OZON HOLDINGS PLC

Consolidated Financial Statements
for the Years Ended December 31, 2023, 2022 and 2021

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors

Ozon Holdings PLC:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Ozon Holdings PLC and subsidiaries (the Company) as of December 31, 2023 and 2022, the related consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for each of the years in the three year period ended December 31, 2023, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2023, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Classification and measurement of liability for the cash-settled share-based awards and equity-settled employee benefits reserve

As discussed in Notes 2.6(h), 3 and 27 to the consolidated financial statements, during the year ended December 31, 2023, the Company changed classification of a portion of its equity-settled employee benefits reserve to liability for the cash-settled share-based awards. As of December 31, 2023, the liability for the cash-settled share-based awards was RUB 7,084 million, the equity-settled employee benefits reserve was RUB 15,622 million.

We identified the classification and measurement of the liability for the cash-settled share-based awards and equity-settled employee benefits reserve as a critical audit matter. Evaluating the classification and measurement of the liability for the cash-settled share-based awards and equity-settled employee benefits reserve required subjective and complex auditor judgment, specifically the assessment of terms and conditions of the Company's Equity Incentive Plan (the EIP) that affects the change in the classification, and evaluating the methodology and key assumptions used in measurment of the corresponding liability and reserve, such as identification of grants subject to the cash settlement.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and implementation of internal controls over the classification of share-based awards and over the measurement of the liability for the cash-settled share-based awards and equity-settled employee benefits reserve, including controls over the significant assumptions noted above. We held discussions with finance personnel of the Company to further evaluate the classification of the remaining share-based employee benefits and related reserves. We challenged the assumptions used for the measurement of the liability for the cash-settled share-based awards and equity-settled employee benefits reserve and compared them to underlying support. We evaluated the mathematical accuracy of the computations used to determine the amount of the liability for the cash-settled share-based awards and equity-settled employee benefits reserve and compared the calculated amounts to the amounts recorded in the consolidated financial statements. We compared initially measured liability for the cash-settled share-based awards to the actual amounts of subsequent cash settlements with the EIP participants.

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We have served as the Company’s auditor since 2018.

Moscow, Russia

April 8, 2024

OZON HOLDINGS PLC

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(in millions of Russian Rubles, unless otherwise stated)

	Notes	2023	2022*	2021*
Revenue:				
Sales of goods		166,708	135,278	120,792
Service revenue		257,583	141,837	57,423
Total revenue	4	**424,291**	**277,115**	**178,215**
Cost of revenue	6	(379,849)	(244,424)	(188,827)
Gross profit		**44,442**	**32,691**	**(10,612)**
Operating expenses:				
Sales and marketing	7	(30,680)	(24,642)	(24,121)
Technology and content	8	(26,862)	(22,206)	(12,583)
General and administrative	9	(18,881)	(19,827)	(11,540)
Losses related to the fire incident	10	(774)	(10,165)	—
Total operating expenses		**(77,197)**	**(76,840)**	**(48,244)**
Operating loss		**(32,755)**	**(44,149)**	**(58,856)**
Finance (expense)/income, net	11	(5,415)	(16,838)	2,023
Expected credit losses		(357)	(348)	—
Loss on disposal and impairment of non-current assets		(188)	(1,079)	(33)
Share of profit of an associate		316	289	197
Foreign currency exchange (loss)/gain, net		(2,599)	4,963	(108)
Total non-operating (expense) / income		**(8,243)**	**(13,013)**	**2,079**
Loss before income tax		**(40,998)**	**(57,162)**	**(56,777)**
Income tax expense	12	(1,667)	(1,025)	(2)
Loss for the year		**(42,665)**	**(58,187)**	**(56,779)**
Other comprehensive income for the year				
Items that are or may be reclassified to profit or loss (net of tax):				
Exchange differences on translation of foreign operations		133	(67)	**(3)**
Other comprehensive income, net of tax		**133**	**(67)**	**(3)**
Total comprehensive income for the year		**(42,532)**	**(58,254)**	**(56,782)**
Loss per share, in RUB				
Basic and diluted loss per share attributable to ordinary equity holders of the parent	13	**(204.3)**	**(278.7)**	**(276.1)**
Basic and diluted weighted average number of ordinary shares	13	208,862,165	208,752,123	205,619,832

* Certain amounts were reclassified to comply with the presentation adopted in the current period as described in note 2.4

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

OZON HOLDINGS PLC

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2023 AND 2022
(in millions of Russian Rubles)

	Notes	December 31, 2023	December 31, 2022
Assets			
Non-current assets			
Right-of-use assets	14	118,492	69,339
Property, plant and equipment	15	73,414	55,754
Investments in an associate		1,262	1,269
Intangible assets		572	661
Deferred tax assets	12	149	133
Other non-financial assets	20	915	152
Loans to customers	18	1,299	—
Other financial assets	20	3,015	2,610
Total non-current assets		**199,118**	**129,918**
Current assets			
Inventories	16	40,409	34,615
VAT receivable		5,423	1,025
Other non-financial assets	20	4,870	13,014
Loans to customers	18	45,370	5,585
Accounts receivable	19	7,156	6,707
Other financial assets	20	3,866	3,488
Cash and cash equivalents	17	169,814	90,469
Total current assets		**276,908**	**154,903**
Total assets		**476,026**	**284,821**
Equity and liabilities			
Equity			
Share capital	21	12	12
Share premium	21	135,685	135,523
Treasury shares	21	(1)	(1)
Equity-settled employee benefits reserves	27	15,622	18,200
Other capital reserves		63	(70)
Accumulated losses		(217,958)	(170,311)
Total equity		**(66,577)**	**(16,647)**
Non-current liabilities			
Lease liabilities	14	108,644	64,151
Borrowings	22	88,328	38,900
Derivative liabilities	22	1,974	3,000
Liability for cash-settled share-based awards	27	1,065	—
Trade and other payables	23	324	292
Deferred income	25	171	230
Deferred tax liabilities	12	212	21
Total non-current liabilities		**200,718**	**106,594**
Current liabilities			
Trade and other payables	23	169,222	94,749
Customer deposits and other financial liabilities	24	65,049	6,138
Customer advances and contract liabilities	25	40,381	17,838
Borrowings	22	16,043	55,215
Lease liabilities	14	15,691	10,344
Accrued expenses	26	13,289	8,936
Derivative liabilities	22	10,548	—
Liability for cash-settled share-based awards	27	6,019	—
VAT and taxes payable		5,643	1,654
Total current liabilities		**341,885**	**194,874**
Total liabilities		**542,603**	**301,468**
Total equity and liabilities		**476,026**	**284,821**

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

OZON HOLDINGS PLC

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(in millions of Russian Rubles)

	Share capital	Share premium	Treasury shares	Equity-settled employee benefits reserve	Other capital reserves	Accumulated losses	Total
As of January 1, 2021	**11**	**133,439**	**—**	**1,152**	**—**	**(55,345)**	**79,257**
Loss for the year	—	—	—	—	—	(56,779)	(56,779)
Other comprehensive income	—	—	—	—	(3)	—	(3)
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**(3)**	**(56,779)**	**(56,782)**
Issue of shares upon exercise of share-based awards	—	1,485	—	(1,172)	—	—	313
Issue of shares to employee benefit trust (note 21)	1	—	(1)	—	—	—	—
Share-based compensation expense (note 27)	—	—	—	7,820	—	—	7,820
As of December 31, 2021	**12**	**134,924**	**(1)**	**7,800**	**(3)**	**(112,124)**	**30,608**
Loss for the year	—	—	—	—	—	(58,187)	(58,187)
Other comprehensive income	—	—	—	—	(67)	—	(67)
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**(67)**	**(58,187)**	**(58,254)**
Issue of shares upon exercise of share-based awards (note 21)	—	599	—	(599)	—	—	—
Share-based compensation expense (note 27)	—	—	—	10,999	—	—	10,999
As of December 31, 2022	**12**	**135,523**	**(1)**	**18,200**	**(70)**	**(170,311)**	**(16,647)**
Loss for the year	—	—	—	—	—	(42,665)	(42,665)
Other comprehensive income	—	—	—	—	133	—	133
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**133**	**(42,665)**	**(42,532)**
Issue of shares upon exercise of share-based awards (note 21)	—	162	—	(162)	—	—	—
Share-based compensation expense (note 27)	—	—	—	8,107	—	—	8,107
Cash settlement of vested share-based awards (note 27)	—	—	—	(1,716)	—	(104)	(1,820)
Reclassification to liability for cash-settled share-based awards, net (note 27)	—	—	—	(8,807)	—	(4,878)	(13,685)
As of December 31, 2023	**12**	**135,685**	**(1)**	**15,622**	**63**	**(217,958)**	**(66,577)**

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

OZON HOLDINGS PLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(in millions of Russian Rubles)

	Notes	2023	2022	2021
Cash flows from operating activities				
Loss before income tax		(40,998)	(57,162)	(56,777)
Adjusted for:				
Depreciation and amortization of non-current assets	6,9	28,082	19,770	9,880
Finance expense/(income), net	11	5,415	16,838	(2,023)
Foreign currency exchange loss/(gain), net		2,599	(4,963)	108
Loss on disposal and impairment of non-current assets		412	2,781	33
Share of profit of an associate		(316)	(289)	(197)
Expected credit losses		2,056	652	(19)
Share-based compensation expense on equity-settled share-based awards	27	8,107	10,999	7,820
Movements in working capital:				
Changes in inventories		(6,150)	(8,192)	(11,020)
Changes in accounts receivable		(1,274)	(265)	(3,349)
Changes in loans to customers	29.4	(42,510)	(5,185)	—
Changes in other financial and non-financial assets		(2,842)	(9,236)	(6,796)
Changes in accounts payable and other liabilities		102,803	17,987	53,348
Changes in customer deposits and other financial liabilities		60,382	6,138	—
Changes in liability for cash-settled share-based awards		2,191	—	—
Cash generated from / (used in) operations		**117,957**	**(10,127)**	**(8,992)**
Interest paid		(17,696)	(8,345)	(4,485)
Income tax paid		(2,093)	(281)	(149)
Cash settlement of vested share-based awards		(10,612)	—	—
Net cash generated from/ (used in) operating activities		**87,556**	**(18,753)**	**(13,626)**
Cash flows from investing activities				
Purchase of property, plant and equipment		(29,474)	(35,422)	(18,680)
Proceeds from disposal of property, plant and equipment		429	204	—
Purchase of intangible assets		(198)	(391)	(661)
Advances on lease contracts not yet commenced		(2,810)	(1,085)	—
Dividends received from an associate		376	205	211
Placement of bank deposits		—	—	(17,200)
Return of bank deposits		—	18,297	—
Interest received		5,048	2,775	1,267
Issuance of loans to employees		(1,021)	(678)	(356)
Receipts from the repayment of loans to employees		324	55	16
Net cash used in investing activities		**(27,326)**	**(16,040)**	**(35,403)**
Cash flows from financing activities				
Proceeds from exercise of share option		—	—	313
Proceeds from borrowings, net of transaction costs	22	64,250	40,725	10,371
Proceeds from issue of a convertible bond, net of transaction	22	—	—	54,499
Payments related to bond restructuring	22	(36,152)	(2,264)	—
Repayment of borrowings	22	(3,442)	(10,834)	(6,522)
Payment on principal portion of lease liabilities	14	(10,049)	(9,233)	(4,769)
Net cash generated from financing activities		**14,607**	**18,394**	**53,892**
Net increase/(decrease) in cash and cash equivalents		**74,837**	**(16,399)**	**4,863**
Cash and cash equivalents at the beginning of the year	17	**90,469**	**108,037**	**103,702**
Effects of exchange rate changes on the balance of cash held in foreign currencies		5,106	(1,169)	(528)
Effects of change in expected credit loss of cash and cash equivalents		(598)	—	—
Cash and cash equivalents at the end of the year	17	**169,814**	**90,469**	**108,037**

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

(in millions of Russian Rubles, unless otherwise stated)

1. CORPORATE INFORMATION

These consolidated financial statements of Ozon Holdings PLC (hereinafter "the Company") and its subsidiaries (collectively, "the Group", "Ozon") for the year ended December 31, 2023 were authorized for issue in accordance with a resolution of the directors on April 8, 2024.

