This document comprises a registration document (the "Registration Document") relating to Fix Price Group Ltd (the "Company") prepared in accordance with the Prospectus Regulation Rules of the Financial Conduct Authority (the "FCA") made under section 73A of the Financial Services and Markets Act 2000 (as amended, the "FSMA"). A copy of this Registration Document has been filed with, and approved by, the FCA and has been made available to the public in accordance with the Prospectus Regulation Rules. This Registration Document may not be used in the context of any securities offering. The Registration Document has been approved by the FCA, as competent authority under Regulation (EU) 2017/1129 (the "Prospectus Regulation"), as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 ("EUWA") (the "UK Prospectus Regulation"). The FCA only approves this Registration Document as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the Company that is the subject of this Registration Document.

This Registration Document may be combined with a securities note and summary to form a prospectus in accordance with the Prospectus Regulation Rules. A prospectus is required before an issuer can offer transferable securities to the public or request the admission of transferable securities to trading on a regulated market. However, this Registration Document, where not combined with the securities note and summary to form a prospectus, does not constitute an offer or invitation to sell or issue, or a solicitation of an offer or invitation to purchase or subscribe for, any securities in the Company in any jurisdiction, nor shall this Registration Document alone (or any part of it), or the fact of its distribution, form the basis of, or be relied upon in connection with, or act as any inducement to enter into, any contract or commitment whatsoever with respect to any offer or otherwise.

No representation or warranty, express or implied, is made and no responsibility or liability is accepted by any person other than the Company as to the accuracy, completeness, verification or sufficiency of the information contained herein, and nothing in this Registration Document may be relied upon as a promise or representation in this respect as to the past or future. No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Registration Document and, if given or made, such information or representation must not be relied upon as having been authorised by the Company. The delivery of this Registration Document shall not, under any circumstances, create any implication that there has been no change in the business or affairs of the Company and its subsidiaries since the date of this Registration Document or that the information contained herein is correct as of any time subsequent to its date.

Fix Price Group Ltd

(a company organised and existing under the laws of the British Virgin Islands with company number 1483801)

REGISTRATION DOCUMENT

Dated: 15 FEBRUARY 2021

IMPORTANT INFORMATION ABOUT THIS REGISTRATION DOCUMENT

This Registration Document has been prepared for the purpose of providing information with regards to the Company and does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities of the Company nor shall it or any part of it nor the fact of its distribution form the basis of, or be relied on in connection with, any contract commitment or investment decision in relation thereto nor does it constitute a recommendation regarding the securities of the Company.

Any securities referred to in this Registration Document have not been, and will not be, registered under the U.S. Securities Act of 1933 (the "**Securities Act**") or with any securities regulatory authority of any state of the United States, and may not be offered or sold in the United States absent registration under the Securities Act except to qualified institutional buyers as defined in Rule 144A under the Securities Act or pursuant to another exemption from, or in transactions not subject to, the registration requirements of the Securities Act. Any securities referred to in this Registration Document have not been and will not be registered under the applicable securities law of Canada, Australia, South Africa or Japan and, subject to certain exceptions, may not be offered or sold within Canada, Australia, South Africa or Japan or to any national, resident or citizen of Canada, Australia, South Africa or Japan.

The distribution of this Registration Document in certain jurisdictions may be restricted by law. Other than in the United Kingdom, no action has been taken or will be taken to permit the possession or distribution of this Registration Document in any jurisdiction where action for that purpose may be required or where doing so is restricted by law. In the United States, you may not distribute this Registration Document or make copies of it without the Company's prior written consent other than to people you have retained to advise you in connection with this Registration Document, or persons reasonably believed by the Company to be qualified institutional buyers. Accordingly, neither this Registration Document nor any advertisement nor any offering material may be distributed or published in any jurisdiction, other than in the United Kingdom, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Registration Document comes should inform themselves about and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

This Registration Document speaks as of the date hereof.

The Company accepts responsibility for the information provided in this Registration Document. Having taken all reasonable care to ensure that such is the case, the Company declares, to the best of its knowledge, that the information in this Registration Document is in accordance with the facts and contains no omission likely to affect its import.

The contents of the Group's websites do not form any part of this Registration Document.

This Registration Document should be read in its entirety. In particular, see "*Risk Factors*" for a discussion of certain risks relating to the Company and its subsidiaries.

TABLE OF CONTENTS

RISK FACTORS

The risks described below, individually or together, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. The risks described below are not the only risks the Group faces. The Company has described the risks it considers to be material, but there may be additional risks that the Company considers immaterial as at the date of this Registration Document or of which it is currently unaware, and any of these risks could have the effect set forth above.

Risks Relating to the Group's Business and Industry

Risks Relating to Demand and Competition

The Group's results depend on general economic conditions and changes in disposable income and consumer spending

As substantially all of the Group's revenue is derived from Russia, purchases of the Group's merchandise are dependent upon consumer discretionary income and consumer spending in Russia, and financial performance of the Group is sensitive to changes in macroeconomic conditions and other factors that affect consumer spending in Russia. These consumer spending habits are affected by, among other things, levels of employment, salaries and wage rates, personal disposable incomes, consumer confidence and consumer perception of economic conditions, inflation, prevailing interest rates, income tax rates, consumer savings and debt levels, housing and utilities costs, the availability of consumer credit, seasonal weather patterns and other changes in weather, including anomalous weather conditions, changes in demographic profiles and consumers' aspirations. Such factors could reduce overall consumer spending or cause customers to shift their spending to products other than those sold by the Group or to products sold by the Group that are less profitable than other product choices, all of which could result in lower net sales, decreases in inventory turnover or a reduction in profitability due to lower margins. The Group has limited or no ability to control many of these factors.

An economic slowdown in Russia has had, and may continue to have, a significant negative effect on consumer spending in Russia. Russia's economy has been facing significant challenges for the past few years due to the combined effect of the ongoing crisis in Eastern Ukraine, the deterioration of Russia's relationships with many Western countries, the economic and financial sanctions imposed in connection with these events on certain Russian companies and individuals, as well as against entire sectors of Russian economy, by the U.S., EU, Canada and other countries, a steep decline in oil prices, a record weakening of the Russian Rouble, a lack of access to financing for Russian issuers, capital flight and a general climate of political and economic uncertainty, among other factors. All of these factors contributed to the contraction of the Russian economy, a significant decrease in the real disposable income and the population's purchasing power and consumer confidence, as well as high levels of inflation. Although the Russian economy saw some level of stabilisation since 2016, including in the levels of inflation and household consumption, the outbreak of the COVID-19 strain of coronavirus and associated responses from various countries around the world in 2020 have negatively affected economies and consumer demand across the globe (including Russia and neighbouring countries) and across industries, and potentially may cause a prolonged global recession. Despite the overall consumer spending decrease during the times of economic slowdown, the Russian variety value retail market demonstrated a sustainable growth rate since 2014 as a result of a continued structural shift in consumer behaviour towards value. However, no assurance can be given that this trend will continue going forward and that the value retail segment will withstand any adverse economic consequences if the Russian economy faces new challenges. In particular, no assurance can be given that in case of any future economic slowdown, there will not be a decrease in higher margin "impulse purchases" or discretionary purchases generally that also affects the variety value retail market in Russia.

The Group believes that its pricing policy has allowed it generally to benefit in the recessionary economic environment, most recently, during the COVID-19 pandemic, as demonstrated by its double-digit quarterly like-for-like sales growth in 2020 and annual like-for-like sales growth rate of 15.8% in 2020. However, any decrease in consumer purchasing power, for the reasons described above or any other reason, could result in decreased consumer spending or demand for the Group's products, which in turn could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Global economic conditions and uncertainties, the impact of recessions and the potential for failures or realignments of financial institutions and the related impact on available credit may also impact the Group's suppliers, landlords, service providers and other partners in ways that would adversely affect the Group's business and results of operations, including, for example, supplier plant closures or increases in costs of merchandise.

There is no assurance that the COVID-19 pandemic will continue to have the same overall net positive effect on the Group's results in the future or that the measures implemented to contain or mitigate the spread of the virus would not have a material adverse impact on the operations and financial results of the Group

COVID-19 was first reported in December 2019 and has subsequently spread throughout the world to geographies in which the Group operates. On 30 January 2020, the World Health Organisation (the "**WHO**") declared COVID-19 a public health emergency of international concern and on 11 March 2020, the WHO declared the outbreak a pandemic. Governmental authorities around the world have implemented measures to reduce the spread of COVID-19, including bans on international travel, cancellation of major events, shutdowns and "shelter-in-place" orders suggested or mandated by governmental authorities or otherwise elected by companies as a preventive measure. These measures have negatively impacted consumer spending and business activity, and have significantly contributed to deteriorating macroeconomic conditions and higher unemployment in many countries, including Russia and neighbouring countries. One immediate effect of the coronavirus outbreak was a substantial plunge in the price of crude oil due to a significant decline in demand as a result of extended factory shutdowns and a fall in air travel and road transportation. In addition, the Organisation of the Petroleum Exporting Countries (OPEC) and Russia attempted, but failed, to reach an agreement to cut oil production, which resulted in crude prices plummeting further. Following the news, oil prices fell 10.1% to end at US$ 41.28 per barrel on the day the proposed OPEC-Russia deal failed to be reached, and have subsequently declined even further to around US$ 30 per barrel of Brent crude oil (from over US$ 65 at the beginning of 2020). As a result of volatility on the financial markets, the Russian Rouble significantly and abruptly depreciated against the U.S. Dollar and Euro (the decline against the U.S. Dollar, for instance, constituted 23% compared to the exchange rate as of 1 January 2020, and 17% in March 2020, as of the end of the month), and this volatile exchange rate environment has continued to prevail.

On 25 March 2020, the Russian Government introduced a number of recommendations and restrictions, including declaring a "period of non-working days", which limited business activity from 30 March 2020 to 3 April 2020 and was subsequently extended to 11 May 2020, as well as other restrictions on the movement of citizens and a limitation on most commercial activities. These restrictions differed in scope across various regions of Russia and were subject to change, resulting in the frequent strengthening and relaxation of such restrictions in different regions. As a result of the Russian Government's imposed "period of non-working days" and social distancing measures introduced across the country, some businesses continued to operate with all or most of their employees working from home, while many others ceased operating or began operating in very limited capacities. Accordingly, this period significantly impacted household and business activity, as well as consumer and business spending in Russia, where the Group predominantly operates.

The overwhelming majority of the Group's stores and all of its distribution centres have continued to operate as an essential business during the COVID-19 pandemic, and the Group committed to maintaining a safe work and shopping environment. During the pandemic, the Group temporarily closed 28 stores in Russia, representing less than 1% of the total store count, which reopened within three months from their closing. These were mostly the stores located in shopping malls and shopping markets, which suspended operations either to meet regulatory requirements aimed at limiting the spread of COVID-19 or because the operation at that time was not economically viable for them. While some of the Group's Chinese suppliers suspended operations for a short period of time (which also overlapped with the Chinese New Year period when supplies from China generally stop coming), the Group did not experience any significant supply chain disruptions or product availability issues. This was primarily the result of having most of its product deliveries for the first and, to some extent, the second quarters of 2020 from its Chinese suppliers satisfied prior to the outbreak of COVID-19 in China and the ability of the Group's suppliers, including domestic supplies, to continue deliveries in April-May 2020 after the most disruptive stage of COVID-19 infections to date.

The Group experienced volatility in sales during March-April of 2020 as store traffic and consumer demand significantly decreased as a result of consumers' initial reaction to the COVID-19 pandemic in connection with the implementation of social distancing measures, while the average ticket increased as customers stocked up on products in light of the COVID-19 related restrictions. To address the reduction in traffic, the Group worked quickly to reassure customers that its stores remained open and that the Group carried essential products at the lowest prices and advertised its heightened store safety protocols in response to the pandemic. The Group also expanded its existing range of stock keeping units ("**SKUs**") by approximately 60 COVID-19 related SKUs in approximately two weeks from the start of the lockdown in Moscow and secured on-shelf availability of essential goods, including face masks, sanitisers and other necessities, all supported by promptly adjusted marketing campaigns focused on promotion of this type of merchandise. While the Group saw a temporary decrease in like-for-like sales growth in April 2020 as a result of the decrease in traffic at the initial stages of the COVID-19 related restrictive measures, the Group's like-for-like sales demonstrated a double-digit growth in each quarter of 2020 as the Group responded to changing consumer needs and benefited from increased consumer spending, despite the fact that like-for-like traffic performance remained subdued for most part of 2020.

The Group incurred additional selling, general and administrative expenses during the year ended 31 December 2020 relating to the cost of operating the Group's stores and distribution centres, including the costs associated with enhanced cleaning protocols and personal protection equipment, as well as additional bonuses and COVID-19 related financial assistance. This increase, however, was offset by a positive impact on margins that the Group achieved as a result of a slight shift in demand during the second quarter of 2020 towards more marginal non-food products and optimisation of certain operating expenses. In addition, the Group believes that the adverse impact of COVID-19 on the commercial real estate market has provided the Group with additional negotiation leverage to secure better lease terms from landlords. As a result, the Group was able to renegotiate more favourable rental rates for approximately 85% of its leases, which contributed to a decrease in the IAS 17-Based Operating Lease Expenses and amortisation of right-of-use assets, each as a percentage of revenue, in the year ended 31 December 2020, as compared to the year ended 31 December 2019. These factors contributed to the decrease in the overall selling, general and administrative expenses of the Group as a percentage of its revenue. In addition, while in the second quarter of 2020 the Group took a more selective approach to new store development, the Group continued opening new stores despite COVID-19 and accelerated store roll-out in the second half of 2020 as new opportunities emerged on the commercial real estate market. The Group had a total of 655 net store openings, including stores operated by the Group and franchise stores, in 2020 as compared to 571 net store openings, including stores operated by the Group and franchise stores, in 2019.

Although the Group has not experienced any material adverse effect on its business as a result of the COVID-19 pandemic to date, with the overall impact of the COVID-19 outbreak on the Group resulting in a net positive effect on its results, there can be no assurance that the COVID-19 will continue to have the same effect going forward. In addition, despite the steps the Group has taken to ensure its operations comply with applicable COVID-19 related safety and sanitary regulations, there is no assurance that any non-compliance with such regulations on behalf of the Group, its in-store personnel or customers will not result in administrative sanctions, including fines or store closures. COVID-19 has had and continues to have adverse repercussions across regional and global economies and financial markets that adversely affect the geographies in which the Group operates, including Russia and neighbouring countries. For example, in October and November 2020, to address a "second wave" of COVID-19, Russian authorities began reinstating certain social distancing and work-at-home orders throughout the country. While governments around the world have taken steps to attempt to mitigate some of the more severe anticipated economic consequences of COVID-19, including through the launch of vaccination programmes, there can be no assurance that such steps will be effective or achieve their desired results in a timely fashion. The impacts of the COVID-19 pandemic and public health measures discussed above may change and in some cases, the impacts of the pandemic may worsen and more stringent measures may be introduced if infections increase. In addition, the Group cannot predict the impact that COVID-19 will have on its customers, suppliers, landlords and other business partners, and their respective financial condition, and any significant negative impact on these parties could materially and adversely impact the Group. Any potential impact to the Group's results will depend to a large extent on future developments and new information that may emerge regarding the duration and severity of the coronavirus and the actions taken by authorities and other entities to contain the coronavirus or treat its impact, all of which are beyond the Group's control. These potential impacts, while uncertain, could harm the Group's business and materially adversely affect the Group's operating results.

There is still significant uncertainty relating to the severity of the near- and long-term adverse impact of the COVID-19 pandemic on the global economy, global financial markets, the Russian economy and the economies of the geographies in which the Group operates, and the Group may not be able to accurately predict the near-term or long-term impact of the COVID-19 pandemic on the Group's business, financial condition and results of operations. In addition, there is still significant uncertainty relating to the near-term and long-term impact of the COVID-19 pandemic on the overall retail market and the variety value retail market that the Group operates in. It is possible that the current COVID-19 pandemic may cause a prolonged global economic crisis or recession, which could have a negative impact on the Russian economy in general and the Group's industry and business in particular. To the extent the COVID-19 pandemic adversely affects the Group's business and financial results, it may also have the effect of heightening many of the other risks described in this "*Risk Factors*" section.

