables based on contractual undiscounted payments, including interest:

As at 31 December 2022:

	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Loans and borrowings	-	XXX	XXX	XXX	XXX	XXX	<b>XXX</b>
Trade and other payables	-	XXX	XXX	-	-	-	<b>XXX</b>
Lease liabilities	-	XXX	XXX	XXX	-	-	<b>XXX</b>

As at 31 December 2021:

	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Loans and borrowings	-	XXX	XXX	XXX	XXX	XXX	<b>XXX</b>
Trade and other payables	-	XXX	XXX	-	-	-	<b>XXX</b>
Lease liabilities	-	XXX	XXX	XXX	-	-	<b>XXX</b>

**Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows exposed to the risk will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

Although the Group does not have a formal plan to mitigate foreign currency risk, management believes that the Group is partially insured against this risk as foreign currency denominated loans are repaid using revenue received in a foreign currency.

Foreign currency risk is assessed on a monthly basis using sensitivity analysis and is maintained within the limits established by the relevant Group policy.

## Notes to the consolidated financial statements (continued)

**33. Capital and financial risk management (continued)****Foreign currency risk (continued)**

The following table demonstrates the sensitivity of the Group's profit before tax to reasonably possible changes in foreign exchange rates, with all other variables held constant:

	2022		2021	
	Change in exchange rate	Effect on profit before tax	Change in exchange rate	Effect on profit before tax
	%	RUB	%	RUB
USD/RUB	XXX	XXX	XXX	XXX
	XXX	XXX	XXX	XXX
INR/RUB	XXX	XXX	-	-
	XXX	XXX	-	-
BYN/RUB	XXX	XXX	XXX	XXX
	XXX	XXX	XXX	XXX
CNY/RUB	XXX	XXX	XXX	XXX
	XXX	XXX	XXX	XXX
KZT/RUB	XXX	XXX	XXX	XXX
	XXX	XXX	XXX	XXX
USD/CNY	XXX	XXX	XXX	XXX
	XXX	XXX	XXX	XXX
USD/INR	XXX	XXX	-	-
	XXX	XXX	-	-

**Capital management**

Capital includes issued capital, share premium and other equity reserves attributable to the shareholders of the parent. The primary objective of the Group's capital management is to maximize the shareholder value.

The Group manages its capital structure by considering changes in economic conditions and the requirements of contracts. For this purpose, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between XXX% and XXX%. The Group includes within net debt, loans and borrowings and payables, less cash and cash equivalents, excluding amounts attributable to discontinued operations.

	2022	2021
Loans and borrowings	XXX	XXX
Payables	XXX	XXX
Less: cash and cash equivalents (Note 24)	XXX	XXX
<b>Net debt</b>	<b>XXX</b>	<b>XXX</b>
Capital	XXX	XXX
<b>Capital and net debt</b>	<b>XXX</b>	<b>XXX</b>
<b>Gearing ratio, %</b>	<b>XXX</b>	<b>XXX</b>

In order to achieve the overall objective of capital management, the Group, among other things, aims to ensure that it meets all covenants attached to the loans and borrowings that define the Group's capital structure requirements. There have been no breaches of the covenants in the current period.

## Notes to the consolidated financial statements (continued)

**34. Events after the reporting period**Accounting policies

If, after the end of the reporting period but before the date the financial statements are authorized for issue, the Group receives information about conditions that existed at the end of the reporting period, it assesses whether such information affects the amounts recognized in the financial statements. The Group adjusts the amounts recognized in its financial statements to reflect any adjusting events after the reporting period and updates disclosures that relate to those conditions, in the light of the new information. For non-adjusting events after the reporting period, the Group does not adjust the amounts recognized in its financial statements, but discloses the information about the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made.

**Early repayment of a loan**

In February 2023, the Group early repaid portion of a long-term loan in the amount of USD XXX originally maturing in 2024. As a result, the Group recognized a loss from partial early repayment in the amount of XXX.

**Finalizing the sale of a subsidiary**

In February 2023, the Group finalized the sale of China Equipment Ltd. for XXX. As at 31 December 2022, the company was classified in the financial statements as discontinued operations. The entire amount of consideration under the contract was received in cash, the profit from the sale amounted to XXX.

**Dividends**

In March 2023, the Board of Directors of PAO ABC declared the payment of dividends for 2022 in the amount of XXX, which is XXX per share.

## **ABOUT B1 GROUP**

B1 Group is a group of companies offering a full range of professional services, covering assurance, strategy, technology, consulting, transactions, tax, law and business support.

In over 30 years in Russia and 20 years in Belarus, we have assembled a strong team of professionals with broad expertise and a wealth of experience in delivering challenging projects. B1 Group is based in ten cities: Moscow, Minsk, Ekaterinburg, Kazan, Krasnodar, Novosibirsk, Rostov-on-Don, St. Petersburg, Togliatti and Vladivostok.

We help clients find new solutions, grow, transform and operate their business as well as strengthen their financial and human capital.

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