Ozon Holdings PLC (until October 22, 2020 - Ozon Holdings Limited and until November 8, 2007 - Jolistone Enterprises Limited) is a public limited company that was incorporated on August 26, 1999 under the law of the Republic of Cyprus ("Cyprus"). The Company's registered office is located at Arch. Makariou III, 2-4, Capital Center, 9th Floor, 1065 Nicosia, Cyprus.

Ozon is a multi-category e-commerce platform operating in Russia, Belarus, Kazakhstan, Kyrgyzstan, Armenia, China and Turkey. The Group's fulfillment infrastructure and delivery network enable it to provide its customers with fast and convenient delivery via couriers, pickup points or parcel lockers. The Group's extensive logistics footprint and fast-developing marketplace platform enable entrepreneurs to sell their products across 11 time zones and offer customers wide selections of goods across multiple product categories. Ozon offers a range of value-added services such as fintech services and develops business through other new verticals such as Ozon fresh online grocery delivery.

The principal subsidiaries of the Company, all of which have been included in these consolidated financial statements, are as follows:

Subsidiary	Principal activity	% Equity interest 2023	% Equity interest 2022
Ozon Holding LLC	Holding company	100%	100%
Internet Solutions LLC	Internet retailer of consumer goods	100%	100%
Ozon Bank LLC	Banking activities	100%	100%
MCC Ozon Credit LLC	Microcredit financing activities	100%	100%
LLP OZON Marketplace Kazakhstan	Internet retailer of consumer goods	100%	100%

2. MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) on a going concern basis.

The consolidated financial statements have been prepared on a historical cost basis, except for circumstances where IFRS requires another basis of accounting (e.g., fair value).

2.2 Going concern

As of December 31, 2023, the Group had cash and cash equivalents of 169,814 (December 31, 2022: 90,469). As of December 31, 2023, the Group had a net current liability position of 64,977 and net asset deficit of 66,577 (December 31, 2022: net current liability position of 39,971 and net assets deficit of 16,647). The working capital deficit is primarily driven by the Group's approach to working capital management where the Group receives upfront payments for orders and transfers cash to sellers after the orders are delivered to customers. Further, the Group actively uses trade credit in its procurement. The accumulation of negative net assets is primarily driven by cumulative losses incurred by the Group's investments in growth of marketplace operations, including investments in price offering for the customers.

The Group's management believes that, based on the current budget and operating plan, the existing cash and cash equivalents and undrawn credit facilities (note 29.2.3), are sufficient to meet the Group's anticipated cash needs for at least the next twelve months after December 31, 2023. The Group may explore additional financing sources to fund expansion of its business and phase out certain capital expenditures to manage its liquidity needs. Therefore, the Group's management believes that the Group will retain its ability to continue as a going concern in the foreseeable future.

(in millions of Russian Rubles, unless otherwise stated)

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of December 31, 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has an 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;
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power to affect its returns.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.4 Changes in presentation and reclassifications

From January 1, 2023, the Group made several changes to presentation of the consolidated statements of profit or loss and other comprehensive income:

- following the continuing growth in marketplace operations and related revenues, the Group determined that cost of sales and fulfillment and delivery expenses should be presented in a single line as Cost of revenue. The Group concluded that this change results in the financial statements providing more relevant information about the Group's financial performance;
- the Group revised classification of certain general and administrative employee-related expenses following the change in their function within the Group;
- following the continuing growth in financial services, the Group revised classification of certain other sales and marketing expenses and classified them as the part of cost of revenue.

The Group amended the presentation of comparative amounts for the years 2022 and 2021 to comply with the presentation adopted in the current period as follows:

	2022			2021		
	As previously reported	**Change in presentation**	**As currently reported**	**As previously reported**	**Change in presentation**	**As currently reported**
Cost of sales	(121,475)	121,475	—	(112,548)	112,548	—
Fulfillment and delivery expenses	(122,518)	122,518	—	(76,240)	76,240	—
Cost of revenue	—	(244,424)	(244,424)	—	(188,827)	(188,827)
Sales and marketing expenses	(24,508)	(134)	(24,642)	(23,535)	(586)	(24,121)
Technology and content expenses	(22,851)	645	(22,206)	(12,862)	279	(12,583)
General and administrative expenses	(19,747)	(80)	(19,827)	(11,886)	346	(11,540)

From January 1, 2023, the Group revised presentation of non-operating expenses to aggregate income and expense items related to the Group's financial instruments into a broader category of net finance income or expense. The Group amended the presentation of comparative amounts for the years 2022 and 2021 to comply with the presentation adopted in the current period as follows:

(in millions of Russian Rubles, unless otherwise stated)

	2022			2021		
	As previously reported	**Change in presentation**	**As currently reported**	**As previously reported**	**Change in presentation**	**As currently reported**
Interest income	2,869	(2,869)	—	1,484	(1,484)	—
Interest expense	(11,860)	11,860	—	(5,802)	5,802	—
Remeasurement of convertible bonds	(8,567)	8,567	—	—	—	—
Revaluation of financial instruments at fair value through profit or loss	726	(726)	—	6,341	(6,341)	—
Other non-operating expenses	(6)	6	—	—	—	—
Finance (expense)/income, net	**—**	**(16,838)**	**(16,838)**	**—**	**2,023**	**2,023**

In 2023, the Group revised the classification of advances on lease contracts not yet commenced to include such advances in the Right-of-use assets line item. The Group amended the classification of comparative amounts as of December 31, 2022 to comply with the classification adopted in the current period as follows:

	As previously reported	**Reclassification**	**As reclassified**
Right-of-use assets	68,439	900	69,339
Other non-financial assets (non-current)	1,052	(900)	152

In 2023, the Group revised the classification of accounts receivable related to short-term funding provided to third parties by the Group's credit entities to include such items to the Loans to customers line item. The Group amended the classification of comparative amounts as of December 31, 2022 to comply with the classification adopted in the current period as follows:

	As previously reported	**Reclassification**	**As reclassified**
Accounts receivable	7,151	(444)	6,707
Loans to customers (current)	5,141	444	5,585

Certain other amounts in the notes to the consolidated financial statements as of December 31, 2022 and for the years 2022 and 2021 were reclassified to comply with the presentation adopted in the 2023.

2.5 New standards, interpretations and amendments adopted by the Group

New and amended standards and interpretations adopted by the Group

A new standard IFRS 17 *'Insurance Contracts'* is effective for annual reporting periods beginning on or after 1 January 2023. IFRS 17 sets out the requirements that a company should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. IFRS 17 introduces a broad definition of an insurance contract and sets new requirements on how a company that issues insurance contracts should report them on the statement of financial position and in the statement of profit or loss and other comprehensive income over time. IFRS 17 also introduces extended disclosure requirements for insurance and reinsurance contracts. The Group concluded that it does not have material insurance contracts, which are in scope of IFRS 17.

From 1 January 2023, the Group adopted Amendments to IAS 1 and IFRS Practice Statement 2 on disclosure of accounting policies. The amendments require to disclose material, rather than significant, accounting policies. The amendments did not result in any changes to the Group's accounting policies, but rather impacted the level of detail of the accounting policy information disclosed in note 2.6.

Several other amendments and interpretations apply for the first time in 2023, but do not have a significant impact on the consolidated financial statements of the Group. The Group has not early adopted any other standard, interpretation or amendment that was issued as of January 1, 2023, but was not yet effective,

New standards and interpretations issued not yet effective

The new and amended standards and interpretations that have been published, but not yet effective, are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Standard / Interpretation	Effective date
Classification of current and non-current liabilities and accounting of covenants (Amendments to IAS 1)	1/1/2024
Disclosure requirements for reverse factoring arrangements (Amendments to IAS 7 and IFRS 7)	1/1/2024
Lease liability in a sale and leaseback transaction (Amendments IFRS 16)	1/1/2024
Impossibility of exchange currencies (Amendments IAS 21)	1/1/2025

The amendments to the standards and interpretations presented are expected to have only an insignificant impact on the consolidated financial statements and are therefore not discussed further.

2.6 Summary of other material accounting policies

a) Foreign currencies

The Group's consolidated financial statements are presented in Russian Rubles ("RUB"), which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of Russian operating subsidiaries, which account for the significant majority of operations, is the Russian ruble.

The Group determines the functional currency based on a combination of factors and considers the primary economic environment in which these companies operate, and the related currency, in which they generate and expend its cash flows. Further, if a foreign subsidiary of the Group serves as an extension of operations of its parent or its sister company, its functional currency could be similar to the functional currency of the parent or the sister company.

b) Revenue from contracts with customers

i. Principal vs. agent determination

The Group evaluates whether it is appropriate to record the gross amount of sales and related costs or the net amount earned as commissions based on a determination of whether it is a principal in providing a good or a service to a customer, or whether it is an agent of another entity. The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer. In this context, the Group as a principal may satisfy its performance obligation to provide the specified good or service itself or it may engage another party to satisfy some or all of the performance obligation on the Group's behalf.

When the Group is primarily responsible for fulfilling the promise to provide the specified good or service (including a responsibility to integrate third party inputs in the specified good or service), bears an inventory risk, has a discretion in establishing prices, or has several but not all of these indicators, it controls the specified good or service before that good or service is transferred to a customer and recognizes revenues on a gross basis. When the Group's performance obligation is to arrange for the provision of the specified good or service by another party, revenues are recorded on a net basis.

ii. Revenue from sales of goods

The Group recognizes revenue from sales of goods on a gross basis as the Group controls goods before the goods are transferred to a customer. Payment for the purchased goods is generally made either before delivery or upon delivery. Revenue is recognized at the point in time when control of the promised goods is transferred to customers, which generally occurs upon delivery to the customers. The Group recognizes revenue net of return allowances when the goods are delivered to customers. Delivery of goods to customers is not separately identifiable from sales of goods, therefore the Group accounts for sales of goods and delivery services to its customers as a single performance obligation.

iii. Service revenue

The service revenue primarily consists of revenue from marketplace commissions, advertising revenue, revenue from delivery services, financial services, and travel services.

The Group offers a marketplace platform that enables sellers to sell their products through the Group's website and use the Group's logistics infrastructure to deliver products to the end-customer. The Group's marketplace revenues comprise commissions and service fees charged to sellers for arranging sales of their products through the Group's online marketplace, including charges for arranging acquiring, logistics and delivery services rendered to sellers by third parties in connection with the sale of their products. The marketplace revenues from the logistics and delivery services are generated when a buyer elects to receive the item through the Group's shipping service and the service is rendered to the customer.