Failure to identify and satisfy customer preferences could adversely affect the Group's business

The Group derives revenue from the sale of products that are subject to changing customer demand. As a multi-category variety value retailer, the Group's success depends, in part, on its ability to predict and respond to changing customer demands and preferences, and to translate market trends into appropriate, saleable merchandise offerings. Customer demand for the Group's variety value retail format and product assortment is directly affected by consumer trends, needs and preferences. Consumer preferences in the markets in which the Group operates or intends to operate may cease to favour the Group's store format or the products offered by the Group, for example, as a result of changes in lifestyle and dietary preferences or as a result of national or regional economic conditions. Similarly, local conditions may cause customer preferences to vary from region to region as the Group continues to expand into new geographies. As a result of changes in customer preferences, traffic in stores of the Group may decrease (or increase more slowly than in the past or as anticipated), the average ticket at stores of the Group may decrease and inventory may build up. If the Group is unable to identify and adapt to changes in customer preferences swiftly, the Group's revenue and profitability may decline, which in turn would have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Expanding product offerings may expose the Group to new challenges and more risks

The Group strives to offer its customers a wide range of products that are responsive to evolving customer needs and provide them with a treasure hunt shopping experience by frequently changing SKUs and product assortment. Offering new SKUs, expanding into diverse new product categories and increasing the number of products and SKUs involves new risks and challenges. The Group may misjudge customer demand as a result of limited familiarity with these new categories or lack of relevant customer data relating to them, resulting in inventory build-up and possible inventory write-down in relation to these new product categories. It may also make it more difficult for the Group to inspect and control quality and ensure proper handling, storage and delivery. The Group may experience higher return rates on new products, receive customer complaints about them and face costly product liability claims related to its new products, which could harm the Group's reputation as well as its financial performance. Furthermore, there is no assurance that the Group will be able to negotiate favourable terms with suppliers of new product categories. No assurance can be given by the Group that it will be able to recoup its costs in introducing these new product categories.

Competition may affect the Group's financial performance

The retail market in Russia is highly competitive and market players are constantly adjusting their promotional activity and pricing strategies in response to changing conditions. The Group competes within the industry on the basis of a combination of factors, including, among others, price, quality and assortment of merchandise, customer experience, store location and the ability to identify and address new and emerging trends in customer demands and preferences. The Group also competes with retailers for customers, store locations and personnel. As a variety value retailer that offers a broad assortment of products, the Group competes with brick-and-mortar retailers, including department stores, supermarkets and specialty stores and, to a lesser extent, online retailers, across a variety of product categories and market segments. This competitive environment subjects the Group to various risks, including the ability to provide quality, trend-right merchandise to the Group's customers at competitive prices that allow the Group to maintain its profitability. Because of its low price model, the Group may have limited ability to increase prices in response to increased costs without losing competitive position which may adversely affect the Group's margins and financial performance.

According to the Oliver Wyman Report, the Group was estimated to account for 93% of the variety value retail stores sales in Russia in 2019, with the second largest player estimated to account for less than 3%. The Group, however, can give no assurance that in the future other value retailers currently present in the Russian market will not gain a significant market share or that no significant new competitors will emerge. The Group may face competitive pressure from future new entrants, and there can be no assurance that the Group will be able to maintain its competitive position or continue to meet changes in the competitive environment. Some of the Group's current and future competitors may be able to secure more favourable store locations and sites, and may have greater financial resources and/or economies of scale, as well as lower cost bases, which could provide a competitive advantage. The Group's competitors may also merge or form strategic partnerships, which could increase competition for the Group. Any loss of market share by the Group could be permanent.

Despite the Group's efforts to maintain its competitive pricing strategy, actions taken by the Group's competitors, such as undercutting or otherwise aggressive pricing strategies and retail sales methods, as well as actions taken by the Group to maintain its competitiveness and reputation, have placed and will continue to place pressure on its pricing strategy, revenue growth and profitability. While the Group believes that its business model is sufficiently unique in the Russian market giving it a substantial competitive advantage, there is no assurance that the Group's competitors will not seek to develop their business on the basis of a similar model and that they will not be successful in such development, which could result in a reduction of any competitive advantage or special appeal that the Group might possess. If competitors are able to gain or leverage competitive advantages, or if the Group were to face any of the above types of competitive pressures, the Group's revenue, profitability and market share may decline, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In recent years, Russian consumers have been increasingly using online platforms, including foreign retailers, to do their shopping, mainly for price reasons and the typically wider assortment offered online. Based on the analysis of industry publications, the Group believes that the variety value segment of retail market has historically been among the segments least penetrated by the online channel due to the unique proposition and business model, where the average transaction value, basket size and total SKU count are significantly lower compared to other segments of the retail market. However, there is no assurance that in the future value retailers will not shift their focus towards online offering in response to customer demand or other reasons. For example, the COVID-19 pandemic has triggered some value retailers to launch pilot or develop existing online sales channels. In response to the rapid development of the online market, even before the COVID-19 outbreak, the Group implemented a click-and-collect option that allows customers to form their baskets online and collect the purchase in the most convenient store of the Group. The Group believes that its proposition is materially different to online retailers, in particular in terms of availability of stock, ability to check the stock quality before purchase as well as lower prices on similar items, in particular given the delivery cost involved in online shopping. There can be no assurance, however, of how customer preferences with respect to the online market and the online market economics will evolve. In the event of an increasing need to develop its online shopping channel to respond to market trends and developments where it will be economically viable for the Group to do so, there is no assurance that the Group will be successful in expanding into online retail and if it is successful, it may face new risks and challenges which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Risks Relating to the Group's Strategy

The Group may not be successful in managing its growth and implementing its expansion plans

The Group has grown rapidly over the last few years. In 2020, 2019 and 2018, the Group recorded revenue of RUB 190,059 million, RUB 142,880 million and RUB 108,724 million, respectively, and profit for the year of RUB 17,575 million, RUB 13,173 million and RUB 9,128 million, respectively. During the same period the Group's retail chain increased from 2,477 stores as at 31 December 2017 to 4,167 stores as at 31 December 2020. The Group's growth and financial results are dependent on both increases in sales in existing stores and profitability of new stores. The Group will need to continue to relocate stores and expand its retail chain with new profitable stores on a timely and cost-efficient basis, while continuing to maintain or increase sales and profits at its existing stores. As part of its growth strategy, the Group intends to continue expanding operations in Russia and abroad focusing on expansion in Belarus, Kazakhstan and Uzbekistan, where the Group currently operates its own stores, and will also consider expanding opportunistically into other jurisdictions. In particular, during 2021 and 2022 the Group targets to have approximately 700 and approximately 750 net store openings in Russia and other geographies (including franchise stores), respectively. In 2023-2025, the Group targets to have approximately 800 net store openings per year in Russia and other geographies (including franchise stores). However, there can be no assurance that the Group will achieve its planned expansion targets. The expansion of the Group's business has, and will continue to, put pressure on its managerial, financial, operational and other resources.

The Group has implemented a technology-based system for store opening and control over the existing stores. All lease agreements of the Group are generally standardised and are monitored via the software developed by the Group. However, despite a high degree of automation and standardisation, the Group's ability to relocate stores, open and operate profitable new stores and expand into additional areas depends on a number of factors, some of which are beyond the Group's control. These factors include, among others, the Group's ability to identify and properly assess suitable store locations with sufficiently high customer traffic and gather and analyse demographic and market data regarding catchment areas, its ability to negotiate favourable lease agreements, its ability to supply new stores with inventory in a timely manner and at a low cost, its ability to sell merchandise at competitive prices in the new stores and the opening of competing stores near existing stores or in locations identified as targets for new stores and ability to obtain planning consent for the use of the stores on satisfactory terms with the local planning authorities or, in the case of subleases, superior landlord consent. In addition, as the Group continues to grow, it may become more difficult to identify catchment areas or locations for new stores. While the Group experienced healthy growth in sales densities of its mature stores despite its rapid store expansion in the periods under review, there is no assurance that the risk that new stores divert or adversely impact sales from existing stores will not increase. The Group's growth plans also depend on, among other things, economic conditions, availability of financing, absence of adverse changes in the regulatory environment and cooperation of regional regulatory authorities. Despite all relevant efforts taken by the Group, there can be no assurances as to its ability to relocate stores or open new stores, or the extent to which such stores will become profitable.

The Group's growth strategy may also place a significant strain on management, operational, financial and other resources, which could cause the Group to operate its business less effectively and result in deterioration in the financial performance of the Group's existing store base. The Group makes and relies on certain estimates as to profitability, market and other performance metrics, including estimates relating to like-for-like growth and return on investment for its stores, in order to evaluate investments relating to the general business strategy and the network of stores. For example, the Group analyses anticipated IAS 17-based store Adjusted EBITDA, payback period and net present value ("**NPV**") of potential new store locations in order to weigh the attractiveness of a potential new location and then uses these estimates to judge and monitor the performance of such new store going forward. While these estimates are based on the Group's prior experience, such estimates may prove to be incorrect or may be based on assumptions that prove to be incorrect and actual developments may differ significantly from expectations, which could result in lower growth or unsuccessful new store openings and difficulty in monitoring new store performance. The Group may not be able to manage store growth or execute its growth strategy successfully, on a timely basis, or at all, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In the future, the Group also intends to increase its distribution centre capacity in line with expansion of its operations, including through the lease of new distribution centres and building its own distribution centres, where the Group believes such construction is economically viable. To that end, the Group expects to expand its distribution centre capacity by approximately 350 thousand sq. m. by 2025, including through the expansion of space by approximately 250 thousand sq. m. and the replacement of approximately 100 thousand sq. m. of the distribution centres' space (not including approximately 10 thousand sq. m. increase in the leased space targeted to be implemented over the same period). However, there is no assurance that the Group will be able to efficiently manage the existing capacity and increase it in the future to satisfy the growing needs for additional capacity as the Group expands its business operations as a result of a number of factors. In particular, the Group may be unable to secure necessary premises and negotiate satisfactory lease terms for its distribution centres. In addition, there is no assurance that the Group will be able to obtain required approvals for commencing operations in the new distribution centres. Furthermore, there is no assurance that there will not be any failures or delays on behalf of the Group's contractors in the course of a construction process. Any of these could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's growth depends on its ability to drive like-for-like sales growth

The Group's like-for-like sales growth is critical for the Group's growth as the ability of existing stores to increase same-store sales has a significant impact on the Group's revenue and operational performance. While during the periods under review the Group has consistently generated double-digit positive quarterly like-for-like sales growth, there is no assurance that the Group will be able to continue to do so in the future. The Group's growth from existing stores is dependent upon its ability to increase sales. Increases in sales in existing stores are dependent on factors such as overall consumer demand, location of stores, merchandise sourcing and selection, pricing strategy, marketing efforts, store operations and customer satisfaction. If the Group fails to realise its goals of successfully managing its store operations and increasing its customer retention, its sales may not increase and its growth may be impacted adversely.

The Group may not be successful in continuing to expand its operations outside Russia

The Group believes that its track record and experience in the Russian retail market, as well as the track record and experience of its franchisee partners who have been developing Fix Price retail chain outside of Russia since 2016, have provided it with a deep understanding of the industry trends, customer needs and market potential, which will assist the Group in pursuing expansion outside of Russia. As at 31 December 2020, the Group had 235 stores operated by the Group outside of Russia, including 143 stores in Belarus, 77 stores in Kazakhstan and 15 stores in Uzbekistan. As part of its growth strategy, the Group intends to continue expanding operations in these countries and will also consider expanding opportunistically into other jurisdictions, including through the buy-out of its franchisees where it is economically viable to do so.

However, there is no assurance that the Group will be able to succeed in developing its operations outside of Russia in countries where its stores are currently present or in continuing its entry into other non-Russian retail markets where the Group does not currently operate its own stores due to limited knowledge of operating and regulatory environment, as well as customer preferences in these markets. In addition, the Group's success in expanding outside of Russia will also depend on political, economic and social stability in the relevant markets. The Group's inability to adapt to the particularities of such markets could result in higher costs and affect profitability of operations in these markets. In addition, there can be no assurance that the Group will be successful in integrating international operations with its existing operations. Any of the failures or delays in expanding the Group's operations abroad and integration of international operations with the Group's existing ones could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group may be unable to generate or raise sufficient capital to fund its planned growth

The Group's planned growth requires capital expenditure. Cash flows from its operations, borrowings from financial institutions and funding from capital markets may not be sufficient to fund the Group's planned growth. Funding on favourable terms may also become increasingly difficult to obtain during times of volatility or declines in the international financial markets. Any additional debt financing required for the Group's growth plans will also result in higher interest payments. In addition, covenants in the Group's financing arrangements may restrict its ability to raise additional debt funding. If the Group does not generate sufficient operating cash flow or obtain sufficient financing to fund its planned expenditures, it may need to curtail or discontinue its growth plans, which could have a material adverse effect on the Group's future development and in turn, have a material adverse effect on Group's business, results of operations, financial condition and prospects.

Implementation of the Group's strategy depends on the Group's senior management's experience and expertise, as well as the Group's ability to recruit and retain qualified personnel

The Group's ability to implement the Group's business strategy is dependent, to a large extent, on the services of senior management. The Group also depends on the Group's ability to continue to attract, retain and motivate qualified personnel. The loss or diminution in the services of one or more of the Group's senior management personnel or a failure to attract and retain qualified personnel could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

As the Group outsources a portion of its personnel in Russia, its operations in Russia depend on the ability of outsourcing companies to satisfy the Group's personnel needs

In order to increase efficiency of its in-house HR function, the Group outsources some of its in-store and distribution operations staff in Russia, categories of personnel with historically high rates of turnover. The Group, therefore, relies on outsourcing companies to provide in-store and distribution centres personnel in Russia to satisfy the Group's current demand and to meet its personnel needs as it continues its expansion. The Group faces competition for personnel provided by outsourcing companies from other retail chains as well as from e-commerce players that attract a significant number of workers for delivery services. There is no assurance that these outsourcing companies will be able to provide the Group with a sufficient number of personnel, in a timely manner and at a competitive cost, and that the Group will be able to quickly replace a provider of outsourcing services without a material adverse impact on its operations. In addition, these outsourcing companies may be unable or unwilling to fulfil their obligations under the relevant contractual arrangements or fail to comply with laws and regulations applicable to personnel hiring and management. If any of these events occurs, the Group's business, financial condition, results of operations and prospects may be materially adversely affected.

In addition, the Group benefits from the use of migrant workers provided by its outsourcing companies in Russia. COVID-19 has caused a reduction in the labour force migration due to closed borders. While the Group has not experienced any material shortage of personnel as a result of such reduction, there is no assurance that if borders remain closed for a prolonged period of time, personnel outsourcing companies will be able to meet the Group's needs for personnel in Russia. If the Group is unable to quickly satisfy its needs for personnel using other outsourcing companies or its own personnel, the Group's business, financial condition, results of operations and prospects may be materially adversely affected.

A disruption, malfunction, increased costs or failure to make improvements in the operation or expansion of the Group's supply chain could have a material adverse effect on the Group

Any major breakdown of equipment, information technology systems failure or disruption, accidents such as a serious fire or flood, industrial disputes or other interruption or malfunction at the distribution centres of the Group, at the offices of the Group or at any of the Group's key suppliers, which impacts the supply chain of the Group, may significantly impact the ability of the Group to manage its operations, distribute products to the stores and maintain an adequate product supply chain.

The Group's distribution infrastructure consists of eight distribution centres, with three owned centres located in the Moscow region and Yekaterinburg and five leased centres located in Saint-Petersburg, Novosibirsk, Kazan, Krasnodar and Voronezh. Any serious disruption or malfunction at these distribution centres could reduce the distribution capacity of the Group or render the Group unable to distribute products to its stores. Such disruption, particularly during the peak trading period, could have an adverse effect on the Group's in-store inventory and therefore could materially adversely affect the Group's business, results of operations, financial condition and prospects. A disaster or disruption in the infrastructure that supports the business could have a material adverse effect on the ability of the Group to continue to operate its business without interruption. Whilst in case of a disaster or a major disruption at one distribution centre, the Group expects to be able to redirect orders and supplies to a different distribution centre, these measures may not be sufficient to mitigate the harm that may result from such a disaster or major disruption.

The success of the business also depends on the ability of the Group to transport goods from its distribution centres to the stores in a timely and cost-effective manner. The Group outsources nearly 100% of its transportation needs for deliveries to retail stores. The Group also relies on third-party transportation service providers for deliveries of imported goods to its distribution centres. Any unexpected delivery delays, for example due to severe weather, disruptions to or malfunctions in the national or international transportation infrastructure, or increases in transportation costs, such as due to increased fuel costs, could materially adversely affect the business of the Group. In addition, the Group uses a number of customs brokers for customs clearance of imported products and, therefore, relies on these brokers providing efficient and timely services. The use of third-party service providers is subject to risks related to those third parties, which are outside of the control of the Group, such as labour shortages and work stoppages, and any disruption, delays, unanticipated expense or operational failure related to these services could adversely affect the Group's business, results of operations, financial condition and prospects.