The commission revenue is generally withheld by the Group from the payments collected from the customers, either before delivery or upon delivery. When the Group acts as an agent, revenues derived from the acquiring, logistics and delivery services are recognized at the time the transaction is successfully completed for third-party sales, and presented net of the costs charged by third-party service providers. When the Group acts as principal, revenues derived from the acquiring, logistics and delivery services are recognized upon delivery of the good to the customer, and presented on a gross basis.

Revenue from additional marketplace services to sellers such as storage fees, product disposal charges, additional fulfillment and logistics services, charges for convenient payment options are recognized upon fulfillment of the respective performance obligations which generally matches the invoicing pattern (monthly or weekly acceptance of services performed over the respective period).

Revenue from paid delivery services for customers is recognized upon fulfillment of the respective performance obligations upon delivery of each individual order. The Group maintains a subscription-based service which provides customers with free delivery, additional discounts and other benefits. The cash collected from the sales of such subscriptions is initially recorded as deferred revenue (contract liability) in the consolidated statement of financial position and subsequently recognized as delivery revenues over the subscription period.

The Group's advertising services allow customers to place advertisements in particular areas of the Group's websites at fixed or variable prices (cost per click or cost per view). Advertising revenue is recognized evenly over the period in which the advertisement is displayed or based on the number of views or clicks, when the advertisement has been displayed.

Revenue from provision of financial services primarily relates to interest income on loans granted to customers and other financial assets of the Group's fintech operations, including banking and microcredit entities and banking transaction commissions. Such revenue is recognized on an accrual basis using the effective interest rate method. Banking transactions commission revenue is recognized as the related transaction occurs.

c) Leases

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. 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:

Fulfillment and sorting centers	3-13
Office premises	1-10
Vehicles	3-5
IT and other equipment	1-8

Where the Group has a purchase option on the underlying asset, which is likely to be exercised by the Group, the depreciation period for the right-of-use assets is determined with a reference to a useful life of the underlying asset, and the depreciable amount reflects the residual value expected to be realized from disposal of the underlying asset.

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. As a practical expedient, the Group elected not to separate non-lease components from lease components, and instead accounts for each lease component and any associated non-lease components as a single lease component.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease is not readily determinable. 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.

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 contract modification, including a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

On a contract-by-contract basis, the Group determines whether a contract contains several separate leases, or a single lease. Should the Group determine that there are several separate leases, the Group accounts for each group of assets transferred as separate leases with individual lease commencement dates.

The Group classifies cash payments for the principal portion of lease liabilities within financing activities and cash payments for the interest portion of the lease liabilities within operating activities. The Group classifies cash advances and security deposits paid on lease contracts prior to commencement of a lease within investing activities and operating activities, correspondently.

d) Cost of revenue

Cost of revenue consists from cost of goods sold and inventory-related costs and other cost of revenue. Cost of goods sold and inventory-related costs includes the purchase price of consumer products, vendors rebates and subsidies, write-downs and losses of inventories. Other cost of revenue mainly includes fulfillment and delivery costs, cost for outsourcing services, employee-related cost, fees for transportation services and vehicle maintenance, fees for cash collection, and cost of financial services' revenue. Cost of revenue is expensed as incurred.

e) Sales and marketing expenses

Sales and marketing expenses consist primarily of advertising costs, related employee costs, and other costs aimed at stimulating demand for the Group's products and services, as well as costs aimed at improving the loyalty of customers. Sales and marketing costs are expensed as incurred.

f) Technology and content expenses

Technology and content expenses include payroll and related expenses for employees involved in the research and development of new and existing products and services, development, design, and maintenance of the Group's websites and mobile apps, and technology infrastructure costs. Technology and content expenses are expensed as incurred, unless these expenses meet criteria for capitalization as an asset.

g) General and administrative expenses

General and administrative expenses consist of payroll and related expenses for management and employees involved in general corporate functions. These expenses include payroll of accounting, finance, tax, legal and human relations functions; costs associated with use by these functions of facilities and equipment, such as depreciation expenses, rental and other general corporate related expenses. General and administrative costs are expensed as incurred.

h) Share-based awards

Certain employees, directors and other parties ("EIP Participants") of the Group receive remuneration in the form of share-based compensation, whereby they render services as consideration for equity instruments.

The Group issues share-based awards, and accounts for these awards in accordance with IFRS 2, *Share-based payment*. The cost of equity-settled share-based awards is measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. That cost is recognized as an employee benefits expense, together with a corresponding increase in equity (equity-settled employee benefits reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. Non-market-based performance criteria are taken into account when estimating the number of share-based awards expected to vest. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

Terms of certain share-based awards provide the Group with a discretion to settle fully vested awards from participants for a cash consideration, which is set by the Group. Should the Group decide to exercise this right, the cash payment is accounted for

- as a deduction from equity where the decision does not create a present obligation for the Group, or
- as a liability for the cash-settled share-based awards where the Group commits itself to a probable cash outflow in connection with its decision.

In the latter case, the Group recognizes the entire liability for a cash portion of a share-based award with a corresponding reclassification from equity and not recognize any gain or loss in profit or loss.

i) Income taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Income taxes are computed in accordance with the laws of the Company's and its subsidiaries' jurisdictions. The Group's liability for current income tax is calculated using the tax rates that have been enacted or substantively enacted as at the end of the reporting period.

Deferred income taxes are accounted for under the balance sheet method and reflect the tax effect of temporary differences between the tax basis of assets and liabilities and their carrying amounts in the accompanying consolidated financial statements.

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, when 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. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The Group offsets deferred tax assets and deferred tax liabilities on the level of tax paying entity.

j) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

k) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment is recognized as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Repair and maintenance costs are expensed as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Land	Indefinite
Buildings	16-50
Engineering facilities	5-30
Warehouse equipment	1-10
Transportation vehicles	4-7
Computer equipment	2-7
Other computer hardware and office facilities	1-10
Leasehold improvements	3-13

Depreciation of property, plant and equipment used in delivery and fulfillment activities is included in Cost of revenue in the consolidated statement of profit or loss and other comprehensive income. Depreciation of other property, plant and equipment is included within General and administrative expenses.

l) Impairment of long-lived assets

The Group assesses at each reporting date whether there is any indication that a long-lived asset may be impaired. If any indication exists, the Group estimates the recoverable amount of the asset in order to determine the extent of the impairment loss (if any). Where an individual asset does not generate largely independent cash inflows, the Group estimates the recoverable amount of the cash-generating unit (“CGU”) to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell (“FVLCS”) and value in use (“VIU”). In assessing VIU, 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 for which the estimates of future cash flows have not been adjusted. 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 of CGUs is generally determined with a reference to market capitalization of the Company and/or relevant market multiples and adjustments.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit or loss and other comprehensive income.

m) Inventories

Inventories, consisting primarily of products acquired by the Group for re-sale, are accounted for using the weighted average cost method or the cost of each individual item, and are valued at the lower of cost and net realizable value. Net realizable value represents the estimated selling price less estimated costs necessary to make the sale. Adjustments are recorded to write down the cost of inventory (including slow-moving merchandise and damaged goods) to the estimated net realizable value based on assumptions about the write-down percentage that is applicable to various groups of goods. In determining the allowance percentages on inventories, the Group considers the historical demand for inventories, expected selling prices and estimated costs necessary to make the sale. Write-downs and losses of inventories are recorded in Cost of revenue.

The Group also provides storage and delivery services in connection with the Group's online marketplace where it is liable for losses and damages of the sellers' inventories in the Group's fulfillment and delivery infrastructure. Third-party sellers maintain ownership of their inventories and therefore these products are not included in the Group's inventories. The Group estimates and recognizes a provision for reimbursements, where Group is liable for the third-party sellers' goods which were damaged or lost in the Group's fulfillment and delivery infrastructure.

n) Value added tax

Expenses and assets are recognized net of the amount of value added tax ("VAT"), except when the VAT incurred on a purchase of assets or services is not recoverable from the taxation 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.

The net amount of the VAT recoverable from, or payable to, the taxation authority is included as VAT receivable or taxes payable in the consolidated statement of financial position.

o) Financial instruments

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and financial liabilities at amortized cost.

The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method 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 in interest expense in the consolidated statement of profit or loss and other comprehensive income.

Derivatives features of debt instruments, including conversion options, are classified as financial liabilities and are subsequently measured at fair value through profit and loss, while the host liabilities (the "debt components") are accounted for at amortized cost using market interest rate determined at the date of issuance of such instruments.

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.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

Modification of contractual cash flows may lead to derecognition of financial asset or financial liability if the terms of the instrument substantially changed. When derecognized, a new asset or liability is recognized at fair value with recalculation of EIR for the instrument. The difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss and other comprehensive income.

The Group recognizes an allowance for expected credit losses ("ECL") on the following financial instruments that are not measured at FVTPL:

- loans to customers;

- loan commitments issued;
- accounts receivables;
- cash and cash equivalents;
- other financial assets measured at amortized cost.

12-month ECL are the portion of lifetime ECL that relates to default events over the expected life of the financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognized are referred to as “Stage 1” financial instruments. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit impaired.

Lifetime ECL are that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognized but that are not credit impaired are referred to as “Stage 2”. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit impaired.

Financial instruments for which lifetime ECL are recognized and that are credit impaired are referred to as “Stage 3” financial instruments.

The Group assesses on a forward-looking basis the ECLs associated with loans to customers. For loans to customers the Group measures loss allowances at amounts equal to 12-month ECL if debt instruments that are determined to have low credit risk at the reporting date.

In relation to the recognition of a loss allowance for the ECL arising from loan commitments, the Group considers both the practical ability of restricting the customer's access to the committed credit limit once indications of higher risk of default are identified and the probability of the credit limit being utilized by the customer in default.

The Group applies a simplified approach in calculating lifetime ECLs for accounts receivable and other financial assets. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The most part of accounts receivable and other financial assets are short-term; therefore forward-looking information is assessed based on subsequent events after the reporting date.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flow.

Allowances for expected credit losses for financial assets measured at amortized cost and for loan commitments are deducted from the gross carrying amount of the assets. Impairment losses related to loans to customers, cash and cash equivalents and accounts receivable are presented as part of cost of revenue.

p) Loan commitments

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. Loan commitments of the Group are measured at the amount of expected credit loss allowance.

q) Factoring arrangements

The Group participates in reverse factoring arrangements under which its creditors may elect to receive early payment of their invoice from a financial institution by factoring in their receivable from the Group. Under such arrangements, the financial institution agrees to pay the settlement amounts to the participating creditor in respect of invoices owed by the Group and receives settlement from the Group on the due date of the original invoice. Generally, the creditors carry the commission cost related to such arrangements. From the Group’s perspective, the arrangement does not extend payment terms beyond the standard terms agreed with other creditors that are not participating in such arrangements. The Group has not derecognized the original liabilities to which the arrangement applies because neither a legal release was obtained, nor the original liability was substantially modified on entering into the arrangement. The Group includes the amounts factored by creditors within trade payables because the nature and function of the financial liability remain the same as those of other trade payables. In certain reversed factoring arrangements, the Group carries the cost of arranging such a factoring for its creditors. For such arrangements, the Group presents related accounts payable separately within trade accounts payable under “Payables under the reverse factoring arrangements” caption.

The payments under these factoring arrangements are included within operating cash flows because they continue to be part of the normal operating cycle of the Group and their principal nature remains operating.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group’s consolidated financial statements requires management to make judgements, 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.

Judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that in the foreseeable future the Group will have taxable profits against which tax losses can be utilized. Significant management judgement is required to determine whether the Group has convincing evidence of probable future taxable profit. Further details on income taxes are disclosed in note 12.

Estimates and assumptions

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

Leases

As most of the Group's lease agreements do not provide an implicit rate of return, the Group uses its incremental borrowing rate based on the information available at the lease commencement date to determine the present value of lease payments. The Group's incremental borrowing rate is determined based on estimates and judgments with respect to a rate of finance available to the Group and adjustments necessary to align the rate with the term, security, currency and other specific features and circumstances of the lease.

Liability for cash-settled employee benefits

The Group classified the vested and unvested awards which are expected to be subject to the Group’s cash settlement offer as cash-settled awards. The amount reclassified from equity is determined based on a weighted-average vesting percentage at the reclassification date, which was determined on the first-in-first-out basis as applied to individual grants and estimates with respect to the number of awards submitted for the cash settlement by the EIP Participants. The actual number of awards subject to cash settlement depends, among other factors, on EIP Participant’s behavior and could differ from the initial estimate. These differences result in true-up adjustments recorded upon the cash settlement of awards.

(in millions of Russian Rubles, unless otherwise stated)

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2023	**2022**	**2021**
Sales of goods	**166,708**	**135,278**	**120,792**
Service revenue:			
Marketplace commissions	159,731	106,428	44,345
Advertising revenue	70,442	26,268	9,322
Financial services	12,989	1,088	—
Delivery services	11,423	6,287	2,750
Travel commissions	742	730	429
Other revenue	2,256	1,036	577
Total service revenue	**257,583**	**141,837**	**57,423**
Total revenue	**424,291**	**277,115**	**178,215**

5. SEGMENT INFORMATION

For management purposes, the business of the Group is organized into the primary core e-commerce business, which is comprised of sales of multi-category consumer products through our application and website and other initiatives and verticals.

The Group uses Adjusted EBITDA to assess results of operations of its operating segments. The Adjusted EBITDA is calculated as loss for the year before income tax expense, total non-operating expense/(income), depreciation and amortization, share-based compensation expense on equity-settled share-based awards and losses related to the fire incident. The following table presents a reconciliation of the Group's loss for the year to Adjusted EBITDA for each of the years indicated:

	2023	**2022**	**2021**
Loss for the year	(42,665)	(58,187)	(56,779)
Income tax expense	1,667	1,025	2
Total non-operating expense/ (income)	8,243	13,013	(2,079)
Depreciation and amortization	28,082	19,770	9,880
Share-based compensation expense on equity-settled share-based awards	8,107	10,999	7,820
Losses related to the fire incident	774	10,165	—
Adjusted EBITDA	**4,208**	**(3,215)**	**(41,156)**

For the year ended December 31, 2023, revenues from external customers attributable to the Russia-based subsidiaries of the Group amounted to 94% of the Group's total revenues from external customers (2022: 99%).

6. COST OF REVENUE

	2023	**2022**	**2021**
Cost of goods sold and other inventory-related costs	152,317	120,312	112,493
Delivery fees	51,406	22,929	12,946
Outsourcing services	47,134	26,229	13,709
Employee-related cost	44,532	28,483	17,877
Transportation services and vehicle maintenance	35,278	12,698	9,183
Depreciation and amortization	21,661	13,727	7,273
Fees for cash collection	6,843	7,152	7,681
Premises maintenance and packaging costs	7,918	6,034	4,508
Cost of financial service revenue	6,091	455	—
Share-based compensation expense	820	557	565
Other expenses	5,849	5,848	2,592
	379,849	**244,424**	**188,827**

(in millions of Russian Rubles, unless otherwise stated)

7. SALES AND MARKETING EXPENSES

	2023	2022	2021
Media and advertising	11,930	8,108	6,386
Employee-related cost	8,658	9,027	5,671
Cost of arranging flexible payment option for clients	2,493	2,031	753
Online marketing	1,388	2,956	9,578
Share-based compensation expense	1,239	1,009	742
Other sales and marketing expenses	4,972	1,511	991
	30,680	**24,642**	**24,121**

8. TECHNOLOGY AND CONTENT EXPENSES

	2023	2022	2021
Employee-related cost	21,976	16,655	7,870
Share-based compensation expense	2,571	2,512	2,002
IT and telecommunication services	1,518	1,589	1,235
Other technology and content expenses	797	1,450	1,476
	26,862	**22,206**	**12,583**

9. GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022	2021
Depreciation and amortization	6,421	6,043	2,607
Share-based compensation expense	5,668	6,921	4,511
Employee-related cost	4,311	4,561	2,528
Other general and administrative expenses	2,481	2,302	1,894
	18,881	**19,827**	**11,540**

10. LOSSES RELATED TO THE FIRE INCIDENT

In 2022, a fire broke out at one of the Group’s fulfillment centers. In connection with the incident, the Group incurred losses of 774 and of 10,165 for the years ended December 31, 2023, 2022 correspondingly, which included damages to the Group’s merchandise, losses related to disposal, impairment and derecognition of the Group’s property and equipment, the third parties’ claims, and other expenses.

The Group had insurance policies for the goods and other assets stored at the impacted premises, as well as the liability for death, injury, or damage to the third-party property. The Group is currently in discussions with the insurance companies over the compensation for sustained damages. Such compensation, if granted, may not be commensurate with the loss sustained. The Group did not recognize any insurance recoveries in 2023 and 2022.

(in millions of Russian Rubles, unless otherwise stated)

11. FINANCE (EXPENSE)/INCOME, NET

	2023	2022	2021
Extinguishment of the convertible bond liability (note 22)	18,446	—	—
Interest income	5,677	2,869	1,484
Interest expense	(22,725)	(11,860)	(5,802)
Loss on convertible bonds (note 22)	—	(8,567)	—
Revaluation of financial instruments at fair value through profit or loss	(6,796)	726	6,341
Other finance expenses	(17)	(6)	—
	(5,415)	**(16,838)**	**2,023**

12. INCOME TAX

The major components of income tax expense for the years ended December 31, 2023, 2022 and 2021 are:

	2023	2022	2021
Current income tax expenses	(1,492)	(1,103)	(58)
Deferred tax (expenses)/benefit	(175)	78	56
Income tax expense for the year	**(1,667)**	**(1,025)**	**(2)**

These items affect pre-tax loss but do not have any impact on income tax expense. As the major part of the Group's pre-tax losses and income tax expenses is generated in Russia, the reconciliation of theoretical income tax to the actual tax is based on the Russian statutory income tax rate of 20%:

	2023	2022	2021
Loss before income tax	(40,998)	(57,162)	(56,777)
Income tax benefit calculated at Russia's statutory tax rate 20%	8,200	11,432	11,355
Effect of unrecognized tax assets	(11,212)	(8,976)	(10,227)
Effect of non-deductible expenses	(2,379)	(3,520)	(827)
Effect of non-taxable income	3,207	1,307	58
Tax on unremitted earnings of subsidiaries	(300)	—	—
Effect of uncertain tax positions	—	(582)	—
Effect of lower income tax rates	951	(686)	(361)
Other	(134)	—	—
Income tax expense for the year	**(1,667)**	**(1,025)**	**(2)**

Deferred tax assets have not been recognized in respect of tax losses and other deductible temporary differences in the cumulative amounts of 159,797 and 41,550, respectively, as of December 31, 2023, and tax losses and other deductible temporary differences in the amount of 128,027 and 17,233 as of December 31, 2022. The tax losses in the amount of 154,040 do not expire, whereas tax losses of 500 within 3 years, 10 within 4 years and 5,247 within 10 years. Deferred tax assets have not been recognized in respect of tax losses and other deductible temporary differences, because it is not probable that sufficient taxable profit will be available in the foreseeable future against which the Group will be able to utilize the respective benefits.

(in millions of Russian Rubles, unless otherwise stated)

13. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share is calculated by dividing the loss attributable to ordinary equity holders of the parent (after adjusting for the effect of dilution) by the weighted average number of ordinary shares outstanding after adjustments for the effects of all dilutive potential ordinary shares.

For the year ended December 31, 2023, 2022 and 2021, outstanding share-based awards and financial liabilities with the share settlement features were not included in the diluted weighted average number of ordinary shares calculation because their effect would have been antidilutive.

The following table reflects the loss and share data used in the basic and diluted loss per share calculations:

	2023	**2022**	**2021**
Loss attributable to the parent entity	(42,665)	(58,187)	(56,779)
Loss attributable to ordinary equity holders of the parent entity	**(42,665)**	**(58,187)**	**(56,779)**
Weighted average number of ordinary shares	208,862,165	208,752,123	205,619,832
Basic and diluted loss per share (RUB)	(204.3)	(278.7)	(276.1)

14. LEASES

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

	Right-of-use assets					
	Warehouse facilities/ Pick-up points	**Office and IT facilities**	**Vehicles**	**Payments made before the lease commencement date and initial direct costs**	**Total**	**Lease liabilities**
As of January 1, 2022	**31,387**	**6,471**	**2,082**	—	**39,940**	**42,467**
Additions	35,724	10,098	1,206	900	47,928	45,338
Depreciation expenses	(7,917)	(3,676)	(1,080)	—	(12,673)	—
Other changes	(1,986)	(3,850)	(20)	—	(5,856)	(5,316)
Interest expense	—	—	—	—	—	8,006
Payment of principal portion of lease liabilities	—	—	—	—	—	(9,233)
Interest paid	—	—	—	—	—	(6,767)
As of December 31, 2022	**57,208**	**9,043**	**2,188**	**900**	**69,339**	**74,495**
Additions	52,185	1,140	9,647	3,254	66,226	59,467
Depreciation expenses	(11,456)	(3,464)	(1,361)	—	(16,281)	—
Other changes	(210)	(574)	(8)	—	(792)	162
Interest expense	—	—	—	—	—	13,299
Payment of principal portion of lease liabilities	—	—	—	—	—	(10,049)
Interest paid	—	—	—	—	—	(13,039)
As of December 31, 2023	**97,727**	**6,145**	**10,466**	**4,154**	**118,492**	**124,335**

Variable lease payments in the amount of 1,301 for the year ended December 31, 2023 (2022: 850) are not included in the measurement of lease liabilities and recognized in cost of revenue and general and administrative expenses.

(in millions of Russian Rubles, unless otherwise stated)

Lease commitments

The Group entered into lease contracts for offices, fulfillment and sorting centers that have not yet commenced as of December 31, 2023. The lease terms are from 10 months to 17 years. The future undiscounted lease payments for these lease contracts are as follows:

	Within 1 year	**1-3 years**	**3-5 years**	**More than 5 years**	**Total**
As of December 31, 2023	6,348	43,681	53,840	242,734	**346,603**
As of December 31, 2022	1,986	8,033	8,906	34,044	**52,969**

The Group had security deposits related to lease agreements which amounted to 1,944 as of December 31, 2023 and 2,028 as of December 31, 2022. As of December 31, 2023, the Group subleased certain of its right of use assets in the amount of 1,573 in operating leases (as of December 31, 2022: 1,095).