The Group requires distribution infrastructure that is able to adequately support its anticipated growth and increased number of stores by providing sufficient scalable space and distribution capacity. In 2020, the Group increased the capacity of some of its distribution centres and expects to further increase capacity by replacing a number of its existing distribution centres with the larger centres. Any failure to continue successfully increasing capacity for storing and distributing products in Russia and other countries where the Group operates may adversely affect the Group's ability to grow. There can be no assurance that the costs of investments in improving logistics and distribution infrastructure will not exceed estimates or that such investments will be as beneficial as predicted. If the Group is unable to realise the benefits of an improved logistics and distribution infrastructure, the Group's business, results of operations, financial condition and prospects could be materially adversely affected.

Interruptions in the availability or flow of merchandise, or changes in price from domestic and foreign suppliers from whom the products of the Group are sourced could have a material adverse effect on the Group

The Group sells products that are sourced from over 600 domestic and international suppliers. The Group's top 5, 10, 20 and 30 suppliers accounted for 29%, 39%, 50% and 56%, respectively, of the Group's cost of goods sold in the year ended 31 December 2020. The top-5 suppliers are primarily Chinese agents that work directly with hundreds of manufacturers in China. Although the Group believes that its supplier base is sufficiently diversified, there can be no assurance that it will not face supplier concentration risk in the future. If a key supplier fails to deliver on key commitments, unless the Group is able to quickly replace such supplier on favourable terms, the Group could experience merchandise shortages, which could lead to lost sales. Although the Group has long-term relationships with many of its suppliers, merchandise is generally sourced on a purchase-order basis, rather than pursuant to long-term supply arrangements, with orders for products from the Group's Chinese suppliers typically made 110-180 days prior to delivery to store and orders for products from the Group's domestic suppliers typically made 7-20 days, on average, prior to delivery to store. The Group has no legal assurance that any of these relationships will continue, or continue at the same price, and the Group's sales and inventory levels could suffer if the Group is unable to promptly replace a supplier who is unwilling or unable to satisfy the price, quality, safety standards or quantity and other requirements of the Group. In addition, the Group may not be able to identify and develop relationships with qualified suppliers who can satisfy the Group's standards for price, quality, safety standards, quantity and other requirements. The loss of, or substantial decrease in the availability of, products from the suppliers of the Group, or the loss of a key supplier, to the extent the Group is not able to replace the relevant supplier on similar or more favourable terms, could lead to lost sales or increased costs.

For the majority of the Group's domestically sourced products, the Group generally pays 45 calendar days after the product delivery to the Group's distribution centre. For imported products, the payment period depends on the supplier, with the Group paying for products sourced from the Chinese suppliers typically within 120 days of shipment from China. In the future, the Group may be unable to negotiate acceptable supply terms, including for deferred payments due to market conditions, any downward change in the Group's competitive position or otherwise, which could have an adverse impact on the level of working capital and financing needs required for the Group's operations.

In the year ended 31 December 2020, approximately three quarters of the Group's products, in terms of cost of goods sold, comprised products sourced from domestic suppliers, with the remaining portion sourced from other countries, primarily China. Political and economic instability in the countries in which foreign suppliers or manufacturers are located, the financial instability of suppliers, suppliers' failure to meet the Group's standards, issues with labour practices of the Group's suppliers or labour problems they may experience (such as strikes), the availability and cost of raw materials to suppliers, merchandise quality or safety issues, transport availability and cost, inflation, and other factors relating to the suppliers and the countries in which they are located or from which they import are beyond the control of the Group and could have negative implications for the Group.

Disruptions due to labour stoppages, strikes or slowdowns, or other disruptions involving the Group's suppliers or the shipping, transportation and handling industries also may affect the Group's ability to receive merchandise in a timely manner and thus may negatively affect the Group's sales and profitability. Although the Group has not experienced any material supply disruptions due to the COVID-19 outbreak to date, there is no assurance that its supply chain will not be adversely impacted if manufacturing and distribution in the regions where the Group sources merchandise is disrupted or slows down as a result of the COVID-19 pandemic or similar events. The Group may in the future experience product shortages, due to any or all of the factors described above, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Failure to manage inventory levels appropriately could adversely affect the Group's business

Historically, the Group generally has been able to obtain sufficient quantities of attractive merchandise at commercially viable prices. Furthermore, the Group has implemented an IT solution based on its enterprise resource planning ("**ERP**") infrastructure to monitor the sales and inventory in its stores that enables it to predict the amount of the inventory to deliver to each store based on the Group's previous experience. However, if the Group is not successful in forecasting customer trends or purchasing actions, this may result in suboptimal buying decisions and category management. If the Group does not appropriately manage the resulting adverse effects using the Group's pricing policy, the Group's financial results may be materially adversely affected. In addition, the Group must maintain sufficient inventory levels to meet its customers' demands without allowing those levels to increase to such an extent that the costs to store and hold the goods unduly impact the financial condition of the Group. Conversely, the Group also cannot allow those levels to decrease to such an extent that shortages in inventory unduly impact the financial results of the Group. If the Group is not successful in managing its inventory balances, its cash flows from operations may be adversely affected. If the Group is unable to identify, source and stock products at prices that customers find attractive, its business, results of operations, financial condition and prospects may be materially adversely affected.

Implementation of the Group's strategy depends on efficient information technology systems

The Group depends on its key operational business systems for the efficient functioning of the business. In particular, the Group relies on its information technology, network and communications systems to effectively manage the sales, warehousing, distribution, merchandise planning and replenishment functions and to maintain the in-stock positions and a record of the Group's results of operations and financial position. Any failure or significant disruption to these information technology, network or communications systems could have an adverse effect on the proper functioning of the Group's businesses, both at the point of sale with regard to store replenishment and distribution activities and at an operational level with regard to the Group's ability to maintain its financial records and produce timely financial information to enable the Group to manage its operations. Notwithstanding efforts to prevent an information technology, network or communications system failure or disruption, the Group's systems may be vulnerable to damage or interruption from fire, telecommunications failures, floods, physical or electronic break-ins, computer viruses or hacking, power outages and other malfunctions or disruptions. There can be no certainty that the Group's disaster recovery and contingency plans will be effective or sufficient in the event that they need to be activated. As the Group expands its operations the Group may make further investments in its information technology and related systems. Despite the Group's relevant efforts, there can be no assurance that the Group will be able to upgrade or install technology in a timely manner, train the Group's personnel effectively in the use of the Group's technology or obtain the anticipated benefits of the technology of the Group. Any of the foregoing could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Risks Relating to the Group's Financial Condition

The Group's operations may be constrained if the Group cannot attract or service existing or future debt financing

The Group seeks to maintain a strong capital position and prudent approach to leverage. As of 31 December 2020, the Group had total loans and borrowings and lease liabilities of RUB 25,732 million, and current loans and borrowings and lease liabilities of RUB 22,019 million, representing 85.6% of the Group's total loans and borrowings and lease liabilities. As of 31 December 2020, the Group's Adjusted Net Debt/(Cash) to Adjusted EBITDA for the year ended 31 December 2020 was 0.6.

The Group has entered into short- and long-term financing arrangements with VTB Bank (PJSC), JSC Alfa-Bank, PJSC Rosbank and PJSC Sberbank, and some of the related financing agreements contain covenants requiring the Group to meet certain financial ratios. In addition, the Group's ability to make payments on the Group's debt depends upon the Group's ability to maintain the Group's operating performance at a satisfactory level, which is subject to general economic and market conditions and to financial, business and other factors, many of which are beyond the Group's control. While the Group believes it has a prudent approach to borrowing, any breach of the Group's financing arrangements or the inability to service the Group's debt through internally generated cash flow or other sources of liquidity may lead to default, which could have a material adverse effect on the Group's business.

Furthermore, the Group's planned growth may require additional capital expenditure. While the Group expects cash flows from the Group's operations to be the primary sources of funding for the Group's planned growth, it may also rely on borrowings from financial institutions to support its operations on an as-needed basis. Funding on favourable terms may become increasingly difficult to obtain during times of liquidity constraints on the financial markets or if the Group's results of operations significantly deteriorate. In addition, covenants in the Group's existing financing arrangements may restrict the Group's ability to raise additional debt funding. If the Group does not generate sufficient operating cash flow or obtain sufficient financing to fund the Group's planned expansion or its operations generally, the Group may need to curtail or discontinue the Group's growth plans, which could have a material adverse effect on the Group's future development and, in turn, have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Fluctuations in the value of the Russian Rouble against foreign currencies and hedging risks could adversely affect the Group's business

Currency exchange rate fluctuations affect the Group's results of operations as a portion of the Group's purchases are priced in foreign currencies, primarily Chinese Yuan, while the Group's sales are primarily priced in Russian Roubles. In 2020, approximately a quarter of the Group's merchandise purchases were sourced from suppliers located outside of Russia and denominated in foreign currency, primarily Chinese Yuans.

When the Russian Rouble depreciates against the Chinese Yuan or any other currencies in which the Group's purchases may be priced, the Group's costs generally increase. Amounts owed by the Group in foreign currency have maturity of up to 120 days. From time to time, the Group also holds a portion of its cash balances in U.S. Dollars and Euros for the purposes of dividend distribution. As a result, the Group is exposed to translation foreign exchange risk. As a result of volatility, changes in the relevant currency exchange rates have affected and will continue to affect the foreign exchange gains and losses which the Group records in its consolidated statement of profit or loss. The exchange rates between the Russian Rouble and each, the U.S. Dollar, Euro and Chinese Yuan, have fluctuated in recent years, most recently, due to the COVID-19 impact, and may fluctuate significantly in the future. While the Group believes that its multiple price points pricing policy provides it with a natural hedge against foreign exchange rate volatility to a certain extent, the

Group could still be adversely affected by future unfavourable shifts in currency exchange rates, particularly by a strengthening of the Chinese Yuan compared to the Russian Rouble.

Although it is the Group's policy to manage some of its currency exposures as the Group considers appropriate, through the use of hedging instruments such as forward foreign exchange contracts, there can be no assurance that such hedging arrangements will be effective or that all of the Group's currency exposure will be hedged. Furthermore, such hedging arrangements may from time to time result in the Group paying currency exchange rates that are unfavourable compared to the prevailing currency exchange rates. Any such unfavourable currency fluctuation could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group can give no assurance that its policy aimed at managing product profitability, including through multiple price points pricing, will continue to be successful

The Group sells its assortment at several fixed prices (as of 31 December 2020, RUB 50 (US$ 0.66), RUB 55 (US$ 0.72), RUB 77 (US$ 1.01), RUB 99 (US$ 1.30), RUB 149 (US$ 1.95) and RUB 199 (US$ 2.61) as well as fractions of RUB 50 (US$ 0.66) and RUB 55 (US$ 0.72)[1] marketed under the "divide the price" category). The Group's multiple price points pricing policy provides it with additional flexibility to move products between price categories in order to address sharp fluctuations in the value of the Russian Rouble against principal foreign currencies in which the Group sources products. The Group believes that this policy has in the past allowed it to mitigate cost increases associated with foreign exchange rate fluctuations based on its retail experience, forecasting methodologies and IT solutions. In addition, the Group generally factors in gradual and routine exchange rate fluctuations in its product profitability management, including through the respective adaptation of its product features, packaging and supply terms. However, the Group can offer no assurances that in the future it will be able to achieve positive impact on profitability as a result of implementation of its multiple price points pricing policy or to otherwise efficiently manage its margins in response to exchange rate fluctuations. Accordingly, failure to do so could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Increases in staff costs may adversely affect the Group's results of operations

The Group's staff costs are one of the key components of selling, general and administrative expenses. If the Group's staff costs increase at a higher pace than the Group's sales, the Group's profitability could be adversely affected. Unless the Group is able to continue to increase the efficiency and productivity of the Group's personnel, increases in staff costs exceeding sales growth that are not offset by such increases of efficiency could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, as the Group outsources a portion of its personnel in Russia (in particular, in-store personnel and personnel involved in distribution operations), the Group's staff costs include service fees payable to outsourcing companies. These outsourcing companies may increase these service fees beyond levels acceptable to the Group to address wage inflation or for other reasons. Such increases may therefore contribute to the Group's overall staff costs and impact margins.

The Group's business depends on efficient financial reporting systems and internal controls over financial reporting

The process of preparation of IFRS financial statements is complex and time-consuming and requires attention from senior accounting personnel of the Group. Introduction of new accounting standards requires special attention and expertise from such senior accounting personnel and takes time to implement across the Group's reporting systems.

In January 2016, the International Accounting Standards Board issued IFRS 16, "Leases", which sets out a new model for lease accounting, replacing IAS 17. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting model by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. The Group has adopted and implemented the new leases standard, including selecting a lease accounting system beginning on 1 January 2019 and has applied IFRS 16 using a modified retrospective approach. The Group used the practical expedient available on transition to IFRS 16 of not reassessing whether an existing contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 will continue to be applied to leases entered or modified before 1 January 2019. As a result of the adoption of IFRS 16, the

1 Price points presented in this Registration Document in Russian Roubles were converted into U.S. Dollars at the CBR exchange rate of RUB 76.25 as of 31 January 2021.

Group's historical financial position and results of operations for the periods prior to 1 January 2019 are not comparable with the financial position and results of operations following 1 January 2019, since the Group's financial results for such periods do not reflect the impact from the application of IFRS 16. See Note 4 to the Group's audited consolidated financial statements for the year ended 31 December 2019 for an explanation of the impact on the Group of the initial application of IFRS 16.

Accounting for leases under IFRS 16 is particularly complex and requires additional focus for retailers such as the Group, given the significant number of leases subject to such new accounting. The Group believes that its current reporting system and expertise is sufficient to allow the preparation of the Group's IFRS financial statements, including accounting for leases under IFRS 16 standard, on a timely and accurate basis. However, if the Group is unable to continue to maintain efficient accounting for leases under IFRS 16, there is no assurance that it will be able to prepare its financial statements in a timely and accurate manner. Further, no assurance can be given that in the future the Group's internal control over financial reporting will prevent or detect misstatements because of inherent limitations in internal controls over financial reporting, including the possibility of human error, the circumvention or overriding of controls or fraud. If the Group fails to maintain the adequacy of its internal controls, including any failure to implement required new or improved controls, or if it experiences difficulties in their implementation, the Group's business, financial condition, results of operations and prospects could be materially adversely affected.

The Group relies on certain non-IFRS measures to measure its operating performance

In this Registration Document, the Group has presented certain financial measures that are not measures of performance specifically defined by IFRS, including EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Capital Expenditure, Net Debt/(Cash), Adjusted Net Debt/(Cash), Adjusted Net Debt/(Cash) to Adjusted EBITDA and ROIC, as well as IAS 17-Based Adjusted EBITDA, IAS 17-Based Adjusted EBITDA Margin, IAS 17-Based Net Income, IAS 17-Based Adjusted Net Debt/(Cash), IAS 17-Based Adjusted Net Debt/(Cash) to IAS 17-Based Adjusted EBITDA, IAS 17-Based SG&A Expenses and IAS 17-Based Operating Lease Expenses. The Group presents these non-IFRS measures as it believes that they are helpful for understanding of the Group's performance and are commonly used by securities analysts, investors and other stakeholders in their assessment of the performance of the business of the Group. Some of the Group's non-IFRS measures for the periods following 1 January 2019 presented in this Registration Document, such as IAS 17-Based Adjusted EBITDA, IAS 17-Based Adjusted EBITDA Margin, IAS 17-Based Net Income, IAS 17-Based Adjusted Net Debt/(Cash), IAS 17-Based Adjusted Net Debt/(Cash) to IAS 17-Based Adjusted EBITDA, IAS 17-Based SG&A Expenses and IAS 17-Based Operating Lease Expenses, have been presented on the basis of IFRS requirements that applied before the adoption of IFRS 16 on 1 January 2019 and are, therefore, presented on the basis of accounting principles of IAS 17. The Group continues to use these IAS 17-based measures to measure its operating performance and believes that IAS 17-based measures are still used by some investors and analysts to analyse performance of retail companies and compare performance with peers that report using the same or similar methodology, despite the adoption of IFRS 16. Non-IFRS measures are measures of the Group's operating performance that are not required by, or presented in accordance with, IFRS, and have limitations as analytical tools. These non-IFRS measures have been shown for illustrative purposes only and have not and will not be reported, reviewed or audited by the Group's independent auditors.

Risks Relating to Real Estate

The Group leases the premises for all of the Group's stores, its headquarters and some of its distribution centres, and the Group's failure to renew such leases on commercially acceptable terms, or at all, could affect the Group's business

The Group leases all of its stores and five of its eight distribution centres and the headquarters. Some of the Group's lease agreements provide for an annual indexation of rental rates. As a result, the Group is susceptible to changes in the property rental market, such as increases in market rents.

As of 31 December 2020, the Group leased approximately 62% of its stores on the basis of short-term lease agreements with a duration of up to 12 months, approximately 38% of its stores on the basis of 1 to 5 year lease agreements and less than 0.1% of its stores on the basis of longer-term leases of over 5 years. The majority of the Group's store lease agreements allow for automatic extensions or provide that the Group has renewal rights exercisable subject to compliance with the lease terms and upon a written notice to the lessor. Some of the Group's store lease agreements allow the lessor to retain the Group's property or block access to the Group's retail space in case the Group defaults on lease payment obligations. The Group leases its headquarters under a nine-year long-term lease agreement and its rented distribution centres under the long-term leases of three to seven years.

All of the Group's lease agreements for stores located in Russia are denominated in Russian Roubles. In addition, all of the Group's lease agreements for the Group's leased distribution centres and the headquarters located in Russia are denominated in Russian Roubles. All of the Group's lease agreements for the stores operated by the Group in other jurisdictions where the Group has presence are denominated in the respective national currency, except for some of the Group's stores in Belarus, where the leases have historically been denominated in U.S. Dollars or Euros consistent with the market practice.

There can be no assurance that the Group will continue to be able to obtain or renew leases on commercially acceptable terms, including rental rates, or at all, as they expire. As the majority of the leased properties of the Group are subject to rent reviews every year, the Group may be affected in the future by changes in the commercial property rental market, such as a decrease in available sites or increases in market rents for both existing stores undergoing those scheduled rent reviews and new stores. In addition, the Group may not be able to renew its existing store leases where, for example, the landlord is able to establish statutory grounds for non-renewal or if the leases do not fall under the leasing strategy of the Group. Any inability to renew existing leases may result in, among other things, significant alterations to rental terms (including increasing rental rates), the closure of stores in desirable locations, increased costs to fit out replacement locations or failure to secure a relocation in attractive locations. The manifestation of any of these risks could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group's planned construction of distribution centres may be subject to delays and cancellation

The Group owns some of its distribution centres and in line with the Group's store expansion plans and its goal to optimise its supply chain, it intends to replace some of its existing distribution centres by building new ones with larger capacity. The Group, therefore, relies on third-party contractors for the construction of its distribution centres. While the Group works with a pool of construction companies who have generally been able to meet their construction commitments, there is no assurance that in the future there will not be a shortage of skilled contractors able to build new distribution centres on time and in compliance with the Group's requirements. Contractors may fail to meet the quality standards required by the Group or applicable health and safety requirements. Delays and defects in construction, including due to failures to obtain requisite approvals and consents, could result in increased costs and postponed distribution centres' openings. The Group's construction projects and the distribution centres' openings may also be delayed or be more costly if utilities services, such as electricity, water and gas supply, are difficult to obtain. As a result of any of these factors, the Group's existing distribution centres may be required to operate at full capacity or the Group may not be able to meet its expansion targets as planned, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

Other Risks Relating to the Group's Business

As the Group does not have direct control over its franchisees, breaches by franchisees of their contractual arrangements with the Group or improper operation and management of stores by franchisees could harm the Group's business

As part of the Group's business development strategy the Group focuses on increasing the number of its own stores. However, historically the Group has also sold, and continues to sell, its products through its franchisee stores network, which contributes to the Group's revenue. As of 31 December 2020, the Group had 425 franchise stores in Russia, Belarus, Kazakhstan, Latvia, Georgia and Kyrgyzstan. In the years ended 31 December 2020, 2019 and 2018, the Group's wholesale revenue derived from franchisees accounted for 12.6%, 13.8% and 13.5% of the Group's total revenue, respectively. The Group has been using the franchise model to test remote markets and regions where it had limited or no presence and/or which were not a priority for the Group at the relevant time, with the view to increase geographical presence and store network in those markets and regions. The Group holds a non-controlling interest in some of its franchisees.

The Group relies on franchising agreements to ensure that its franchisees adhere to its retail standards and policies. However, the Group does not have direct control over them. Although the Group has relevant contractual protection in place, differing levels of quality or service across the store network of its franchisees or improper management by any of the franchisees could compromise the Group's consumer image and reputation. In addition, there can be no assurance that the franchisees of the Group will not breach their contractual obligations to the Group or will not commit other acts or omissions causing damage to the Group's commercial interests, whether willingly or otherwise. Such acts, omissions or breaches by the franchisees could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Unauthorised disclosure of commercially sensitive or confidential information could harm the Group's business

The protection of company, employee and customer data is critical to the Group. The Group relies on commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of commercially sensitive and confidential, such as special supply terms, lease arrangements, potential new deals, planned marketing campaigns, as well as payment and personally identifiable information of customers and personnel. Despite the security measures in place (such as, among others, user authorisation and data and network access protocols and procedures, IT network protection controls, use of antivirus and anti-cyber-attack software, traffic protection software, systems detecting and preventing unauthorised use of data, data backup as well as relevant internal policies and regulations), the Group's IT systems, and those of its third-party providers, may be vulnerable to security breaches, acts of vandalism, computer viruses, lost data, programming or human errors or other similar events. Any security breach involving the misappropriation, loss or other unauthorised disclosure of commercially sensitive or confidential information, whether by the Group or its vendors, could damage the Group's reputation, lead to a loss of special or exclusive terms with its suppliers or lessors, result in competitors obtaining more favourable contractual terms with vendors and cancellation of favourable deals, decrease expected returns from planned marketing and promotional events, expose the Group to risk of litigation and liability and otherwise disrupt its operations. In addition, data protection risks are increased by storing more data on customers. Any of these factors could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

A deterioration of the value of "Fix Price" brand or infringement of the related trademarks could negatively impact the Group's business

As the Group's business is dependent on the Group's "Fix Price" brand and the goodwill associated with it, the "Fix Price" brand name and related trademarks are key assets of the Group's business. The Group has registered its "Fix Price" trademark (both Latin and Cyrillic characters), which is used by all of its stores, in Russia, as well as in Kazakhstan, and has applied for registration in Uzbekistan in April 2020. The Group has also registered several trademarks related to the "Fix Price" brand pursuant to the WIPO system with protection in other countries including Austria, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Latvia, the U.K. and Uzbekistan. The Group has also registered a number of its own private brands.

Russia generally offers a lower level of intellectual property rights protection and enforcement than Western jurisdictions. The use of trademarks is a relatively underdeveloped area of Russian law, and accordingly conflicts between intellectual property rights registrations may arise. While no claims with respect to the Group's intellectual property are currently ongoing or pending, a third party may claim to have rights superior to the Group's registration or the Group's registration may prove vulnerable on other grounds. Since the Group registered the current "Fix Price", other related and own private brand trademarks in Russia, the Group has constantly monitored any potential infringements of the Group's trademark rights and, when third parties used the respective name and trademarks in violation of the Group's rights, the Group protected or took actions to protect the Group's rights through notices to infringers and court proceedings, and the Group will continue to do so. Although the Group believes that it has been taking appropriate steps to protect the Group's trademarks and other intellectual property rights, such steps may prove insufficient and third parties may infringe or challenge the Group's rights. If the Group is unable to protect the Group's intellectual property rights against infringement or misappropriation, this could impact the Group's ability to develop the Group's business. In addition, the Group may be unable to register the "Fix Price" trademark in other countries in which the Group may operate in the future. From time to time the Group may need to engage in litigation in order to protect and enforce the Group's intellectual property rights. A failure to protect these rights could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The ability of the Group to grow its business will depend on the continued favourable public perception of the "Fix Price" brand. The ability of the Group to promote its brand, maintain or enhance its brand recognition and awareness among customers and maintain its reputation and the value associated with the "Fix Price" name is critical to the Group's operations. The Group's reputation could be jeopardised if its customers believe it has failed to maintain merchandise quality and integrity or if it failed to maintain its reputation as price leader. Any events or negative allegations affecting its brand image or negative publicity about product quality or integrity may reduce demand for the Group's merchandise.

The Group's failure to maintain high ethical, social and environmental standards for its operations and activities, or adverse publicity regarding the Group's responses to these concerns, could also jeopardize its reputation. The majority of the merchandise offered in the Group's stores, including the own brand merchandise, is manufactured in lower-cost countries, including in China, and the Group imposes manufacturing and product quality requirements on the suppliers of its merchandise. There can be no assurance that the Group and its quality control management team will be able to detect all violations of such requirements or that the Group's suppliers will maintain or uphold these requirements or continue to operate in compliance with accepted ethical and labour practices. To the extent the Group's suppliers engage in unacceptable ethical and labour practices, such as modern slavery, or do not comply with the Group's manufacturing and product quality requirements or applicable laws, the Group may suffer from negative publicity for using such suppliers, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, any acts, wrongdoings or non-compliance with any rules and regulations by the Group's personnel, including those who manage and operate stores, the owners, operators and employees of franchise stores operating under the "Fix Price" name or the Group's suppliers may harm the Group's business and brand reputation, and the Group may be required to expend significant resources in order to rebuild such business and brand reputation. Any negative impact on the Group's brand reputation, including the failure of the Group or its business partners to comply with applicable laws and regulations, or the loss of customers resulting from the Group's failure to maintain or enhance its brand reputation, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's advertising and marketing programmes may not be effective in generating sufficient levels of customer awareness and driving customer footfall

The Group relies on a variety of marketing methods to increase awareness of its brand, product offerings and pricing and to drive customer footfall. The Group primarily markets through such channels as media, direct marketing and POSM, outdoor advertising, call centre, Internet, marketing events and loyalty programme. The Group's future growth and profitability will depend in large part upon the effectiveness and efficiency of its advertising and marketing programs. In order for these advertising and marketing programmes to be successful, it must manage advertising and marketing costs effectively in order to maintain acceptable operating margins and return on the Group's marketing investment, and convert customer awareness into customer footfall.

The Group's planned advertising and marketing expenditures may not result in increased total or comparable revenue or generate sufficient levels of brand or product awareness. Further, the Group may not be able to manage its advertising and marketing expenditures on a cost-effective basis. Additionally, some of the Group's competitors may have substantially larger marketing budgets, which may provide them with a competitive advantage over the Group. If the Group's advertising and marketing programmes are ineffective or if the Group is unable to manage its advertising and marketing costs, the Group may fail to generate sufficient levels of customer awareness or drive customer footfall, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is exposed to the risk of damage to the brands of its merchandise, including its private brands, and a decline in customer confidence in the Group or its products

The Group's sales are dependent in part on the strength and reputation of the brands it offers, including both third-party brands and its own private brands, and are subject to consumers' perceptions of the Group and its products. For third-party brands, which accounted for approximately 31% of the Group's retail sales in the year ended 31 December 2020, the Group is dependent on its suppliers' investment in marketing and promoting their brands in order for consumers to purchase their products rather than those of the brands' competitors. The Group also offers its private brand merchandise items which are important for future growth prospects as own label items offer a significant means of competitor differentiation and also generally offer more attractive margins. Maintaining broad market acceptance of the Group's private brand items depends on many factors, including value, quality and customer perception. The Group may not in the future achieve or maintain its expected sales of its private brand products, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is exposed to certain risks in connection with the increasing use of non-cash payments in its operations

Customers at the Group's stores pay for their purchases in cash as well as through various non-cash options, including credit and debit cards, but the use of non-cash payments in Russia is increasing due to various incentives offered by banks. Non-cash payments at the Group's stores significantly increased in the last several years and accounted for over 50% of the Group's retail revenue in 2020. With respect to credit and debit card payments, for example, payment systems such as Visa, Mastercard and Mir dominate the local market in Russia and thus, together with the administering local banks, are able to charge relatively high fees for the processing of credit and debit card payments. Fees currently payable by the Group are approximately 1.6% of the transaction value (while the cost of collecting hard cash is 0.24% of the transaction value). While the Group has agreed caps on acquiring fees under its existing agreements with relevant banks, there is no assurance that these fees will not significantly increase in the future. The share of non-cash transactions at the Group's stores may continue to increase in the future. The Group, therefore, is exposed to the risk of an increase in cost with the growing share of non-cash payments, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group may encounter acquisition risks in the expansion of its business

Although the Group is not currently considering any material acquisitions, as part of its expansion strategy, it may pursue growth through mergers or acquisitions of businesses in the Russian retail sector or abroad. The Group evaluates potential acquisition targets and may in the future seek to acquire assets, other businesses or legal entities in order to expand its operations. Future acquisitions could expose the Group to potential risks, including risks associated with the integration of new operations, assets and personnel, unforeseen or hidden liabilities, the disruption of relationships with suppliers and customers, the diversion of resources from the Group's existing businesses and technologies, a deterioration in the perception of the Fix Price brand, the inability to generate sufficient revenue to offset the costs and expenses of acquisitions and potential loss of, or harm to, relationships with personnel and external parties as a result of the integration of new businesses. Future acquisitions could also require the Group to incur debt or issue equity securities, which may dilute the interest of existing shareholders. In addition, there is no assurance that the Group would have sufficient resources to complete acquisitions that the Group considers necessary to ensure that the Group is able to maintain its market share in significant markets, or that the Group would not fail to complete such acquisitions for other reasons. Failure to successfully implement acquisitions could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's insurance policies may be insufficient to cover losses arising from business interruption, damage to the Group's property or third-party liabilities

The Group believes that the Group's current insurance arrangements comply with insurance requirements under Russian law. However, the insurance industry is not yet fully developed in Russia, and many forms of insurance protection common in more developed countries are not yet available in Russia or are not available on comparable or commercially acceptable terms, including coverage for business interruption. The Group currently maintains insurance coverage against damage caused by fire, water, natural disasters, theft and third-party wrongdoing for all of its distribution centres and certain stores obtained at request of its store lessors. The Group's insurance policies also include building insurance, including insurance of the finishing, engineering systems and inventory. In certain cases, however, the Group may not be insured for the full replacement value of the insured property. There can be no assurance that if the Group incurs significant liability, the Group's insurance will be sufficient to cover such liability.

If the Group experiences a major accident or if a significant event such as fire, explosion or flood were to affect the Group's core properties or facilities or the Group's stores, the Group could experience substantial property and equipment loss and disruption in operations. Moreover, depending on the severity of the damage, the Group may not be able to rebuild such damaged property or restore operations in a timely fashion, or at all, or prevent such damage from negatively impacting the Group's reputation or customer relationships. The Group's insurance policies may not cover all cases of loss of material property. For example, the Group will not be able to recover loss in the event of an act of terrorism. The Group does not currently maintain insurance coverage for business interruption, product liability or loss of key management personnel, as these are not industry practice in the Group's sector. Accordingly, any such event could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Failure to comply with existing laws and regulations or introduction of more stringent laws and regulations could result in the closure of the Group's stores, the imposition of substantial penalties, additional costs or slower growth of revenue

As a retailer of merchandise and food products, the Group's business and particularly the Group's stores must comply with various laws, regulations and rules with respect to, among other things, quality standards, health and safety, sanitary rules and consumer protection. This includes obtaining and renewing various permits concerning, for example, health and safety and environmental standards. Regulatory authorities exercise considerable discretion in matters of enforcement and interpretation of applicable laws, regulations and rules, the issuance and renewal of permits and in monitoring compliance with the terms thereof. Compliance with the requirements imposed by these authorities may be costly and time-consuming and may result in delays in the commencement of the Group's operations, the imposition of penalties and suspension of operations at the Group's stores.

In addition, Russian trade and consumer protection rules and regulations can change rapidly, which may adversely affect the Group's ability to conduct business.

Failure to comply with existing or new laws, regulations and rules may result in the imposition of sanctions, including civil and administrative penalties applicable to the Group and criminal and administrative penalties applicable to the Group's officers. Specifically, the Group may be required to cease certain of the Group's business activities and/or to remedy past infringements. Decisions, requirements or sanctions taken and imposed by relevant authorities may restrict the Group's ability to conduct the Group's operations or to do so profitably and, as a result, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, the Group may be subject to product liability claims with respect to the sale of products that are recalled, defective or otherwise alleged to be harmful. Injuries may result from tampering by unauthorised third parties, product contamination or spoilage, including the presence of foreign objects, substances, chemicals, other agents, or residues introduced during the growing, storage, handling and transportation phases. While the Group believes that its products comply in all material respects with all applicable laws and regulations, the Group cannot be sure that consumption or use of products sold in the Group's stores will not cause illness or injury in the future or that the Group will not be subject to claims or lawsuits relating to such matters. Although the Group generally seeks contractual indemnification from its suppliers, it may not have adequate contractual indemnification available, which in certain cases may require the Group to respond to claims or complaints from customers as if the Group was the manufacturer. Even if a product liability claim is unsuccessful or is not fully pursued or is covered by indemnification, the negative publicity surrounding such claims could adversely affect the Group's reputation with existing and potential customers. Any of these factors could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Competition laws enforced by the Russian Federal Antimonopoly Service may result in certain limitations being imposed on the Group's activities, which may affect the Group's business

Federal Law No. 135-FZ "On Protection of Competition" dated 26 July 2006, as amended (the "**Competition Law**"), generally prohibits any concerted action, agreement or coordination of business activity that results or may result in, among other matters: (i) establishing or maintaining prices (tariffs), discounts, extra charges and/or margins; (ii) coordination of auctions and tenders; (iii) division of a market by territory, volume of sales or purchases, types of goods, customers or suppliers; (iv) reduction or termination of goods production; or (v) refusal to enter into contracts with certain buyers (customers). In addition, concerted actions are prohibited if they result or may result in restriction of competition by way of, among others, (i) imposing unfavourable contractual terms upon a counterparty or not related to with the subject matter of agreement, (ii) establishing different prices for the same goods without economical, technological or other justification or (iii) creating barriers to entering or exiting a market.