15. PROPERTY, PLANT AND EQUIPMENT

	Land	**Buildings**	**Warehouse equipment and vehicle**	**Computer and other equipment**	**Construction in progress and advances paid**	**Total**
Historical cost						
As of January 1, 2022	**968**	**2,999**	**13,208**	**11,597**	**7,646**	**36,418**
Additions	—	—	—	—	34,896	34,896
Transfer	35	612	17,770	11,843	(30,260)	—
Disposal and derecognition	—	—	(1,171)	(1,169)	(522)	(2,862)
Other movements	—	—	(9)	(35)	—	(44)
Translation difference	—	—	(19)	(9)	3	(25)
As of December 31, 2022	**1,003**	**3,611**	**29,779**	**22,227**	**11,763**	**68,383**
Additions	—	—	—	—	30,000	30,000
Transfer	—	—	27,755	4,194	(31,949)	—
Disposal and derecognition	—	(8)	(1,298)	(987)	(87)	(2,380)
Other movements	—	—	60	(75)	—	(15)
Translation difference	—	—	3	10	10	23
As of December 31, 2023	**1,003**	**3,603**	**56,299**	**25,369**	**9,737**	**96,011**
Accumulated depreciation and impairment						
As of January 1, 2022	—	**(253)**	**(2,917)**	**(3,278)**	—	**(6,448)**
Charge for the year	—	(82)	(3,139)	(3,481)	—	(6,702)
Disposal and derecognition	—	—	244	702	—	946
Impairment	—	—	(391)	—	—	(391)
Translation difference	—	—	—	1	—	1
Other movements	—	—	(23)	(12)	—	(35)
As of December 31, 2022	—	**(335)**	**(6,226)**	**(6,068)**	—	**(12,629)**
Charge for the year	—	(97)	(6,913)	(4,502)	—	(11,512)
Disposal and derecognition	—	5	1,119	704	—	1,828
Impairment	—	—	(232)	—	—	(232)
Translation difference	—	—	—	(1)	—	(1)
Other movements	—	—	(56)	5	—	(51)
As of December 31, 2023	—	**(427)**	**(12,308)**	**(9,862)**	—	**(22,597)**
Net book value						
As of December 31, 2022	**1,003**	**3,276**	**23,553**	**16,159**	**11,763**	**55,754**
As of December 31, 2023	**1,003**	**3,176**	**43,991**	**15,507**	**9,737**	**73,414**

As of December 31, 2023, the Group pledged part of its property, plant and equipment with a carrying amount of 147 (December 31, 2022: 192) in order to fulfil the collateral requirements for certain Group's borrowings (note 22). Further, as of December 31, 2023, property, plant and equipment with a carrying amount of 1,675 (December 31, 2022: 1,728) was held under a sale and leaseback arrangement where the legal lessor retains the title to the assets as a security.

(in millions of Russian Rubles, unless otherwise stated)

16. INVENTORIES

	December 31, 2023	December 31, 2022
Merchandise held for resale	40,519	36,125
Other inventories	2,133	1,009
Right of return assets	167	396
Inventory valuation allowance	(2,410)	(2,915)
	40,409	**34,615**

In 2023, total inventory of 150,751 was recognized as cost of revenue (2022: 117,913).

In 2023, cost of revenue and losses related to the fire incident were decreased by 505 (2022: an increase of 1,760) as a result of changes of the inventory valuation allowance. In addition, in 2023, losses of inventories amounted to 3,206 (2022: 2,187). The write-downs and losses of inventories were recognized as an expense during the period and included in cost of revenue and losses related to the fire incident.

17. CASH AND CASH EQUIVALENTS

	December 31, 2023	December 31, 2022
Short-term deposits	112,522	53,090
Current bank accounts	51,500	34,746
Cash in transit	6,800	3,043
Petty cash	3	2
Allowance for expected credit losses	(1,011)	(412)
Cash and cash equivalents	**169,814**	**90,469**

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

	2023	2022
Balance at the beginning of the year	**(412)**	—
Allowance for expected credit losses	(599)	(412)
Balance at the end of the year	**(1,011)**	**(412)**

Short-term deposits earn interest at the respective short-term deposit rates.

As of December 31, 2023 and December 31, 2022, the expected credit loss related to cash and cash equivalents was measured on a 12-month expected loss basis and reflects the maturities of the cash and deposit balances.

18. LOANS TO CUSTOMERS

	December 31, 2023	December 31, 2022
Loans to customers		
Loans to legal entities and individual entrepreneurs	34,021	5,549
Loans to individuals	14,168	130
Allowance for expected credit losses	(1,520)	(94)
Loans to customers	**46,669**	**5,585**
out of which:		
Non-current	1,299	—
Current	45,370	5,585

(in millions of Russian Rubles, unless otherwise stated)

Set out below is the movement in the allowance for expected credit losses of loans to customers:

	2023	2022
Balance at the beginning of the year	**(94)**	—
Allowance for expected credit losses	(1,426)	(94)
Balance at the end of the year	**(1,520)**	**(94)**

The information about credit quality of the loans to customers described in note 29.2.2.

19. ACCOUNTS RECEIVABLE

	December 31, 2023	December 31, 2022
Accounts receivable	7,264	6,793
Allowance for expected credit losses and individually impaired receivables	(108)	(86)
	7,156	**6,707**

Information about the Group's exposure to credit risk is presented in note 29.

20. OTHER FINANCIAL AND NON-FINANCIAL ASSETS

	December 31, 2023	December 31, 2022
Other financial assets		
Settlement receivables	3,550	494
Security deposits	1,944	2,028
Loans granted to employees	1,097	711
Net investment in lease	172	—
Amounts deposited for the bond restructuring	2	2,596
Other assets	116	269
Other financial assets	**6,881**	**6,098**
out of which:		
Non-current	3,015	2,610
Current	3,866	3,488

Settlement receivables include balances arising from the timing differences in the Group's settlement process where funds received as settlement require a third-party clearing process to be recorded in the Group's bank accounts.

	December 31, 2023	December 31, 2022
Other non-financial assets		
Prepayments	3,480	11,982
Prepaid employee benefits	997	890
VAT on prepaid lease deposits	650	—
Tax receivables and advances	432	22
Claims to suppliers	226	272
Other non-financial assets	**5,785**	**13,166**
out of which:		
Non-current	915	152
Current	4,870	13,014

(in millions of Russian Rubles, unless otherwise stated)

21. SHARE CAPITAL, SHARE PREMIUM AND OTHER CAPITAL RESERVES

Share capital and share premium

	Quantity			Millions of Russian rubles		
	Ordinary shares	**Treasury shares**	**Shares outstanding**	**Share capital**	**Share premium**	**Treasury shares**
As of January 1, 2022	**216,413,735**	**(8,091,632)**	**208,322,103**	**12**	**134,924**	**(1)**
Release of shares from trust	—	501,184	501,184	—	599	—
As of December 31, 2022	**216,413,735**	**(7,590,448)**	**208,823,287**	**12**	**135,523**	**(1)**
Release of shares from trust	—	150,060	150,060	—	162	—
As of December 31, 2023	**216,413,735**	**(7,440,388)**	**208,973,347**	**12**	**135,685**	**(1)**

	Authorized		Issued and fully paid	
	December 31, 2023	**December 31, 2022**	**December 31, 2023**	**December 31, 2022**
Ordinary shares of USD 0.001 each	559,999,998	559,999,998	216,413,733	216,413,733
Class A shares of USD 0.001 each	2	2	2	2
	560,000,000	**560,000,000**	**216,413,735**	**216,413,735**

Treasury shares

In April 2021, the Company entered into a trust deed with a trustee for operation of the Company's equity incentive plans (the "EIPs"). The trust holds ordinary shares or ADSs of the Company to be distributed under share-based awards (the "SBAs") granted to and exercisable by the EIP Participants and deliver the shares or ADSs exercisable under the EIPs to such participants upon exercise. The Company neither owns shares nor has voting rights in the trust. However, the Company established the trust and may appoint or substitute a trustee. Thus, the Company considered that it controls the trust through a contractual arrangement. During 2021, the Company issued 12,200,000 ordinary shares represented by ADSs for the total amount of 1 to the trust.

22. BORROWINGS

	Effective interest rate (December 31, 2023 / 2022)	Currency	Maturity (2023/2022)	December 31, 2023	December 31, 2022
Credit facility	20.2%/13.6%	RUB	2025-2026/2026	60,186	37,407
Bank loans	20.2%	RUB	2026	29,959	—
Credit line	20%	RUB	2024	12,037	—
Equipment financing	10.2%/10.5%	RUB	2024-2030/ 2023-2030	2,189	3,111
Convertible bonds	n/a/5.1%	USD	n/a/2023	—	53,597
Total				**104,371**	**94,115**
out of which					
Non-current				88,328	38,900
Current				16,043	55,215

Credit facility

In September 2022, the Group entered into credit facility agreements for a total principal amount of up to 60,000 with third parties (the "Facility"). The facility carries a floating interest rate linked to the Russian key rate or a fixed rate (as determined in each of the credit facility agreements). A portion of interest is payable quarterly in arrears, while the other portion is capitalized on a quarterly basis and is repayable with the principal amount at the maturity of the debt. The principal amount, together with the capitalized interest, is repayable in 2025-2026. The Group incurs fees and commissions in connection with utilization and maintenance of the Facility. Concurrently with the facility agreement, the Group entered into an option contract with one of the creditors, whereby the creditor is eligible for a net payment, either in cash or in the Company's shares at the discretion of the Company, which is linked to internal rate of return of the Facility and price of the Company's shares (the "Option") at the exercise dates. The Option is exercisable, at the discretion of the creditor, from 2024 to 2027. The Facility and the Option are linked transactions and are collectively referred to as the "Financing Arrangement". The Group's liabilities under the Facility and the Option contract are partially secured by a pledge over shares in the Group's key operating subsidiary.

In 2022, the Group drew down, in two tranches, 40,000 of principal amount in cash under the Financing Arrangement and incurred 339 of the commission expenses. At the initial recognition of each tranche, the derivative feature of the Financing Arrangement related to the Option (the "derivative feature") with the total fair value of 3,109 was classified as a financial liability at fair value through profit and loss, while the host liabilities of the Financing Arrangement (the "debt component") were initially recognized at fair value with an effective interest rate of 14.3% and 13.5% per annum, correspondently, and were carried after the initial recognition at an amortized cost.

In April 2023, the Group drew down 19,900 under the Facility and incurred 157 of the commission. At the initial recognition, the derivative feature of the Financing Arrangement related to the Option (the "derivative feature") with the fair value of 2,732 was classified as a financial liability at fair value through profit and loss, while the host liability of the Financing Arrangement (the "debt component") was initially recognized at fair value with an effective interest rate of 12.7% per annum and carried at an amortized cost after the initial recognition. In March 2024, pursuant to the terms of the Financing Arrangement, the fixed interest rate on the 19,900 tranche was re-set to a floating rate linked to the Russian key rate. This re-set resulted in an increase in the fair value of the debt component with a corresponding decrease in the fair value of the related derivative feature.

As of December 31, 2023, the fair value of the derivative feature in the Financing Arrangement was 12,522 (as of December 31, 2022: 3,000) and was determined based on the quoted market prices and indexes (level 2 of the fair value hierarchy, significant inputs are: price of the Company's shares and estimates of the Russian key rate over the life of the instrument) and included in financial liabilities.

Bank loans

In August 2023, the Group entered into a long-term credit agreement with a third-party bank for a principal amount of up to 30,000. During 2023, the Group drew down 30,000 of principal amount and incurred transaction costs of 150. The loan carried a floating interest rate linked to the Russian key rate. Interest is payable on a quarterly basis. The principal amount is repayable in 2026.