Courts interpret these concepts of concerted actions or coordination of business activity inconsistently. As a result, there is significant uncertainty as to what actions may be viewed as violations of the Competition Law. In a number of precedents, Russian courts found concerted actions where market participants acted in a similar way within the same period of time, although, arguably, there were legitimate economic reasons for such behaviour and the behaviour was not aimed at restricting competition. While the Group is not aware of any allegation that it has violated the Competition Law, there is a risk that the Group may be found to have violated the law if the Group's market behaviour towards the Group's customers or suppliers is viewed as being similar to the behaviour of the Group's competitors, and perceived by the Russian Federal Antimonopoly Service (the "**FAS**") as restricting competition. Such broad interpretations of the Competition Law may result in the FAS imposing substantial limitations on the Group's activities, may limit the Group's operational flexibility and may result in civil, administrative or criminal liability.

The FAS, which has the power to investigate perceived violations of the Competition Law, has been reviewing the marketing, sales and supply strategies of major participants in the Russian retail industry in recent years and bringing charges against certain market participants alleging concerted actions in violation of the Competition Law. If the Group's activities are found to have violated the Competition Law, the Group could be subject to penalties or ordered to change the Group's business operations in a manner that increases costs or reduces revenue and profit margin. Despite the Group's best efforts to comply with the Competition Law, there can be no assurance that the FAS will not inspect the Group's activities in the future and find the Group liable for breaches of the Competition Law. Should this happen, this could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, while the Group is not aware of having such a position in any market given its variety merchandise retail proposition, if the Group is found to hold a market share of over 35% or a dominant position within a certain market with respect to the Group's retail operations or a specific product or service, or products or services, the Group will become subject to increased scrutiny by the FAS. For example, the Group may be required to submit for regulatory review the Group's agreements with suppliers, and any failure to obtain an appropriate consent by FAS following such review could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Company may be subject to additional requirements relating economic substance in the BVI

On 1 January 2019, the Economic Substance (Companies and Limited Partnerships) Act, 2018 (the "**ES Act**") came into force in the BVI. The ES Act and the rules promulgated thereunder were enacted in direct response to a scoping paper issued by the European Union's Code of Conduct Group (Business Taxation) in June 2018. The scoping paper (a) expressed concerns regarding so-called harmful tax competition and the potential "misuse" of offshore entities for profit-shifting; and (b) set out requirements that certain jurisdictions outside the European Union must adopt in order for the jurisdiction to avoid being "blacklisted" by the European Union. Under the ES Act and the rules promulgated thereunder, companies incorporated in the BVI that are not tax resident in another jurisdiction and which carry on certain specified activities must establish and maintain "economic substance" in the BVI.

While the exact scope of the current rules is not clear, the Company is currently not carrying on any relevant activity for the purposes of the ES Act and is therefore not subject to the requirements of the ES Act. However, given the current uncertainty regarding the scope of the rules, it is possible the relevant regulatory authorities could take a different view and the Company could be required to adopt significant substance in the BVI. Moreover, in order to avoid "blacklisting" by the European Union, the BVI may be required to amend the ES Act in the future to comply with any further recommendations from, or changes required by, the European Union. It is not possible to predict how any such action may affect the Company. Amongst other things, it is possible the Company could be required to establish and maintain a physical office and employees in the BVI, incur adequate expenditure in the BVI, have all board meetings in the BVI and carry on certain key activities in the BVI or to otherwise be subject to increased regulation. If the Company were subject to such requirements, this could result in material additional operational costs and expenses for the Company.

Information regarding the Group's competitors and other market data and trends were not independently verified by the Group and may be inaccurate

Information regarding the Group's competitors and other market data and trends has been sourced from third-party independent agencies as well as from Russian government agencies, and such information has not been independently verified by the Group. The process of estimating market data and trends requires interpretations of available data which may be incomplete and many assumptions to be made, including assumptions relating to current and future economic conditions and customers' preferences. The Group cannot give any assurance that such estimates have been made with a high degree of accuracy and there is the inherent degree of uncertainty in light of the ongoing COVID-19 pandemic. Nevertheless, the Group confirms that such information has been accurately reproduced and, as far as the Group is aware and are able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Moreover, the official data published by Russian government agencies is substantially less complete or detailed than those of Western countries. Official statistics may also be produced on different bases than those used in Western countries. Any statistical information relating to Russia and the retail market in this Registration Document is therefore subject to uncertainty due to concerns about the completeness or reliability of available official and public information. The lack of accurate statistical information may also adversely affect the Group's business planning capacity, which in turn could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is exposed to the risk of inventory and cash theft, as well as employee misconduct and mistakes

The Group is exposed to the risk of inventory and cash theft, as well as employee misconduct and mistakes. Although the Group has put in place various security and surveillance measures, including its the software solutions developed by the Group to ensure security of inventory and cash, the Group is unable to completely prevent inventory or cash thefts or employee misconduct at the Group's stores. For example, a significant number of customers pay in cash. Therefore, the Group may be exposed to minor cash shortages as a result of employee misconduct (such as theft) or mistakes (such as errors in cash settlement with customers). The Group takes various precautions to detect and prevent inventory and cash theft, employee misconduct or mistakes, but these may not be effective in all cases. In addition, the Group is exposed to the risk of inventory theft by customers. While the Group has implemented measures to protect against this risk, such as product count, inventory audits, store inspections, video surveillance systems and use of controllers as needed, there is no assurance that these will be effective at all times. Significant losses arising from, or costs incurred to prevent, inventory or cash thefts, employee misconduct or mistakes could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Negative publicity could affect the Group's business

Negative publicity in which the Group or its shareholders are named may adversely affect the Group's reputation, irrespective of its truth or otherwise or its connection with the Group's current operations or business. There is a tendency among the local and international press to generate, from time to time, speculative reports that contain allegations of criminal conduct or corruption on the part of Russian companies or individuals within Russian companies, irrespective of whether those allegations have any basis in fact. In addition, the Russian press and other media have been, from time to time, suspected of publishing biased articles and reports in return for payment. Any negative publicity, even if not directly related to the Group, may affect the Group's reputation, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Natural disasters, pandemic outbreaks, terrorist acts, global political events and other unforeseen circumstances could decrease customer traffic, cause permanent or temporary store closures, or impair the Group's ability to purchase, receive or replenish inventory

The occurrence of one or more natural disasters, such as floods, pandemic outbreaks (such as COVID-19), weather conditions, such as frequent or unusually heavy snowfall, ice storms, rainstorms, major or extended winter storms or other extreme weather conditions, terrorist acts, disruptive global political events or other disruptions in Russia or other countries in which the Group operates or the Group's suppliers are located could materially and adversely affect the Group's business, results of operations, financial condition and prospects. Such events could result in physical damage to, or the complete loss of, one or more of the Group's properties, the closure of one or more of the Group's stores or distribution centres, the lack of an adequate work force in a given market, the inability of customers or personnel to reach or have transportation to any affected stores or distribution centres, the evacuation of the populace from areas in which the Group's stores are located, changes in the purchasing patterns of consumers and in consumers' disposable income, the temporary or long-term disruption in the Group's supply chain, the reduction in the availability of certain products in the Group's stores, the disruption of utility services to the Group's stores and distribution centres, or disruption in the Group's communications with its stores. In addition, such events could have indirect consequences such as increases in the cost of insurance if they result in significant loss of or damage to property or other insurable damage. Such activities may cause disruption, adversely affect the Group's operations in the areas in which these events occur and/or lead to a reduction of customer footfall at the Group's stores and could therefore adversely affect the Group's business, results of operations, financial condition, or prospects.

Risks Relating to Russia

Risks Relating to the Political, Economic and Social Situation in Russia

The substantial majority of the Group's revenue is derived from within Russia and substantially all of the Group's fixed assets are located in Russia. Investments in Russia carry certain country-specific risks.

Emerging markets such as Russia are subject to greater risks as compared to more developed markets

Emerging markets such as Russia are subject to different risks as compared to more developed markets, including, in some cases, increased political, economic and legal risks. Emerging market governments and judiciaries often exercise broad, unchecked discretion and are susceptible to abuse and corruption. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the magnitude of the risks involved in, and are familiar with, investing in emerging markets. Investors in emerging markets such as Russia, should be aware that these markets are subject to greater risk than more developed markets, including in some cases significant legal, economic and political risks. Emerging markets such as Russia, are subject to rapid change, and the information set out herein may become quickly outdated.

Financial or economic crises, whether global or limited to a single large emerging market country, tend to adversely affect prices in equity markets of most or all emerging market countries as investors move their money to more stable, developed markets. Over the past few years, the Russian equity markets have been highly volatile, principally due to the impact of the global economic slowdown resulting from various factors, including the European sovereign debt crisis, the slowdown in Chinese economic growth and the dramatic fall in oil prices, as well as the deteriorating conditions of the Russian economy, and most recently, the COVID-19 pandemic. As has happened in the past, financial problems such as significant depreciation of the Russian Rouble, capital outflows and a deterioration in other leading economic indicators or an increase in the perceived risks associated with investing in emerging economies due to, *inter alia*, geopolitical disputes such as the crisis in Ukraine and imposition of certain trade and economic sanctions in connection therewith, could dampen foreign investment in Russia and adversely affect the Russian economy. In addition, during such times, businesses that operate in emerging markets can face severe liquidity constraints as funding sources are withdrawn. Furthermore, in doing business in various countries of the former Soviet Union, the Group faces risks similar to (and sometimes more significant than) those that the Group faces in Russia. As the Group operates in a number of such emerging markets, the Group may be exposed to any one or a combination of these risks that could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Political risks could adversely affect the value of investments in Russia

While the political situation in Russia has been relatively stable since 2000, future policy and regulation may be less predictable than in less volatile markets. Any future political instability could result in a worsening overall economic situation, including capital flight and a slowdown of investment and business activity. In addition, any change in the Russian Government or its programs or lack of consensus between the Russian President, the Prime Minister, the Russian Government, the Parliament and powerful political, social, religious, regional, economic or ethnic groups could lead to political instability and a deterioration in Russia's investment climate that might limit the Group's ability to obtain financing in the international capital markets, and the Group's business, prospects, financial condition and results of operations could be materially and adversely affected. In January 2020, the current Russian President Vladimir Putin proposed a number of constitutional reforms aimed at altering the balance of power between the legislative, executive and judicial branches and introducing certain other changes to the Constitution of Russia. The suggested amendments to the Constitution of Russia envisaged, among other things, the prioritisation of the Constitution of Russia over international treaties and the decisions of international bodies, strengthening of the Russian State Council as an advisory board to the Russian President and granting the Russian Federal Council with authority to terminate the powers of the judges of the Constitutional Court of Russia upon the recommendation of the Russian President. In addition, further amendments were proposed in March 2020, under which the previous and/or current President of Russia is allowed to participate in presidential elections for two terms following the amendment of the Constitution, with previous presidential terms, which were served or started prior to these amendments becoming effective, will not be accounted for. The amendments were approved in a nation-wide vote held from 25 June 2020 to 1 July 2020 and are effective from 4 July 2020. These amendments may have a significant impact on the Russian political landscape and regulatory environment and lead to other changes that are currently difficult to predict.

According to some commentators, politically motivated actions, including claims brought by the Russian authorities against several major Russian and international companies, have called into question the security of property and contractual rights, the progress of the market and political reforms, the independence of the judiciary and the certainty of legislation. This has, in turn, resulted in significant fluctuations in the market price of Russian securities and had a negative impact on foreign investments in the Russian economy, over and above the general market turmoil recently. Any similar actions by the Russian authorities which result in a further negative effect on investor confidence in Russian business and legal environment could have a further material adverse effect on the Russian securities market and prices of Russian securities.

Russia is a federative state consisting of 85 constituent entities, or "subjects". The Russian Constitution reserves some governmental powers for the Russian Government, some for the subjects and some for areas of joint competence. In addition, eight "federal districts" ("*federal'nye okruga*"), which are overseen by a plenipotentiary representative of the President, supplement the country's federal system. The delineation of authority among and within the subjects is, in many instances, unclear and contested, particularly with respect to the division of tax revenues and authority over regulatory matters. Subjects have enacted conflicting laws in areas such as privatisation, land ownership and licensing. For these reasons, the Russian political system is vulnerable to tension and conflict between federal, subject and local authorities. This tension creates uncertainties in the operating environment in Russia, which may prevent businesses from carrying out their strategy effectively.

In addition, ethnic, religious, historical and other interest groups have on occasion given rise to tensions and, in certain cases, military conflict. Moreover, various acts of terrorism have been committed within Russia. The risks associated with these events or potential events could materially and adversely affect the investment environment and overall consumer and entrepreneurial confidence in Russia, which in turn could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Disputes between Russia and other countries and related sanctions imposed by the U.S., the EU and certain other countries as well as expansion of these sanctions, may adversely affect the Group's business

During the course of 2014, the U.S. and the EU (as well as other countries, such as Canada, Switzerland, Australia and Japan) imposed sanctions on a number of Russian and Ukrainian persons and entities, including current and former officials and individuals, companies, banks and businessmen, as a result of conflict between Russia and the Ukraine in Eastern Ukraine. Pursuant to these sanctions, certain entities and individuals were identified as "designated nationals" with the basic practical consequences that U.S. persons cannot do business with them while EU persons cannot provide funds or other economic resources to them, their assets in the EU and the United States are subject to seizure and in the case of individuals they can be subject to travel bans. Another form these sanctions have taken is "sectoral" sanctions with the basic consequence that several of Russian leading banks and energy companies cannot access international capital markets. These sectoral sanctions have had the effect, magnifying over time, of adding to the overall cost of capital in Russia. Other U.S. and EU sanctions have been imposed in respect of, *inter alia*, Russian military defence entities, dual-use technologies, sophisticated off-shore oil drilling technologies, and doing business in Crimea.

In December 2016, the President of the United States issued an executive order providing for the imposition of sanctions on individuals and entities determined to be responsible for tampering, altering, or causing the misappropriation of information with the purpose or effect of interfering with or undermining election processes or institutions in the United States. In accordance with the executive order, the U.S. Office of Foreign Assets Control ("**OFAC**") extended its list of sanctioned Russian entities and individuals to include persons believed to be involved in the alleged hacker attacks on the servers of the U.S. political parties during the 2016 presidential election.

In August 2017, the United States passed a Countering America's Adversaries Through Sanctions Act ("**CAATSA**"), which significantly tightened "sectoral sanctions" discussed above and introduced a host of new sanctions, including "secondary sanctions" targeting non-U.S. persons if the U.S. President determines that any such person knowingly and materially violates, attempts to violate, conspires to violate or causes a violation of a restriction introduced under any relevant U.S. Russian sanctions legislation or facilitates a significant transaction or transactions for or on behalf of any person subject to U.S. Russian sanctions or his or her relatives. This legislation further restricts access of the sanctioned Russian banks and energy companies to debt financing on international capital markets, and expands the application of sanctions in relation to the Russian energy sector. Furthermore, this legislation puts significant limitations on the U.S. President's authority to ease sanctions and issue licensing actions with respect to Russia.

In October 2017, the U.S. Department of State issued public guidance on implementation of CAATSA and the list of Russian defence and intelligence companies and institutions, "significant transactions" with which may result in the imposition of sanctions on persons that engage in such transactions with these companies and institutions. The EU recently extended its own sectoral sanctions until 31 July 2021 but has not adopted new, broader sanctions like those in the said U.S. legislation.

CAATSA also requires the U.S. Department of Treasury to issue reports on Russian senior political figures and oligarchs, Russian parastatal entities and illicit financing in Russia, presumably to determine whether other parties should be sanctioned. The first report was issued on 29 January 2018 and lists 114 senior Russian political figures and 96 wealthy Russian businessmen ("**Report**"). The list of wealthy Russian businessmen includes individuals each of which, according to reliable public sources, have an estimated net worth of US$ 1 billion or more. The identification of any individuals or entities in such reports does not automatically lead to the imposition of new sanctions and it is not possible to predict whether any such identification could have a material adverse effect on the Russian economy or the Group. Some of the persons on the list are already subject to sanctions. Financial institutions are not required to block or reject transactions involving those who are not sanctioned, but there is no assurance that they will not apply their policies for dealing with politically exposed persons to the people listed. Any new sanctions imposed on the basis of the Report, may further impact the Russian economy and lead to retaliatory sanctions from Russia. In addition, there is no assurance that such sanctions, if imposed against any of the Group's shareholders or senior management, would not result in any reputational issues for the Group or otherwise interfere with the Group's operations.