Credit line

In 2022, the Group entered into a short-term credit line agreement with a third-party bank for a principal amount of up to 35,000 (the "Credit Line Agreement"). Each tranche drawn down under the Credit Line Agreement carried a floating interest rate linked to the Russian key rate. As of December 31, 2023, the Group drew down 14,500 and repaid 2,500 under the agreement. The funds were further transferred to a micro-credit finance subsidiary to fund the customer loan portfolio.

Equipment financing

During 2022, the Group ("the seller-lessee") entered into sale and leaseback transactions relating to warehouse equipment with the total value of financial liability of 1,185 at the inception date. The Group pledged part of its property, plant and equipment to fulfil collateral requirements under a sale and leaseback transaction. Refer to note 15 for details.

Convertible bonds

In February 2021, the Company completed an offering of USD 750 million in aggregate principal amount of 1.875% senior unsecured convertible bonds due 2026 at par (the "Bonds").

As a result of a so-called "Delisting Event" under the terms and conditions of the Bonds, the holders of the Bonds were entitled to require the Company to redeem their Bonds at the principal amount together with accrued interest on the redemption date, which was May 31, 2022. In March 2022, following the Delisting Event, the Company revised the schedule of cash flows underlying the amortized cost of the Bonds to reflect the revised contractual maturity. This revision resulted in a remeasurement of the convertible bonds liability and in a reclassification of the revised carrying amount to short-term borrowings. The resulting loss on the convertible bond liability of 8,567 was included in finance costs.

(in millions of Russian Rubles, unless otherwise stated)

In September 2022, the Company and an ad hoc committee of holders of the Bonds reached an agreement with respect to the terms of early redemption of the Bonds, including forfeiture of conversion rights and certain other rights under the initial terms of the Bonds (the "Restructuring"). In October 2022, holders of over 90% in principal amount of the Bonds outstanding voted in favor of the Restructuring. The Restructuring became effective in March 2023. Accordingly, in March 2023, the Company has derecognized the convertible bonds liability and recognized a liability for the redemption payments of 38,939. The transaction costs related to the extinguishment amounted to 1,239. The resulting gain from extinguishment of the convertible bonds' liability of 18,446, net of the transaction costs, was included in Finance (expense)/income, net.

In 2023, the Company redeemed the Bonds for the total redemption payment of 38,416, out of which 2,264 was deposited with the payment agent in 2022. In accordance with the terms of the Restructuring, the trust deed relating to the Bonds and all ancillary documents relating to the Bonds terminated on the date when the Company announced the cancellation date for the Bonds, which was May 19, 2023, except for a deed poll issued by the Company on October 25, 2022 (the "Deed Poll") allowing the holders of the Bonds who have not participated in the Restructuring to make claims for payment of cash redemption amounts in accordance with the terms and conditions of the Deed Poll. As of December 31, 2023, the remaining amounts payable under the Deed Poll of 454 were presented in the Trade and other payables line of the consolidated statement of financial position.

23. TRADE AND OTHER PAYABLES

	December 31, 2023	**December 31, 2022**
Payables to third-party sellers on the marketplace platform	95,441	41,475
Trade payables	65,222	48,346
Payables under the reverse factoring arrangements	5,975	1,683
Payroll payables, including related taxes	2,454	3,537
Cash redemption amounts payable to bondholders under the Deed Poll (note 22)	454	—
Total	**169,546**	**95,041**
out of which:		
Non-current	324	292
Current	169,222	94,749

The average credit period on domestic purchases of certain goods is 1 - 4 months. No interest is charged on the trade payables from the invoice received. Information about the Group's exposure to currency and liquidity risk in relation to its trade and other payables is included in note 29.

As of December 31, 2023, the total amount of trade payables included the liabilities under arrangements, where suppliers elected to receive early payment of their invoice from financial institutions and where the supplier carries the cost of such an arrangement, amounted to 6,420 (December 31, 2022: 8,524).

24. CUSTOMER DEPOSITS AND OTHER FINANCIAL LIABILITIES

	December 31, 2023	**December 31, 2022**
Outstanding balances on current accounts	47,887	4,174
Term deposits from customers	5,139	—
Short-term financing	9,243	1,735
Other liabilities	2,780	229
Total	**65,049**	**6,138**

(in millions of Russian Rubles, unless otherwise stated)

Outstanding balances on current accounts and term deposits bear interest up to 14% and 15.7% per annum, correspondingly. Short-term financing refers to debt instruments issued by micro-credit finance entity to fund the customer loans portfolio. Such debt instruments have maturities of up to one year and carry floating rates based on the key rate of Russian Central Bank (CBR) plus a margin up to 7.0% per annum. These instruments are carried at amortized cost.

25. CUSTOMER ADVANCES AND CONTRACT LIABILITIES

	December 31, 2023	December 31, 2022
Customer advances	37,775	16,181
Unredeemed gift certificates	2,286	1,451
Loyalty programs	261	147
Upfront incentive fees under ADS program	230	289
Total	**40,552**	**18,068**
out of which:		
Non-current	171	230
Current	40,381	17,838

As of December 31, 2023, customer advances include liabilities for upfront payments in the amount of 33,624 collected from customers for orders of third-party sellers' products which are due to be transferred to the sellers upon delivery of the orders.

26. ACCRUED EXPENSES

	December 31, 2023	December 31, 2022
Employee bonuses, including payroll related taxes	4,098	1,967
Holiday provision, including payroll related taxes	3,858	2,383
Provision for reimbursements to third-party sellers	2,678	2,751
Tax provisions	1,951	1,268
Refund liabilities arising from right of return	491	523
Provision for legal claims	213	44
Total	**13,289**	**8,936**

27. SHARE-BASED COMPENSATION

The Group maintains the 2020 Equity Incentive Plan (the "EIP" or "2020 Plan") and its predecessor, the 2018 Equity Incentive Plan (the "2018 Plan").

The 2020 Plan was approved by the Company's Board of Directors on December 21, 2020. Awards under the 2018 Plan have been amended and are now subject to the same terms as the 2020 Plan. The EIP authorizes the grant of equity awards in the form of restricted share units ("RSUs") and share appreciation rights ("SARs") to employees, consultants and advisors of the Group.

Awards under the 2020 Plan generally vest over a four-year period. 1/4 of each award vests in twelve months from the grant date, and the remaining 3/4 of each award continue to vest by 1/16 portions at the end of each calendar quarter following the first anniversary of the award. Awards provide the participant with the right to receive the Company's ordinary shares immediately upon vesting or any other date after the vesting.

During 2023, the Company granted to certain employees and directors 5,037,898 SBAs in a form of Restricted Share Units ("RSU") with zero exercise price (including 100,000 SBAs granted to key management personnel, see note 28). During 2022, the Company granted to certain employees and directors 9,321,006 SBAs in a form of RSU with zero exercise price (including 500,000 SBAs granted to key management personnel, see note 28). Under these grants, each

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RSU entitles the recipient, subject to vesting and other terms, to receive for no consideration one ordinary share of the Company.

During 2023, 150,060 shares (in the form of ADS) were transferred to EIP Participants as a result of SBA exercises with a corresponding reclassification from equity-settled employee benefits reserve to share premium of 162. During 2022, 501,184 shares (in the form of ADS) were transferred to EIP Participants as a result of SBA exercises with a corresponding reclassification from equity-settled employee benefits reserve to share premium of 599.

The following table reconciles the quantity of awards outstanding at the beginning and the end of the year:

	Equity-settled RSUs	Cash-settled RSUs
As of December 31, 2021	**13,383,407**	—
Granted	9,321,006	—
Exercised	(461,037)	—
Forfeited	(2,094,293)	—
Cancelled	—	—
As of December 31, 2022	**20,149,083**	—
Granted	5,037,898	—
Reclassification	(6,565,628)	6,565,628
Exercised	(150,060)	—
Buyout	(1,297,881)	(3,629,463)
Forfeited	(1,243,055)	—
Cancelled	—	—
As of December 31, 2023	**15,930,357**	**2,936,165**
Exercisable as of December 31, 2023	*5,340,869*	*565,659*

The weighted average share price at the date of exercise for 2023 amounted to 2,589 RUB for equity-settled RSUs (2022: 1,535). As of December 31, 2023 and 2022, the average remaining contractual life for options outstanding comprises 8.2 and 8.5, respectively.

During 2022, the Company amended the general terms of its Equity Incentive Plan, by introducing a cash-settlement option for all awards under the Plan at the discretion of the Company.

During the first quarter of 2023, the Company settled in cash certain fully vested share-based awards with the original fair value of 1,716 from the program participants for a total consideration of 1,820.

In August 2023, the Company introduced cash settlement initiatives which allow the EIP Participants to settle for cash a part of their fully vested share-based awards upon a call offer from the Company. The initiatives are limited by a fixed cash budget, while the total number of awards to be acquired by the Company is to be determined based on the price per award based on a 60-days weighted average of the ADS price on Moscow Stock Exchange (MOEX) preceding the respective vesting dates in 2023 and 2024.

In September 2023, the Company classified the vested and unvested awards which are expected to be subject to the Company's cash settlement offer as cash-settled awards. Accordingly, the Company reclassified 13,685 to "Liability for the cash-settled employee benefits" in the consolidated statement of financial position with a corresponding reclassification of 6,501 from "Equity-settled employee benefits reserve" and an impact of revaluation of the liability based on the cash settlement initiative rules of 7,184 debited to "Accumulated losses". The Company did not recognize any incremental costs in connection with the cash settlement initiative as it does not provide any measurable benefit to the employees. The amount reclassified initially from equity was determined based on a weighted-average vesting percentage at the reclassification date, which was determined on the first-in-first-out basis as applied to individual grants. During the fourth quarter of 2023, a reclassification of 2,306 was credited to "Accumulated losses" upon receipt of actual data regarding the RSUs submitted for the repurchase.

During the fourth quarter of 2023, the Company settled in cash fully vested share-based awards with original fair value of 4,910 for a total consideration of 8,597.

(in millions of Russian Rubles, unless otherwise stated)

Movement of Equity-settled employee benefits reserve and Liability for the cash-settled share-based awards:

	Equity-settled employee benefits reserve	Liability for the cash-settled share-based awards	Total
Balance as of January 1, 2023	**18,200**	**—**	**18,200**
Reclassification of share-based awards	(8,807)	8,807	—
Excess of initial valuation of the liability for the cash-settled share-based awards over the original fair value	—	4,982	4,982
Settlement of vested share-based awards	(1,716)	(8,896)	(10,612)
Share-based compensation expense	8,107	2,191	10,298
Issue of shares upon exercise of share-based awards	(162)	—	(162)
Balance as of December 31, 2023	**15,622**	**7,084**	**22,706**

Share-based compensation expense

The following table summarizes total share-based compensation expense by function for the years ended December 31, 2023, 2022 and 2021.