No individual or entity within the Group has been designated by either the United States or the EU as a specific target of their respective Ukraine related sanctions. No assurance can be given, however, that any such individual or entity will not be so designated in the future, including as a result of any reports similar to the Report, or that broader sanctions against Russia that affect the Group, will not be imposed. In the ordinary course of business, the Group, like many other Russian companies, conducts commercial operations with Russian persons and entities that are currently subject to the U.S. or EU sectoral sanctions (including Sberbank and VTB). Such operations are limited to the territory of Russia and are permissible pursuant to applicable laws. Although the Group's commercial relations with these entities are not prohibited or otherwise negatively affected by the sanctions, should the sanctions in respect of these entities be expanded or new sanctions introduced in respect of the above or any other of the Group's partners, the Group's business could be adversely affected. Any non-compliance with the U.S., EU and other sanctions programmes could expose the Group to significant fines and penalties and to enforcement measures, which in turn could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In August 2018, the U.S. State Department imposed new sanctions on Russia under the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991 ("**CBW Act**"). The initial set of sanctions under the CBW Act includes, among other things, termination of sales of any defence articles and services and prohibition on the export to Russia of certain national security-sensitive goods and technology. In November 2018, the U.S. Department of State declared its intention to impose such additional sanctions following alleged failure of Russia to meet the respective conditions. On 2 August 2019, OFAC proceeded to issue a directive that prohibited U.S. banks from participating in the primary market for non-Russian Rouble denominated bonds issued by the Russian sovereign and also prohibited U.S. banks from lending non-Russian Rouble denominated funds to the Russian sovereign.

Russia has responded with countermeasures to international sanctions, currently including limiting the import of certain goods from the United States, the European Union and other countries, imposing visa bans on certain persons, and imposing restrictions on the ability of Russian companies and credit institutions to comply with sanctions imposed by other countries. In addition, in January 2018, the Russian Government adopted regulations allowing Russian companies not to publicly disclose information with respect to certain transactions entered into with other Russian companies and individuals that are subject to sanctions imposed by foreign states. These regulations also provide that the following information with respect to sanctioned persons should not be publicly disclosed even if otherwise required to be so disclosed pursuant to applicable Russian laws: (i) financial reports and accounting statements, (ii) information on pledges of movable property, (iii) information on issuance and material conditions of guarantees, save for certain exceptions, and (iv) certain other information. These measures may interfere with, and prevent, sanctions compliance procedures and actions taken by various parties, including Russian companies, as certain information related to dealings with sanctioned persons will not be publicly available.

Several pieces of draft legislation directed at amplifying U.S. sanctions against Russia have been introduced in the U.S. Congress and are currently under consideration. The current initiatives, if enacted, could affect, among other things, Russian sovereign debt, Russian energy projects and, the Russian energy and financial sectors. It is currently unclear at which point, if at all, any of these bills could be signed into law and what would be the scope of any new sanctions that may be imposed pursuant to any such laws.

In particular, on 20 December 2019, the U.S. President enacted the Protecting Europe's Energy Security Act of 2019 ("**PEESA**") as part of the National Defense Authorisation Act for Fiscal Year 2020, which mandates the imposition of sanctions on persons providing pipe-laying vessels for the Nord Stream 2 and TurkStream gas export pipelines after enactment of PEESA.

During 2019, members of the U.S. Congress introduced other legislation that would, if enacted, impose additional sanctions with respect to Russia, including purportedly mandatory sanctions targeting (i) new investment, and the sale, lease, or provision of goods, services, technology, information or support, that directly and significantly contributes to the enhancement of the ability of the Russian Government or its owned or controlled entities to construct energy export pipelines, which are currently targeted by non-mandatory sanctions, and (ii) foreign persons and foreign state agencies/instrumentalities determined to be a "critical cyber threat actor". If enacted, and depending on the sanctions imposed on any designated person under the enacted legislation, potential sanctions could include (among other things): (i) prohibiting any U.S. person from investing in or purchasing significant amounts of equity or debt instruments of the sanctioned person; (ii) limiting non-humanitarian development and/or security assistance from the U.S. to the foreign state;

(iii) opposing loans from international financial institutions that would benefit the sanctioned entity; (iv) prohibiting U.S. Export-Import Bank assistance for exports to the sanctioned person; (v) prohibiting banking transactions through the U.S. financial system in which the sanctioned person has an interest; (vi) prohibiting U.S. federal procurement from the sanctioned person; and/or (vii) denying export licences to export items to the sanctioned person. Further legislation has also been introduced that, if enacted, would prohibit U.S. persons from any dealings in Russian sovereign debt issued on or after 180 days from enactment. However, these sanctions would be immediately lifted if the Director of National Intelligence affirmatively determines and reports to the U.S. Congress that neither the Russian Government nor a foreign person acting as an agent of or on behalf of the Russian Government interfered with a U.S. election (such determination to be made on or before the 30th day following a U.S. election) and the U.S. Congress certifies the Director of National Intelligence's determination. It remains unclear whether or when any of the additional sanctions legislation introduced will become law.

On 4 June 2020, members of the U.S. Senate introduced a bill "Protecting Europe's Energy Security Clarification Act of 2020" that would expand PEESA to mandate the imposition of sanctions on persons providing vessels for pipe-laying activities for the construction of the Nord Stream 2 and the TurkStream gas export pipelines, persons who facilitate providing those vessels, and persons who provide insurance, certain port facilities, or tethering services for those vessels, and companies that provide certifications for Nord Stream 2 to begin operations. On 25 June 2020, members of the U.S. House of Representatives introduced a companion bill.

Also, in October 2018, the Council of the EU adopted a new regime of restrictive measures to address the use and proliferation of chemical weapons. The EU may impose sanctions on persons and entities involved in the development and use of chemical weapons anywhere, regardless of their nationality and location. The restrictive measures target persons and entities who are directly responsible for the development and use of chemical weapons as well as those who provide financial, technical or material support, and those who assist, encourage or are associated with them. Sanctions consist of a travel ban to the EU and an asset freeze for persons, and an asset freeze for entities. In addition, EU persons and entities are forbidden from making funds available to those listed. To date, nine individuals and one entity have been designated in relation to these restrictive measures.

In October 2020 the EU introduced new sanctions against a number of Russian officials in response to the poisoning of Alexei Navalny, a Russian opposition activist. In early February 2021, a Moscow court sentenced Mr. Navalny to time in prison in relation to a fraud case for which he received a suspended sentence in 2014. There is no assurance that following these developments, no new sanctions against Russia or Russian persons will be introduced.

There could be calls from foreign countries for a further strengthening and broadening of sanctions against Russian persons. Existing and new sanctions could have the effect of damaging the Russian economy by, among other things, further accelerating capital flight from Russia, weakening of the Russian Rouble, exacerbating the negative investor sentiment towards Russia and making it harder for Russian companies, including the Group, to access international financial markets for debt and equity financing. If individuals or entities with whom the Group does business were sanctioned as "designated nationals", this could interfere with the Group's operations. Furthermore, ongoing expanded business with sanctioned parties might result in the Group's becoming the subject of expanded U.S. or EU sanctions. More expansive sanctions targeting broader segments of the Russian economy could also interfere with the Group's operations, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Company is a company organised and existing under the laws of the BVI, a British Overseas Territory. Sanctions imposed by the United Kingdom are generally extended to apply to the BVI so the imposition of further sanctions by the United Kingdom could materially impeded the Group's business and operations and have a material adverse effect on the Company, its business, financial condition, operations and prospects and interfere with the Company's ability to engage service providers.

Deterioration of relations between Russia and other countries could negatively affect the Russian economy and those of the nearby countries

Over the past several years, Russia has been involved in conflicts, both economic and military, involving neighbouring or more distant states. On several occasions, this has resulted in the deterioration of relations between Russia and other members of the international community, including the United States and various countries in Europe. Many of these jurisdictions are home to financial institutions and corporations that are significant investors in Russia and whose investment strategies and decisions may be affected by such conflicts and by worsening relations between Russia and its immediate neighbours. The continuing political instability and deteriorating economic conditions in Ukraine and the conflict in Eastern Ukraine have affected relations between Russia and Ukraine. On March 2014, following a public referendum, the Crimean peninsula and the city of Sevastopol became new separate constituents of Russia. The events relating to Ukraine and Crimea have prompted condemnation by members of the international community and have been strongly opposed by the EU and the United States, with a resulting material negative impact on their relationships with Russia. Tensions between Russia and the EU and between Russia and the U.S. have further increased recently as a result of the conflict in Syria.

The emergence of new or escalated tensions between Russia and neighbouring states or other states could negatively affect the Russian economy. This, in turn, may result in a general lack of confidence among international investors in the region's economic and political stability and in Russian investments generally. Such lack of confidence may result in reduced liquidity, trading volatility and significant declines in the price of listed securities.

Economic instability in the countries where the Group operates could adversely affect its business

Since the dissolution of the Soviet Union in 1991, the economies of Russia and other CIS countries where the Group operates have experienced periods of considerable instability and have been subject to abrupt downturns. From 2000 until the first half of 2008, Russia experienced rapid growth in its gross domestic product, higher tax collections and increased stability of the Russian Rouble, providing some degree of economic soundness. However, the Russian economy was adversely affected by the global economic crisis that began in the second half of 2008, which manifested itself through extreme volatility in debt and equity markets, reductions in foreign investment, sharp decreases in GDP and rise of unemployment around the world. While the situation globally has stabilised since to a certain extent, the Russian economy began to experience a new slowdown in 2013 due to the combined effect of the ongoing crisis in Eastern Ukraine, the deterioration of Russia's relationships with many Western countries, the economic and financial sanctions imposed in connection with these events on certain Russian companies and individuals, as well as against entire sectors of Russian economy, by the U.S., EU, Canada and other countries, a steep decline in oil prices, a record weakening of the Russian Rouble, a lack of access to financing for Russian issuers, capital flight and a general climate of political and economic uncertainty, among other factors.

The modest recovery of the Russian economy in recent years has been put at risk by the outbreak of the COVID-19 pandemic, which is continuing to unfold to date. While the Russian variety value retail market demonstrated a sustainable growth during the time of economic slowdown, there is no assurance that the current financial downturn, as well as any future economic downturns or slow turns in Russia would not lead to decreased demand for the Group's products, decreased revenue and negatively affect the Group's liquidity and ability to obtain debt financing, and the business, prospects, financial condition and results of operations of the Group could be materially and adversely affected. There can be no assurance that any measures adopted by the Russian Government to mitigate the effect of any financial and economic crisis will result in a sustainable recovery of the Russian economy. Current macroeconomic challenges, low or negative economic growth in the United States, China, Japan and/or Europe and market volatility due to the outbreak of COVID-19 or other factors may provoke or prolong any economic crisis. In addition, due to the uncertain and rapidly evolving outbreak of COVID-19, it is hard to predict its impact on the Russian economy.

Any of the following risks, which the Russian economy has experienced at various points in the past, may have or have already had a significant adverse effect on the economic climate in Russia and may burden or have already burdened the Group's operations:

- significant declines in gross domestic product, or GDP;
- high levels of inflation;
- sudden price declines in the natural resource sector;
- high and fast-growing interest rates;
- unstable credit conditions;
- international sanctions;
- high state debt/GDP ratio;
- instability in the local currency market;
- a weakly diversified economy which depends significantly on global prices of commodities;

- lack of reform in the banking sector and a weak banking system providing limited liquidity to Russian enterprises;
- pervasive capital flight;
- corruption and the penetration of organised crime into the economy;
- significant increases in unemployment and underemployment;
- the impoverishment of a large portion of the Russian population;
- large number of unprofitable enterprises which continue to operate due to deficiency in the existing bankruptcy procedure;
- prevalent practice of tax evasion; and
- growth of the black-market economy.

As Russia produces and exports large quantities of crude oil, natural and metal products and other commodities, its economy is particularly vulnerable to fluctuations in the prices of commodities on the global market, in particular, crude oil. The Brent Crude oil price has been subject to significant volatility in recent years. Most recently, in 2020, the price of, and demand for, crude oil declined significantly in response to the ongoing spread and economic effects of the COVID-19 pandemic and the disagreement in oil production cuts among OPEC+ members in March 2020.

As an emerging economy, Russia remains particularly vulnerable to further external shocks. Events occurring in one geographic or financial market sometimes result in an entire region or class of investments being disfavoured by international investors—so-called "contagion effects". Russia has been adversely affected by contagion effects in the past, and it is possible that it will be similarly affected in the future by negative economic or financial developments in other countries. Economic volatility, or a future economic crisis, may undermine the confidence of investors in the Russian markets and the ability of Russian businesses to raise capital in international markets, which in turn could have a material adverse effect on the Russian economy and the Group's results of operations, financial condition and prospects. In addition, any further declines in oil and gas prices or other commodities pricing could disrupt the Russian economy and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Crime and corruption, as well as social instability, could adversely affect the Group's business

The Russian and international press have reported high levels of corruption in Russia. Corruption and other illegal activities could disrupt the Group's ability to conduct business effectively, and claims that the Group was involved in such corruption or illegal activities could generate negative publicity and harm the Group's business. Emerging markets, such as Russia, are also prone to social risks.

In addition, rising unemployment, forced unpaid leave, wages in arrears and weakening economies have in some cases in the past led to and could in the future lead again to labour and social unrest. Such labour and social unrest could disrupt ordinary business operations, which also could materially adversely affect the Group's business, financial condition, results of operations and prospects.

The Russian banking system remains underdeveloped

Russian banking and other financial systems are not well developed or regulated. There are currently a limited number of creditworthy Russian banks, most of which are headquartered in Moscow. Although the CBR has the mandate and authority to suspend banking licences of insolvent banks, many insolvent banks still operate. Many Russian banks also do not meet international banking standards, and the transparency of the Russian banking sector still does not meet internationally accepted norms.

In the last several years, a number of Russian non-state banks have experienced rapid expansion through acquisitions of smaller, often undercapitalised players, with funding provided by the state, which contributed to liquidity constraints for some of them. Recessionary trends in the Russian economy and stricter enforcement action by the CBR affected a number of notable Russian banks, such as Bank Otkritie, Binbank, Promsvyazbank and Moscow Industrial Bank, that were either acquired, liquidated or taken over for financial rehabilitation by other Russian banks or directly by the Deposit Insurance Agency or the CBR. The private banking sector in Russia, always relatively minor compared to state players, has contracted severely as a result. This can be expected to result in reduced competition in the banking sector, increased inflation and a general deterioration of the quality of the Russian banking industry. In addition, the difficulties currently faced by the Russian economy could result in further collapses of Russian banks. With few exceptions (notably the state-owned banks), the Russian banking system suffers from weak depositor confidence, high concentration of exposure to certain borrowers and their affiliates, poor credit quality of borrowers and related party transactions. Current economic circumstances in Russia are putting stress on the Russian banking system. These circumstances decrease the affordability of consumer credit, putting further pressure on overall consumer purchasing power. In addition, these factors could further tighten liquidity on the Russian market and add pressure onto the Russian Rouble.

In order to strengthen the Russian Rouble following its dramatic fall in December 2014, the CBR increased the key interest rate from 10.5% to 17% in December 2014, which resulted in substantial short-term volatility and liquidity shortages on domestic financial and interbank markets. Consequently, funding costs have increased throughout the entire Russian financial system and have put substantial strain on Russian banks' ability to manage interest rate risks, raise financing and prudently allocate available liquidity. The resulting higher interest rates have also led to a deterioration in the creditworthiness of Russian consumers and corporates. The CBR proceeded to gradually reduce its key interest rate, to the current 4.25%, which resulted in a gradual improvement in the cost and availability of financing for Russian companies to a certain extent. However, there can be no assurance that the CBR will not increase the key rate in case of further volatility of the Russian Rouble or other macroeconomic factors. Although liquidity in the Russian banking sector improved, there can be no assurance that further interest rate increases will not occur.

The serious deficiencies in the Russian banking sector, combined with the deterioration in the credit portfolios of Russian banks, may result in the banking sector being more susceptible to the current worldwide credit market downturn and economic slowdown. A prolonged or serious banking crisis or the bankruptcy of a number of large Russian banks could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Further, the Group relies on debt financing from Russian banks. Accordingly, if a prolonged or serious banking crisis were to occur in Russia, the Group's ability to access this source of financing may be limited, which in turn could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

If Russia were to return to high and sustained inflation, the Group's results of operations could be adversely affected

Russia has experienced high level of inflation in the past. Since 2016, the inflation relatively stabilised reaching 3% in 2019 and 4.9% in 2020. A return to high and sustained inflation could lead to market instability, new financial crises, reductions in consumer purchasing power and the erosion of consumer confidence, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Russian physical infrastructure is in poor condition, and its further deterioration could have a material adverse effect on the Group's business

Russian physical infrastructure largely dates back to Soviet times and has not been adequately funded and maintained in recent years. Particularly affected are the rail and road networks, power generation and transmission facilities, communications systems, and building stock. The Russian Government is actively pursuing plans to reorganise the national rail, electricity and telephone systems, as well as public utilities. Any such reorganisation may result in increased charges and tariffs, potentially adding costs to the Group's business, while failing to generate the anticipated capital investment needed to repair, maintain and improve these systems. In addition, these reorganisations may be halted or delayed in the event of a prolonged economic downturn, which would likely lead to a further deterioration in Russia's infrastructure network. The occurrence of any of these factors could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Risks Relating to the Russian Legal and Regulatory Environment

Weaknesses relating to the Russian legal system and Russian law create an uncertain environment for investment and for business activity

Russia is still developing the legal framework required by a market economy. The Group's business is subject to the rules of federal laws and decrees, orders and regulations issued by the President, the Russian Government, the federal ministries and regulatory authorities, which are, in turn, complemented by regional and local rules and regulations. These legal norms, at times, overlap or contradict one another. Several fundamental Russian laws have only become effective within the past five to ten years, and many have recently been amended. The recent nature of many Russian laws and the rapid evolution of the Russian legal system place the enforceability and underlying constitutionality of laws in doubt and result in ambiguities, inconsistencies and anomalies. Many new laws remain untested. In addition, Russian law sometimes leaves substantial gaps in regulatory infrastructure. Among the risks of the current Russian legal system, to varying degrees, are:

- inconsistencies among (i) federal laws, (ii) decrees, orders and regulations issued by the President, the Russian Government, federal ministries and regulatory authorities and (iii) regional and local laws, rules and regulations;
- limited judicial and administrative guidance on interpreting Russian law;
- the possibility of undue influence on or manipulation of judges and the judicial system;
- substantial gaps in the regulatory structure due to delay or absence of implementing legislation;
- instances of the judicial system being used in furtherance of commercial interests;
- a high degree of discretion on the part of governmental authorities; and
- bankruptcy procedures that can be subject to abuse.

All of these weaknesses could affect the Group's ability to enforce the Group's rights under contracts, or to defend against claims by others under Russian jurisdiction, which in turn could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Selective or arbitrary government action may have an adverse effect on the Group's business

Governmental authorities have a high degree of discretion in Russia and have in the past exercised their discretion arbitrarily, without due process or prior notice, and sometimes on disputed legal grounds. Moreover, the Russian Government also has the power, in certain circumstances, by regulation or governmental act, to interfere with the performance of, nullify or possibly terminate contracts. Selective or arbitrary governmental actions have reportedly included withdrawal of licences, sudden and unexpected tax audits, criminal prosecutions, asset freezes, seizures or confiscations, and civil actions. Federal and local governmental entities have also used common defects in share issuances and registration as pretexts for court claims and other demands to invalidate such issuances and registrations and/or to void transactions, often for political purposes. Unlawful or arbitrary governmental action, if directed at the Group, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group may have difficulties in obtaining effective redress in court proceedings, including to protect the Group's property rights

The Russian judicial system is not immune from economic and political influences. The Russian court system is understaffed and underfunded, and the quality of justice, duration of legal proceedings, performance of courts and enforcement of judgments remain problematic. Under Russian legislation, judicial precedents generally have no binding effect on subsequent decisions and are not recognised as a source of law. However, in practice, courts usually consider judicial precedents in their decisions. Enforcement of court judgments can, in practice be very difficult and time-consuming in Russia. Additionally, court claims are sometimes used in furtherance of political and commercial aims. All of these factors can make judicial decisions in Russia difficult to predict and make effective redress problematic in certain instances.

There are also legal uncertainties relating to property rights. During its transformation from a centrally planned economy to a market economy, Russia enacted laws to protect private property against expropriation and nationalisation and to provide for fair monetary compensation if such events were to occur. However, it is possible that due to lack of experience in enforcing these provisions or to political pressure, Russian courts would not enforce these laws in the event of an attempted expropriation, nationalisation or re-nationalisation. Such expropriation, nationalisation or re-nationalisation could potentially bring little or no compensation and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Real estate ownership interests and lease rights to real estate properties may be challenged

The Group leases premises for its stores and acquires or leases land plots, buildings and premises with a view to operating its distribution centres in these locations. Russian real estate legislation at the federal and regional levels is often complicated, ambiguous and contradictory given that following the dissolution of the Soviet Union almost all Russian regions passed their own real estate legislation and over 100 federal laws, presidential decrees and governmental resolutions were enacted or issued. Although in 2001 a new Russian land code (the

Land Code of the Russian Federation No. 136-FZ, dated 25 October 2011, as amended (the "**Land Code**")) as well as other federal laws regulating land use and ownership were enacted, it is not always clear which state bodies are authorised to enter into land leases with respect to particular land plots, and the process of surveying and title registration sometimes takes years to complete. As a result, the Group's ownership of or lease rights to land and buildings may be challenged by government authorities, counterparties or third parties, and establishing the Group's ownership of or lease rights to this property may take several years.

Under Russian law, transactions involving real estate may be challenged on various grounds, including where the seller or assignor of rights to real estate acts fraudulently or otherwise does not have the right to dispose of such real estate, where a counterparty breaches internal corporate approval requirements or where a party fails to register the transfer of title in the Unified State Register of Real Estate (the "**Real Estate Register**"). As a result, defects in the chain of ownership of real estate may lead to invalidation of current ownership, which may affect the Group's title or lease rights to its real estate. Furthermore, under Russian law, certain encumbrances over real estate (including leases of less than one year) do not need to be registered in the Real Estate Register in order to validly encumber the property so that third parties might claim the existence of encumbrances (of which the Group had no prior knowledge) over the Group's real estate. Losses of title or lease rights to the Group's properties may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Risks Relating to Taxation in Russia

The Russian taxation system is relatively underdeveloped

The Russian Government is continually reforming the tax system by redrafting parts of the Tax Code of the Russian Federation (the "**Russian Tax Code**"). Since 1 January 2009, the corporate profits tax rate has been 20%. From 1 January 2021 personal income tax from most types of income of individuals who are tax residents of Russia is levied at progressive scale of rates. In particular, annual income up to RUB 5 million is subject to tax at the rate of 13% and annual income of more than RUB 5 million at 15%. Since 1 January 2019, the general rate of VAT has been 20%.

Russian tax laws, regulations and court practice are subject to frequent change, varying interpretations and inconsistent and selective enforcement. In accordance with the Constitution of the Russian Federation, laws that introduce new taxes or worsen a taxpayer's position cannot be applied retrospectively. Nonetheless, there have been several instances when such laws have been introduced and applied retrospectively.

There is a possibility that Russia could impose arbitrary or onerous taxes and penalties in the future. For instance, regional legislatures are currently empowered to provide wide-ranging incentives such as reduced income tax rates for business units operating within a region's territory. However, in 2019, amendments to the Russian Tax Code reducing regional authority to enact preferential taxation came into force. Thus, a reduction of the corporate profits tax rate at the regional level is available solely for specific federally-defined taxpayers. The current reduced regional profits tax rates will remain in effect until no later than 1 January 2023. These conditions complicate tax forecasting and related business decisions. The consequent uncertainties could also expose the Group to significant fines and penalties and potentially severe enforcement measures despite the Group's best efforts at compliance, and could result in a greater than expected tax burden. This, in turn, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Generally, taxpayers are subject to tax audit for a period of three calendar years immediately preceding the year in which the decision to carry out a tax audit was taken. In certain circumstances, repeated tax audits (i.e., audits with respect to the same taxes and the same periods) are possible. Generally, the statute of limitations for a tax offense is three years after the date on which the tax offense was committed or from the date following the end of the tax period during which the tax offense was committed (depending on the nature of the tax offense). Nevertheless, according to the Russian Tax Code and based on current judicial interpretation, there may be cases where the statute of limitations for tax offences may extend beyond three years.

Tax audits or inspections may result in additional costs to the Group, in particular if the relevant tax authorities conclude that the Group did not satisfy its tax obligations in any given year. Tax audits may also impose additional burdens on the Group by diverting the attention of the management.

In October 2006, the Plenum of the Supreme Arbitrazh Court of the Russian Federation issued a resolution concerning judicial practice with respect to unjustified tax benefits. The resolution provides that where the true economic intent of business operations is inconsistent with the manner in which it has been taken into account for tax purposes, a tax benefit may be deemed to be unjustified. As a result, a tax benefit cannot be regarded as a separate business objective. On the other hand, the fact that the same economic result might have been obtained with a lesser tax benefit accruing to the taxpayer does not constitute grounds for declaring a tax benefit to be unjustified. Moreover, there are no rules and little case law applicable to distinguishing between lawful tax optimisation and tax avoidance or evasion. The above Arbitrazh Court approach was to a certain extent further implemented in Article 54.1 of the Russian Tax Code and became effective on 19 August 2017. Under these provisions, a taxpayer is not able to reduce the tax base and/or the amount of tax payable by misrepresenting information regarding economic events or the objects of taxation which are required to be disclosed in a taxpayer's tax and/or accounting records or tax statements. As a result of these rules, it is possible that despite the best efforts of the Group to comply with Russian tax laws and regulations, certain transactions and activities of the Group that have not been challenged in the past may be challenged in the future, resulting in a greater than expected tax burden, exposure to significant fines and penalties and potentially severe enforcement measures for the Group.

Recent developments show that the Russian tax authorities are scrutinizing various tax planning and mitigation techniques used by taxpayers, including international tax planning. In particular, Russia introduced "controlled foreign companies" ("**CFC**") rules, the concept of "tax residency for an organisation" and the "beneficial ownership" concept, and is increasingly engaged in the international exchange of tax and financial information (including through country-by-country reporting standards and common reporting standards developed and approved by the Organisation for Economic Co-operation and Development (the "**OECD**")). In 2017, Russia signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS ("**MLI**") implementing a series of tax treaty measures to update international tax rules and lessen the opportunity for tax avoidance. On 1 October 2019, Russia ratified MLI. However, it will come into effect only after special conditions reflected in article 35 of MLI are met. In particular, both Russia and the relevant double tax treaty ("**DTT**") partner country, are required to exchange notices and deliver a notice to the OECD, affirming completion of national MLI adoption legislative procedures. Russia notified the OECD on the completion of internal procedures for the entry into effect of the provisions of the MLI on 26 November 2020. MLI became enforceable in Russia on 1 January 2021.

In March 2020 the President of Russia proposed to cancel tax benefits with certain DTT partner countries and increase the tax rates on income withholding on dividends and interest to 15%, noting that Russia is ready to withdraw from DTTs with countries that do not agree with such measures. The Russian Ministry of Finance has already renegotiated new DTT provisions with Malta, Luxembourg and Cyprus and executed the respective protocols of intent under the DTTs with these jurisdictions.

In December 2020, the President of Russia executed federal laws amending DTTs with Cyprus and Luxembourg. Amendments introduced by the protocols with Cyprus entered into force on 1 January 2021. On 28 December 2020, the draft law amending the DTT with Malta was registered with the lower house of the Russian Parliament. It is expected that the amendments to the DTT with Malta and Luxembourg will enter into force on 1 January 2022.

In accordance with the final versions of the above protocols, the 5% withholding tax rate on dividends will remain only for certain categories of recipients of income, such as insurance companies and pension funds, some listed public companies, governmental authorities. Additionally, on 18 December 2020, the Russian Ministry of Finance issued a clarification letter specifying the availability of the 5% withholding tax rate under the Russia-Cyprus DTT on the Russian source dividends to be received by the listed public companies, which are the Cypriot tax residents, only for those listed public companies with, at least, 15% of their shares publicly traded. In this letter the Russian Ministry of Finance specified that publicly issued and traded depositary receipts are not accountable for such 15% threshold of the shares publicly traded.

The Russian Ministry of Finance is working to renegotiate provisions of certain other DTTs. It is currently unclear whether any other tax treaties are planned to be revised by the Russian Ministry of Finance. The Russian Ministry of Finance has failed to negotiate similar amendments to the DTT with the Netherlands and on 22 December 2020, the Russian Government announced the beginning of the treaty denunciation process. Russia may unilaterally terminate DTT with the Netherlands and consequences of the denunciation should likely to take effect not earlier than 1 January 2022.

The Group has an intermediate holding company in Cyprus, with respect to which the 5% withholding tax rate on the Russian source dividends under the recently amended Russia-Cyprus DTT is not available. Therefore, should the Russian companies of the Group transfer dividends to the Group's intermediate holding company in Cyprus, these dividends should *prima facie* be subject to 15% withholding tax in Russia. Currently it is unclear how the Russian tax authorities will interpret and apply the new tax provisions and what will be the possible impact on the Group in addition to the taxation of the Russian source dividends. Therefore, it cannot be excluded that the Group might be subject to additional tax liabilities if these changes are applied to other transactions carried out by the Group, in addition to the transfer of dividends as discussed above.

Effective 1 January 2017, the Group's foreign companies should provide to the Russian companies that transfer the types of the Russian source income subject to withholding taxation in Russia to such Group's foreign companies a confirmation that these Group's foreign companies are the "beneficial owners" of such Russian source income. There is no list of the particular supporting documents (in addition to a tax residency certificate, which should be requested in accordance with the treaty clearance procedures), which can be supplied by the Group for this purpose. Therefore, in the absence of a clear set of supporting documents, Russian "beneficial ownership" rules may be aggressively applied by the Russian tax authorities and courts. Application of such approach by Russian tax authorities and courts may result in additional tax liabilities for the Group.

Furthermore, Russian tax legislation is consistently becoming more sophisticated. It is possible that new revenue-raising measures could be introduced. Although it is unclear how any new measures would operate, the introduction of such measures may affect the Group's overall tax efficiency and may result in significant additional taxes becoming payable. No assurance can be given that no additional tax exposures will arise for the Group.

All the aforesaid evolving tax conditions create tax risks in Russia that are greater than the tax risks typically found in countries with more developed taxation, legislative and judicial systems. These tax risks impose additional burdens and costs on the Group's operations, including the Group's management resources.

While the Group believes that it undertakes appropriate measures aimed at minimising tax risks and strives to comply with the Russian tax laws and regulations, including, when appropriate, by taking provisions or reserves for potential tax risks in its financial statements, there can be no assurance that the Group would not be required to make substantially larger tax payments in the future and that certain transactions and activities of the Group that have not been challenged in the past will not be challenged in the future, resulting in a greater than expected tax burden. These risks and uncertainties complicate tax planning as well as related business decisions, and could possibly expose the Group's subsidiaries to significant fines, penalties and enforcement measures, despite the Group's best efforts at compliance, and could result in a greater than expected tax burden.

Russian transfer pricing rules may subject the Group's transfer prices to challenge by the Russian tax authorities

Certain transactions by the Group are subject to Russian transfer pricing rules. Russian transfer pricing legislation allows the Russian tax authorities to make transfer pricing adjustments and impose additional tax liabilities with respect to "controlled" transactions. The list of "controlled" transactions under the transfer pricing legislation includes transactions performed with related parties (excluding transactions between related parties that are located in Russia and apply the same corporate profits tax rate (i.e. 20%)) and certain types of cross-border transactions with unrelated parties. Legislation also shifts the burden of proving market prices from the Russian tax authorities to the taxpayer. Although Russian transfer pricing rules were modelled based on the transfer pricing principles developed by the OECD, there are some peculiarities as to how the OECD transfer pricing principles are reflected in the Russian rules. Special transfer pricing rules continue to apply to transactions with securities and derivatives.

Accordingly, due to uncertainties in the interpretation of the Russian transfer pricing legislation and undeveloped court practice, no assurance can be given that the Russian tax authorities will not challenge the Group's transfer pricing transactions and require adjustments which could adversely affect the Group's tax position. As such, the Russian transfer pricing rules could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Company and its foreign subsidiaries may be exposed to taxation in Russia if they are treated as having a Russian permanent establishment or as a Russian tax resident

The Russian Tax Code contains the concept of a permanent establishment. Under the Russian Tax Code, foreign legal entities that maintain a permanent establishment in Russia, i.e., that carry on regular entrepreneurial activities in Russia beyond preparatory and auxiliary activities, are subject to Russian profits tax. Russia's double tax treaties with a variety of other countries also contain a similar concept.