	2023			2022	2021
	Equity-settled RSUs	Cash-settled RSUs	Total	Equity-settled RSUs	Equity-settled RSUs
Cost of revenue	582	238	820	557	565
Sales and marketing	963	276	1,239	1,009	742
Technology and content	1,953	618	2,571	2,512	2,002
General and administrative	4,609	1,059	5,668	6,921	4,511
	8,107	**2,191**	**10,298**	**10,999**	**7,820**

Measurement of fair values

Subsequent to the Company's IPO in November 2020 and through March 2022, the fair value of ordinary shares was determined on the grant date using the closing price of the Company's ADS traded on Nasdaq. From March 2022, after the price on Nasdaq became unavailable, the fair value of ordinary shares was determined on the grant date using the closing price of the Company's ADS traded on MOEX. As employees are not entitled to dividends declared during the vesting period, the Group takes into consideration the impact of the dividend forfeiture in its estimate of the fair value of RSUs granted during the period. For the RSUs granted for 2021-2023, the impact of dividend forfeiture was assessed as not material to the valuation.

(in millions of Russian Rubles, unless otherwise stated)

28. RELATED PARTIES

The following table provides the total amounts of transactions that have been entered into with related parties for the year ended December 31, 2023, 2022 and 2021, as well as balances with related parties as of December 31, 2023, 2022 and 2021.

	Sales to related parties	Purchases from related parties	Amounts owed by related parties*	Amounts owed to related parties*
Associate:				
2023	25	3	—	14
2022	7	—	53	—
2021	7	1	1	2
Other related parties:				
2023	161	7,468	89	2,648
2022	105	1,999	10	1,020
2021	114	553	6	973

* The amounts are classified as accounts receivable and trade payables, respectively.

Purchases from related parties relate primarily to purchases of goods for resale, telecommunication services (phone service, internet, etc.), software products, subscriptions for the e-books' library, payment processing services, agency services (cash collection from the Group's customers), and factoring services.

Sales to related parties include commissions for participation in the Group's affiliates program where the Group's customer referrals result in successful sales by associate.

Certain Russian subsidiaries of the Group have opened current and deposit accounts with other related parties. As of December 31, 2023, the balance within the Group's cash and cash equivalents deposited with such related parties amounted to 7,562 less expected credit losses of 61 (December 31, 2022: cash and cash equivalents of 6,047 less expected credit losses of 43). The Group received interest income of 501 during the year ended December 31, 2023 (2022: 151).

As of December 31, 2023, outstanding liabilities under factoring arrangements with other related parties amounted to 2,000 (as of December 31, 2022: 886) which were included in amounts owed to related parties in the table above. The respective factoring charges for the year ended December 31, 2023 of 1,307 (2022: 1,123) were included in purchases in the table above.

Outstanding balances with related parties at the year-end are unsecured and carry market interest (where applicable), settlement is generally made in cash. For the year ended December 31, 2023, the Group did not incur material expected credit losses or impairments relating to amounts owed by related parties (2022: nil).

During the year ended December 31, 2023 the Group received 323 of dividends from its associate (during the year ended December 31, 2022: 258).

Transactions with key management personnel

The remuneration of key management personnel for the year ended December 31, 2023, 2022 and 2021 amounted to:

	2023	2022	2021
Short-term employee benefits (i)	18	32	90
Share-based compensation expense (ii)	279	1,540	2,390
	297	**1,572**	**2,480**

i. Short-term benefits include salaries, bonuses, paid annual leave and social security contributions.

(in millions of Russian Rubles, unless otherwise stated)

ii. Amounts related to the participation of the key management personnel in the incentive scheme posted in consolidated statements of profit or loss and other comprehensive income.

During the year ended December 31, 2023, the Group settled 452 in cash of fully vested share-based awards. As of December 31, 2023, the liability for the cash-settled share-based awards to the key management personnel amounted to 237 (December 31, 2022: nil).

29. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL MANAGEMENT

29.1 Financial assets and financial liabilities

The following table shows the carrying amounts of financial assets and financial liabilities.

	Fair value hierarchy	December 31, 2023	December 31, 2022
Financial assets measured at amortized cost			
Cash and cash equivalents (note 17)		169,814	90,469
Accounts receivable (note 19)		6,865	6,249
Loans to customers (note 18)		46,669	5,585
Other financial assets (note 20)		6,881	6,098
Financial assets measured at fair value through profit and loss (on a recurring basis)			
Accounts receivable (note 19)	Level 3	291	458
Total financial assets		**230,520**	**108,859**
Financial liabilities measured at amortized cost			
Trade and other payables (note 23)		167,092	91,504
Lease liabilities (note 14)		124,335	74,495
Convertible bonds (note 22)	Level 2	—	53,597
Borrowings (note 22)		104,371	40,518
Customer deposits and other financial liabilities (note 24)		65,049	6,138
Customer advances (note 25)		33,624	16,181
Financial liabilities measured at fair value through profit and loss (on a recurring basis)			
Derivative feature in the Financing Arrangement (note 22)	Level 2	12,522	3,000
Total financial liabilities		**506,993**	**285,433**

Customer advances and contract liabilities line item in the consolidated statement of financial position includes liabilities for the upfront payments collected from customers for orders placed on the marketplace, including the amounts, which are due to be transferred to third-party sellers upon delivery of the orders. Such amounts are accounted for as financial liabilities measured at amortized cost.

As of December 31, 2023 and 2022, management assessed that the carrying values of the Group's financial assets and financial liabilities measured at amortized cost are a reasonable approximation of their fair values, except for the financial liability related to the convertible bonds. The fair value of non-derivative financial liability related to convertible bonds measured at amortized cost was determined in accordance with the publicly available terms of restructuring (note 22) on a discounted cash flow basis and amounted to 36,281.

For assets and liabilities that are recognized at fair value on a recurring basis, during the year ended December 31, 2023, the Group determined that no transfers between the levels in the fair value hierarchy have occurred (the year ended December 31, 2022: none). During the year ended December 31, 2023, there were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements, except for the changes necessary to determine fair values of new types of instruments acquired during the period.

As of December 31, 2023 and December 31, 2022, the fair value of derivative feature in the Financing Arrangement is determined based on the quoted prices of the Company's shares in active markets as well as other observable market inputs underlying or derived from the quoted market prices of the instruments, using conventional option pricing methodology with a reference to the Groups credit spread, volatility of the Company's share price, and forward risk-free interest rates and Russian key rate.

(in millions of Russian Rubles, unless otherwise stated)

29.2 Financial risk management

The Group is exposed to risks that arise from financial instruments. The Group has exposure to a market risk, a credit risk and a liquidity risk.

There have been no substantial changes in the Group's exposure to financial instrument risks, its objectives for using financial instruments, its policies, and processes for managing the risks arising from financial instruments, or the methods used to measure the exposures as compared to the previous period, except for as applied to new exposures from new financial instruments.

29.2.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices underlying the value of the instrument. Market risks, which mostly impact the Group, comprises of:

- interest rate risk as related to floating rate debt (note 22),
- currency risk as related to financial assets and liabilities at amortized cost denominated in foreign currencies,
- risk related to fluctuations of market variables underlying the fair value of financial instruments carried at fair value through profit and loss (note 22).

The Group does not enter any derivative or non-derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, except for placing foreign currency deposits to reduce and exposure from open foreign currency positions.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates arises primarily from the floating rate debt described in note 22. The interest expense on the loans and borrowings as disclosed in note 22 is linked to the Central Bank key rate. The Group places the short-term bank deposits at a fixed interest rate to partially compensate interest expenses on financial liabilities. However, growth in rates may limit the Group's ability to attract new financing on commercially sensible terms as well as it may impact fair values of the Group's financial assets carried at amortized cost.

Interest rate sensitivity

The following table demonstrates the sensitivity of the Group's results to a reasonably possible change in interest rates, with all other variables held constant. There will be no material impact on equity.

	Change in interest rate, basis points	Effect on profit or loss before tax (loss)/ gain
Year ended December 31, 2023	+50/-50	(468) / 468
Year ended December 31, 2022	+50/-50	(169) / 169

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of instruments denominated in foreign currency will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates to the Group's financing activity (borrowings and lease liabilities in foreign currencies), investing activities (capital investments and short-term deposits in foreign currency) and operating activities (sales, expenses and related settlement balances are denominated in a foreign currency).

(in millions of Russian Rubles, unless otherwise stated)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	USD denominated		**CNY denominated**
	2023	**2022**	**2023**
Assets	7,540	31,578	19,731
Liabilities	(9,494)	(54,233)	(2,138)
Net position	**(1,954)**	**(22,655)**	**17,593**

There were no material open currency positions in other currencies.

The Group keeps part of its cash and cash equivalents in CNY and USD interest-bearing accounts to manage the impact of CNY and USD exchange rate fluctuations on the open position in CNY and USD.

Foreign currency sensitivity

The following table demonstrates the sensitivity of the Group's results to a reasonably possible change in the USD and CNY exchange rates, with all other variables held constant. The table provides information about the impact on the Group's profit before tax due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in foreign exchange rates	**Effect on profit or loss before tax (loss) / gain**
Year ended December 31, 2023		
USD	+20%/-20%	(391)/ 391
CNY	+20%/-20%	3,519 / (3,519)
Year ended December 31, 2022		
USD	+30%/-30%	(6,796) / 6,796

Risk related to fluctuations of market variables underlying the fair value of financial instruments

The fair value of derivative feature in the Financing Arrangement is affected by the Company's share price at MOEX and its volatility, as well as forward risk-free interest rates.

Sensitivity to fluctuations in the Company's shares price

The following table demonstrates the sensitivity of loss before tax to a reasonably possible changes in key factors:

Reasonably possible shift in Ozon share price	**Reasonably possible shift in interest rate**	**Reasonably possible shift in volatility of shares**	**Effect on profit or loss before tax (2023)**	**Effect on profit or loss before tax (2022)**
Increase by 10%	—	—	(1,884)	(465)
Decrease by 10%	—	—	1,876	461
—	Increase by 100 b.p.	—	20	82
—	Decrease by 100 b.p.	—	(77)	(79)
—	—	Increase by 10%	(370)	(285)
—	—	Decrease by 10%	346	381

29.2.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or a contract with customer, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily, loans to customers) and from its cash and cash equivalents held with banks and other financial instruments.

(in millions of Russian Rubles, unless otherwise stated)

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	December 31, 2023	December 31, 2022
Cash and cash equivalents (note 17)	169,814	90,469
Loans to customers (note 18)	46,669	5,585
Account receivable (note 19)	7,156	6,707
Other financial assets (note 20)	6,881	6,098
	230,520	**108,859**

Loans to customers

Loans to customers include loans granted to legal entities and individuals as well as short-term factoring financing provided to legal entities. The Group maintains strict policy to screen potential borrowers to manage the credit exposure. Further, the Group does not allow for material concentrations in the loan portfolio.

The following tables set out information about the credit quality of loans to customers without taking into account collateral and other credit enhancement. Amounts in the table represent gross carrying amounts.

As of December 31, 2023	Stage 1	Stage 2	Stage 3	Total
Loans to legal entities and individual entrepreneurs				
Grade 1: Strong	32,648	137	—	**32,785**
Grade 2: Satisfactory	539	9	—	**548**
Grade 3: High risk	—	174	—	**174**
Grade 4: Very high risk	—	55	—	**55**
Grade 5: Credit impaired	—	—	459	**459**
Gross carrying amount	33,187	375	459	**34,021**
Loss allowance	(353)	(117)	(459)	**(929)**
Carrying amount	**32,834**	**258**	—	**33,092**

As of December 31, 2023	Stage 1	Stage 2	Stage 3	Total
Loans to individuals				
Grade 1: Strong	13,638	—	—	**13,638**
Grade 2: Satisfactory	128	—	—	**128**
Grade 3: High risk	—	—	—	**—**
Grade 4: Very high risk	—	168	—	**168**
Grade 5: Credit impaired	—	—	234	**234**
Gross carrying amount	13,766	168	234	**14,168**
Loss allowance	(203)	(154)	(234)	**(591)**
Carrying amount	**13,563**	**14**	—	**13,577**

As of December 31, 2022	Stage 1	Stage 2	Stage 3	Total
Loans to legal entities and individual entrepreneurs				
Grade 1: Strong	5,525	1	—	**5,526**
Grade 2: Satisfactory	7	—	—	**7**
Grade 3: High risk	—	1	—	**1**
Grade 4: Very high risk	—	2	—	**2**
Grade 5: Credit impaired	—	—	13	**13**
Gross carrying amount	5,532	4	13	**5,549**
Loss allowance	(78)	(1)	(13)	**(92)**
Carrying amount	**5,454**	**3**	**—**	**5,457**

(in millions of Russian Rubles, unless otherwise stated)

As of December 31, 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans to individuals				
Grade 1: Strong	130	—	—	**130**
Grade 2: Satisfactory	—	—	—	**—**
Grade 3: High risk	—	—	—	**—**
Grade 4: Very high risk	—	—	—	**—**
Grade 5: Credit impaired	—	—	—	**—**
Gross carrying amount	130	—	—	**130**
Loss allowance	(2)	—	—	**(2)**
Carrying amount	**128**	**—**	**—**	**128**

The grades specified above distinguish financial instruments depending on the factors impacting the risk of default (PD) associated with each individual borrower. Assets are categorized by the grades based on the specific indications of a deterioration in credit quality, including overdue days, arbitration records etc.:

Grade 1: Strong – a financial instrument of a high credit quality, without indications of deterioration in credit quality.

Grade 2: Satisfactory – a financial instrument that is up to 30 days overdue, or borrowers have minor arbitration records.

Grade 3: High risk – a financial instrument of a legal entity that is 31 to 60 days overdue.

Grade 4: Very high risk – a financial instrument with any of the following characteristics:
- payments are 61 to 90 days for a legal entity;
- payments are 31 to 90 days overdue for an individual;
- significant arbitration disputes is identified;
- a loan restructuring request was received;
- a borrower that initiated a liquidation process.

Grade 5 Credit impaired – a financial instrument with any of the following characteristics:
- payments are more than 90 days overdue;
- an entity is liquidated;
- death of an individual borrower;
- a fraud is identified.

Cash and cash equivalents

As of December 31, 2023, the Group had cash and cash equivalents of 169,814 (2022: 90,469). As of December 31, 2023, 96% of the Group’s cash and cash equivalents were deposited with the Central Bank of Russia and other financial institutions with “A” and higher rating based on the ACRA rating agency National Credit Rating Scale for the Russian Federation and comparable grades for other countries (as of December 31, 2022: 95%).

With respect to the Group’s cash and cash equivalents, the Group’s liquidity policy prescribes to limit credit risk by setting maximum concentration per financial institution. Cash must be deposited in at least three banks.

Accounts receivable

The Group’s accounts receivable do not include individually material balances where a concentration of credit risk might present. The Group’s accounts receivable mainly consist of amounts due from vendors (advertising services, rebates and subsidies) and amounts due from customers. Accounts receivable owed by vendors carry low credit risk because the debtors have a strong capacity to meet their contractual obligations as well as there are usually counter liabilities which reduce the net exposure of the Group under such contracts. The credit risk on receivable from other customers does not create a material exposure due to a prudent scoring of customers for credit as well as a short-term nature of such receivables.

(in millions of Russian Rubles, unless otherwise stated)

29.2.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle its liabilities as they fall due. The Group manages liquidity risk by maintaining adequate liquidity reserves and securing borrowing facilities. The Group continuously monitors actual cash flows and adjusts its cash flow forecasts to match the maturity profiles of financial assets and liabilities.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	Within 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
2023					
Non-derivative financial liabilities:					
Trade and other payables	169,248	186	111	111	**169,656**
Borrowings	23,068	131,687	643	575	**155,973**
Lease liabilities	31,729	56,486	43,662	79,722	**211,599**
Customer advances	33,624	—	—	—	**33,624**
Customer deposits and other financial liabilities	66,535	74	—	—	**66,609**
Total	**324,204**	**188,433**	**44,416**	**80,408**	**637,461**
Derivative financial liabilities:					
Derivative feature in the Financing Arrangement	10,548	—	—	—	**10,548**
Total	**10,548**	**—**	**—**	**—**	**10,548**

As of December, 31, 2023, the Group has undrawn credit facilities of 29,955.

	Within 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
2022					
Non-derivative financial liabilities:					
Trade and other payables	94,781	122	116	167	**95,186**
Borrowings	55,582	2,850	57,231	903	**116,566**
Lease liabilities	18,699	34,557	23,926	45,159	**122,341**
Customer advances	16,181	—	—	—	**16,181**
Customer deposits and other financial liabilities	6,144	—	—	—	**6,144**
Total	**191,387**	**37,529**	**81,273**	**46,229**	**356,418**
Derivative financial liabilities:					
Derivative feature in the Financing Arrangement	—	1,975	—	—	**1,975**
Total	**—**	**1,975**	**—**	**—**	**1,975**

29.3 Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

(in millions of Russian Rubles, unless otherwise stated)

	Borrowing	Derivative liabilities	Lease liabilities	Total
As of January 1, 2023	**94,115**	**3,000**	**74,495**	**171,610**
Financing cash flows	24,656	—	(10,049)	14,607
Interest paid	(3,186)	—	(13,039)	(16,225)
Non-cash changes:				
Net additions to lease liabilities	—	—	59,107	59,107
Bifurcation of derivative features	(2,732)	2,732	—	—
Change in fair value	—	6,790	—	6,790
Extinguishment of the convertible bond liability	(19,685)	—	—	(19,685)
Exchange difference	5,045	—	522	5,567
Interest accrued	9,364	—	13,299	22,663
Offset with financial assets	(2,596)	—	—	(2,596)
Other	(610)	—	—	(610)
As of December 31, 2023	**104,371**	**12,522**	**124,335**	**241,228**

	Borrowing	Derivative liabilities	Lease liabilities	Total
As of January 1, 2022	**62,116**	**594**	**42,467**	**105,177**
Financing cash flows	29,891	—	(9,233)	20,658
Interest paid	(1,579)	—	(6,767)	(8,346)
Non-cash changes:				
Net additions to lease liabilities	—	—	40,342	40,342
Bifurcation of derivative features	(3,109)	3,109	—	—
Change in fair value	—	(703)	—	(703)
Loss on convertible bonds	8,567	—	—	8,567
Exchange difference	(5,472)	—	(320)	(5,792)
Interest accrued	3,570	—	8,006	11,576
Other	131	—	—	131
As of December 31, 2022	**94,115**	**3,000**	**74,495**	**171,610**

The Group classifies interest paid as cash flows from operating activities.

29.4 Interest-related cash inflows within cash flows from operating activities

In 2023, the Group included interest received by its financial institution subsidiaries of 8,069 within cash flows from operating activities within Changes in loans to customers.

29.5 Capital management

The Group manages its capital to ensure that the Group and the entities within the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings less cash and cash equivalents) and equity (as detailed in the consolidated statements of financial position).

In order to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to the borrowings that define capital structure requirements. Breaches in meeting the financial and non-financial covenants attached to the Group's borrowings would permit creditors to call such borrowings. Breaches in covenants could lead to a default on other indebtedness due to cross-default terms under that indebtedness.

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2023 and 2022 except for as applied to new exposures.

(in millions of Russian Rubles, unless otherwise stated)

Capital adequacy ratios for the Group's financial institution subsidiaries

LLC Ozon Bank ("Ozon Bank") and MCC Ozon Credit LLC ("MCC") are financial institutions within the Group. Ozon Bank and MCC are subject to regulations of the Central Bank of Russia ("CBR"), which require commercial banks and other financial institutions to comply with various minimum capital adequacy ratios. The Group's aim in managing the adequacy of capital of the financial institutions is to ensure their ability to fulfill the goals for the strategic growth with unconditional compliance with the requirements for the adequacy of capital.

As of December 31, 2023, the actual capital adequacy ratios of Ozon Bank as calculated on the basis of statutory standalone financial statements were within the limits set by CBR (4.5% for the base capital, 6.0% for the main capital, 8.0% for the own capital):

	December 31, 2023	**December 31, 2022**
Capital adequacy ratios		
- Base capital H1.1	32.6%	90.7%
- main capital H1.2	32.6%	90.7%
- own capital H1.0	32.6%	90.7%

As of December 31, 2023, the capital adequacy ratio of MCC as calculated on the basis of statutory standalone financial statements were 13.8 % which is within the limits set by CBR (2022: 15.22%)

30. CONTINGENCIES

Legal proceedings

The Group has been and continues to be the subject of legal proceedings and adjudications from time to time, none of which has had, individually or in aggregate, a material adverse impact on the Group. Management believes that the resolution of all current and potential legal matters will not have a material adverse impact on the Group's financial position or operating results. As of December 31, 2023, the Group estimates that a contingent liability related to the current and potential legal matters, where a cash outflow is possible, amounts to 204 (2022: 192).

The Russian Federation tax and regulatory environment

The taxation system in the Russian Federation continues to evolve and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. The management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by a number of authorities, which may impose severe fines, penalties and interest charges.

As of December 31, 2023, the Group estimates that possible exposure in relation to the above-mentioned risks for which no liability is required to be recognized, amounts to 2,388 (as of December 31, 2022: 800). This estimation should not be considered as an estimate of the Group's potential tax liability.

31. RISKS AND UNCERTAINTIES RELATED TO CURRENT ENVIRONMENT

As potential global and economic impacts of the current geopolitical crisis continue to evolve rapidly, unpredictably and outside the control of the Group it is difficult to accurately predict the full impact of this crisis on the Company's business and the results of its operations.

The United States, the European Union, the United Kingdom and other countries imposed severe sanctions targeting Russian financial institutions, oil, defense and other state-owned companies and other Russian companies and businesspersons, as well as export and import restrictions. In response, Russia identified a number of states, including the United States, all European Union member states and the United Kingdom, as unfriendly and introduced a number of economic measures in connection with their actions, as well as economic measures aimed at ensuring financial stability in Russia. The sanctions, along with the counter-measures taken by the Russian authorities, have had a significant, and in many cases unprecedented, impact on companies operating in Russia.

Over the last two decades, the Russian economy has experienced or continues to experience at various times significant volatility in its GDP, high levels of inflation, increases in, or high, interest rates, sudden price declines in oil and other natural resources and instability in the local currency market.

Due to the restrictions under the Russian capital controls and protection measures, the Company is currently restricted from upstreaming cash funds from the Company's Russian subsidiaries to the Company without an approval from the Russian governmental authorities. Similarly, the Russian subsidiaries are restricted from extending loans, paying dividends, making capital contributions and certain other payments to the Company and its non-Russian subsidiaries. Additionally, the subsidiaries of the Company are bound by covenants and other contractual restrictions that might prevent them from paying dividends and other distributions.

The above restrictions might affect the ability of the Company and its subsidiaries to access or use the assets of the entities within the Group, including, but not limited to, their ability to transfer cash or other assets to (or from) entities within the Group, to distribute and receive dividends and other capital distributions, or to grant and obtain loans and advances to (or from) entities within the Group.