If a foreign company is treated as having a permanent establishment in Russia, it would be subject to Russian taxation in a manner broadly similar to the taxation of a Russian legal entity, but only to the extent of the amount of the foreign company's income that is attributable to the permanent establishment in Russia. However, the practical application of the concept of a permanent establishment under Russian domestic law is relatively underdeveloped and even foreign companies with limited operations in Russia, which would not normally satisfy the conditions for creating a permanent establishment under foreign or double tax treaty rules, may be at risk of being treated as having a permanent establishment in Russia and hence being exposed to Russian taxation.

Furthermore, the Russian Tax Code contains attribution rules, which are not sufficiently developed as well, and there is a risk that the tax authorities might seek to assess Russian tax on the global income of a foreign company. Having a permanent establishment in Russia may also lead to other adverse tax implications, including challenging a reduced withholding tax rate on dividends under an applicable double tax treaty, potential effect on VAT and property tax obligations. There is also a risk that penalties could be imposed by the tax authorities for failure to register a permanent establishment with the Russian tax authorities. Any such taxes or penalties could have a material adverse effect on the Group's business, financial condition and results of operations.

Starting from 1 January 2015, tax residency rules for legal entities have been introduced in the Russian Tax Code. Based on the new rules, the following categories of legal entities should be viewed as Russian tax residents:

(a) Russian companies;

(b) foreign companies recognised as tax residents of Russia in accordance with double tax treaties, for the purposes of application of the treaty; and

(c) foreign companies whose place of effective management is in Russia, unless provided otherwise by double tax treaties. Russia is recognised as a place of effective management of a company in the following cases:

    (i) its executive body conducts business in Russia on a regular basis, or

    (ii) its executive officers exercise the management of the company primarily from Russia (i.e. authorised to plan and control activities of the company, authorised to manage activities of the company and to be responsible for it).

If a foreign company is treated as a tax resident in Russia, it would be recognised as a taxpayer for Russian profits tax purposes.

Although the Company and its foreign subsidiaries intend to conduct their affairs so that they are not treated as either having a permanent establishment in Russia, or tax residents in Russia, no assurance can be given that they will not be treated as a either having such permanent establishment in Russia, or as tax residents for the Russian tax purposes.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Certain Terminology

Currencies

In this Registration Document all references to "**RUB**" and "**Russian Rouble**" are to the currency of the Russian Federation; all references to "**€**" and "**Euro**" are to the single currency of the participating member states in the Third Stage of the European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time; all references to "**US$**" and "**U.S. Dollar**" are to the currency of the United States of America; all references to "**CNY**" and "**Chinese Yuan**" are to the currency of the People's Republic of China; all references to Tenge are to the currency of the Republic of Kazakhstan; all references to Belarusian Rouble are to the currency of the Republic of Belarus.

Certain Other Terms

In this Registration Document, all references to:

- "**unaided brand awareness**" are to a measure of the number of people who express knowledge of a brand or product without being assisted;
- "**brick-and-mortar retailer**" are to a physical store that sells goods and services directly to customers;
- "**BVI**" are to the British Virgin Islands;
- "**CAGR**" means compound annual growth rate;
- "**franchise stores**" or "**stores operated by franchisees**" are to the stores operated by the Group's franchisees on the basis of franchising arrangements entered into with the Group;
- "**Group**" or "**Fix Price**" means the Company and its consolidated subsidiaries, taken as a whole;
- "**payback period**" means the time required for the cumulative cash flow on an investment to repay the sum of the original investment;
- "**retail sales**" of the Group are to the Group's retail revenue, including VAT;
- "**Russia**" and "**Russian Federation**" are to the Russian Federation;
- "**Russian Government**" are to the government of the Russian Federation;
- "**SKU**" means a stock keeping unit, or a number assigned to a particular product to identify the price, product options and manufacturer of the merchandise;
- "**sq. m.**" are to square metre(s);
- "**stores operated by the Group**" are to the stores operated directly by the Group, which do not include franchise stores;
- "**th.**" are to thousand(s);
- "**U.K.**" and "**United Kingdom**" are to the United Kingdom of Great Britain and Northern Ireland; and
- "**U.S.**" and "**United States**" are to the United States of America.

The Group uses the term "unique" products to refer to special features of its merchandise that differentiate it from similar products offered by other retailers in terms of design, appearance, taste, weight, value and other characteristics or a combination thereof. The Group uses the terms "**private brands**" and "**private brand products**" interchangeably.

See "*Definitions*" for certain other terminology used in this Registration Document.

Presentation of Certain Financial Information

The financial information set forth herein as of and for the years ended 31 December 2020, 31 December 2019 and 31 December 2018 has, unless otherwise indicated and as discussed below, been extracted without material adjustment from the Group's audited consolidated financial statements for the year ended 31 December 2020 (the "**2020 Financial Statements**"), the Group's audited consolidated financial statements for the year ended 31 December 2019 (the "**2019 Financial Statements**"), and the Group's audited consolidated financial statements for the year ended 31 December 2018 (the "**2018 Financial Statements**"), each prepared in accordance with IFRS as issued by the International Accounting Standards Board (the 2020 Financial Statements, 2019 Financial Statements and 2018 Financial Statements collectively, the "**Financial Statements**"). As a result of certain immaterial reclassifications made in the 2019 Financial Statements to ensure better comparability of the Group's consolidated statement of comprehensive income with the industry peers, certain financial information pertaining to the year ended 31 December 2018 has been derived from the unaudited comparative financial information included in the 2019 Financial Statements. The term "**periods under review**" means years ended 31 December 2020, 2019 and 2018. The Russian Rouble is the functional currency of the major operating subsidiary of the Group and presentation currency adopted by the Group in the Financial Statements.

The Financial Statements were audited in accordance with International Standards on Auditing by AO Deloitte & Touche CIS, the Group's independent auditors.

In January 2016, the International Accounting Standards Board issued IFRS 16, "Leases" standard ("**IFRS 16**"), which sets out a new model for lease accounting, replacing IAS 17. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting model by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. On 1 January 2019, the Group adopted IFRS 16 using the modified retrospective approach with the cumulative effect of the initial application of the standard recognised at the date of transition and without restatement of the comparative information.

At the date of transition to IFRS 16, the Group recognised lease liabilities (short-term and long-term) in the amount of RUB 8,487 million and right-of-use assets in the amount of RUB 9,062 million and derecognised lease rights of RUB 1,357 million (included previously in intangible assets). As at 1 January 2019, operating lease deposits of RUB 575 million related to previous operating leases were derecognised. Deferred tax assets increased by RUB 140 million because of the deferred tax impact of the changes in assets and liabilities. The net impact of these adjustments had been adjusted to retained earnings of RUB 1,217 million.

The Group's 2018 Financial Statements do not reflect the impact from the application of IFRS 16. Those financial statements were prepared on the basis of IAS 17, which was the accounting standard in effect at the time of the respective period and under which the Group did not recognise any lease liabilities or right-of-use assets because all lease contracts entered by the Group were classified as operating leases.

Therefore, as a result of the adoption of IFRS 16, the historical financial information for the years ended 31 December 2020 and 2019 is not directly comparable with historical financial information for the year ended 31 December 2018.

Presentation of Non-IFRS Financial Information

In this Registration Document, the Group has presented certain financial measures that are not measures of performance specifically defined by IFRS. These include EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Capital Expenditure, Net Debt/(Cash), Adjusted Net Debt/(Cash), Adjusted Net Debt/(Cash) to Adjusted EBITDA and ROIC, as well as IAS 17-Based Adjusted EBITDA, IAS 17-Based Adjusted EBITDA Margin, IAS 17-Based Net Income, IAS 17-Based Adjusted Net Debt/(Cash), IAS 17-Based Adjusted Net Debt/(Cash) to IAS 17-Based Adjusted EBITDA, IAS 17-Based SG&A Expenses and IAS 17-Based Operating Lease Expenses (the "**Non-IFRS Measures**").

Several of the Group's Non-IFRS Measures are presented on the basis of IFRS provisions existing prior to the adoption of IFRS 16 "Leases" on 1 January 2019, i.e. as if IAS 17 "Leases"—a leases accounting standard that was superseded by IFRS 16—was still applied. Accordingly, such Non-IFRS Measures (referred to as "**IAS 17-Based Non-IFRS Measures**") are derived from the financial information that includes operating lease charges recorded in operating expenses in the Group's consolidated statement of comprehensive income on a straight-line basis under IAS 17 rather than depreciation of right-of-use assets and interest on lease liabilities as determined under IFRS 16. IAS 17-Based Non-IFRS Measures are also derived from the financial information that does not include the carrying value of right-of-use assets and lease liabilities as determined under IFRS 16 but includes lease rights that were recognised within intangible assets on the Group's consolidated statement of financial position before adoption of IFRS 16. As the Group adopted IFRS 16 using a modified retrospective transition method, its consolidated financial information as of and for the year ended 31 December 2020 as well as financial information as at and for the year ended 31 December 2019 is presented after the impact of adopting IFRS 16. Accordingly, the IAS 17-Based Non-IFRS Measures for these years are subject to certain additional adjustments in order to present them on an IAS 17 basis, where applicable. In accordance with the adopted transition method, the Group has not restated its financial information for the year ended 31 December 2018 and, therefore, IAS 17-Based Non-IFRS Measures for this period do not require additional adjustment from the financial information presented in the 2019 Financial Statements.

The Group's IAS 17-Based Non-IFRS Measures include: IAS 17-Based Adjusted EBITDA, IAS 17-Based Net Income, IAS 17-Based Adjusted Net Debt/(Cash), IAS 17-Based SG&A and IAS 17-Based Operating Lease Expenses. The Group presents IAS 17-Based Non-IFRS Measures as it believes that this enables investors to better compare between periods following the adoption of IFRS 16 on 1 January 2019. However, such IAS 17-Based Non-IFRS Measures are not prepared in accordance with current IFRS requirements and have additional limitations as set out below.

The Group defines:

- **EBITDA** as profit for the respective year adjusted for income tax expense, interest expense, interest income, depreciation and amortisation expense and **Adjusted EBITDA** as profit for the respective year adjusted for income tax expense, interest expense, interest income, depreciation and amortisation expense, and foreign exchange gain/(loss) (net). These measures exclude the impact of items that the Group's management considers hinder comparison of the performance of the Group's business either year-on-year or with other businesses. The Group believes that EBITDA and Adjusted EBITDA should, therefore, be made available to assist securities analysts, investors and other stakeholders in their assessment of the performance of the business of the Group. EBITDA and Adjusted EBITDA have limitations as analytical tools. Some of these limitations are:

  - they do not reflect the impact of income taxes on the Group's operating performance that may represent a reduction in cash available;
  - they do not reflect the impact of depreciation and amortisation on the Group's operating performance. The assets of the Group's business that are being depreciated and/or amortised will likely have to be replaced in the future and such depreciation and amortisation expense may approximate the cost to replace these assets in the future. By excluding this expense from EBITDA and Adjusted EBITDA, they do not reflect the Group's future cash requirements for these replacements;
  - they do not reflect changes in, or cash requirements for, working capital needs;
  - they do not reflect the impact of financing costs, which could further increase if the Group incurs more debt, on the Group's operating performance; and
  - Adjusted EBITDA does not reflect foreign exchange gains or losses.

  The Group compensates for these limitations by relying on its IFRS results and using each of EBITDA and Adjusted EBITDA only as a supplemental measure. EBITDA and Adjusted EBITDA are measures of the Group's operating performance that are not required by, or presented in accordance with, IFRS. EBITDA and Adjusted EBITDA are not a measurement of the Group's operating performance under IFRS and should not be considered as an alternative to profit for the year or any other performance measures derived in accordance with IFRS.

- **Adjusted EBITDA Margin** as Adjusted EBITDA for the relevant year divided by revenue for such year expressed as a percentage. The Group believes that Adjusted EBITDA Margin is a useful measure in that it shows whether revenue growth in continuing operations is increasingly profitable on an underlying basis;

- **IAS 17-Based Adjusted EBITDA** as profit for the respective year adjusted for income tax expense, interest expense, interest income, depreciation and amortisation expense, and foreign exchange gain/(loss) (net) and further adjusted for the removal of IFRS 16 adoption impacts by deducting (1) rent expense net of variable lease costs and costs of leases of low-value items and (2) associated non-lease components net of variable costs (items (1) and (2), collectively "**rent expense and associated non-lease components net of variable lease costs and costs of leases of low-value items**"). The Group believes that IAS 17-Based Adjusted EBITDA is a useful measure in that it is aimed to make the Group's performance in the years ended 31 December 2020 and 2019 presented in accordance with IFRS 16 comparable with the Group's historical performance presented in accordance with IAS 17. The Group believes that this measure is also commonly used by some investors and analysts to analyse performance of retail companies and compare performance with peers that report using the same or similar methodology. IAS 17-Based Adjusted EBITDA is a measure of the Group's operating performance that is not required by, or presented in accordance with, IFRS. IAS 17-Based Adjusted

EBITDA is not a measurement of the Group's operating performance under IFRS and should not be considered as an alternative to profit for the year or any other performance measures derived in accordance with IFRS;

- **IAS 17-Based Adjusted EBITDA Margin** as IAS 17-Based Adjusted EBITDA for the relevant year divided by revenue for such year expressed as a percentage. The Group believes that IAS 17-Based Adjusted EBITDA Margin is a useful measure in that it shows whether revenue growth in continuing operations is increasingly profitable on an underlying basis;
- **IAS 17-Based Net Income** as profit for the relevant year adjusted for the removal of IFRS 16 adoption impacts by
  - adding back interest expense on lease liabilities and amortisation of right-of-use assets;
  - deducting rent expense and associated non-lease components net of variable lease costs and costs of leases of low-value items, amortisation of lease rights recognised before adoption of IFRS 16; and
  - adjusting for foreign exchange gains and losses, net, arising on revaluation of foreign currency-denominated lease liabilities following the adoption of IFRS 16 and impact of IFRS 16 adoption on deferred and current income tax expense/(benefit) for the relevant year.

  The Group believes that IAS 17-Based Net income is a useful measure in that it is aimed to make the Group's performance in the years ended 31 December 2020 and 2019 presented in accordance with IFRS 16 comparable with the Group's historical performance presented in accordance with IAS 17. The Group believes that this measure is also commonly used by some investors and analysts to analyse performance of retail companies and compare performance with peers that report using the same or similar methodology. IAS 17-Based Net Income is a measure of the Group's operating performance that is not required by, or presented in accordance with, IFRS. IAS 17-Based Net Income is not a measurement of the Group's operating performance under IFRS and should not be considered as an alternative to profit for the year or any other performance measures derived in accordance with IFRS;
- **Capital Expenditure** as cash flow related to the acquisition of property, plant and equipment and capital advances and the acquisition of intangible assets for the relevant year. The Group believes that Capital Expenditure is a useful indicator of the cash spent to deliver future growth. Capital Expenditure is not defined by IFRS and should not be considered in isolation or as an alternative to cash outflow for the acquisition of property, plant and equipment or acquisition of intangible assets;
- **Net Debt/(Cash)** as the total current and non-current loans and borrowings plus total current and non-current lease liabilities less cash and cash equivalents at the end of the relevant year and **Adjusted Net Debt/(Cash)** as Net Debt/(Cash) adjusted for dividends payable to shareholders at the end of the relevant period. The Group believes that Net Debt/(Cash) and Adjusted Net Debt/(Cash) are useful indicators of the Group's indebtedness, financial flexibility and capital structure because it indicates the level of borrowings after taking account of cash and cash equivalents within the Group's business that could be utilised to pay down the outstanding borrowings and lease liabilities. The Group presents Adjusted Net Debt/(Cash) to show the effect of dividends payable to shareholders. The Group believes that Net Debt/(Cash) and Adjusted Net Debt/(Cash) can assist securities analysts, investors and other parties in evaluating the Group. Net Debt/(Cash) and Adjusted Net Debt/(Cash) are not defined by IFRS and should not be considered in isolation or as an alternative to total loans and borrowings. Net Debt/(Cash), Adjusted Net Debt/(Cash) and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. Accordingly, caution is required in comparing Net Debt/(Cash) and Adjusted Net Debt/(Cash) as reported by the Group to net debt of other companies;
- **Adjusted Net Debt/(Cash) to Adjusted EBITDA** as Adjusted Net Debt/(Cash) at the end of the relevant year divided by Adjusted EBITDA for the respective year. The Group considers the ratio of Adjusted Net Debt/(Cash) to Adjusted EBITDA ratio to be a useful measure in analysing the overall sustainability of the Group's debt burden relative to its financial performance, and believes that this is a commonly used measure used by investors and analysts. Adjusted Net Debt/(Cash) to Adjusted EBITDA ratio does not take into account the Group's ongoing interest expense and is of limited use in assessing whether the Group will in fact be able to repay its outstanding debt;

- **IAS 17-Based Adjusted Net Debt/(Cash)** as Adjusted Net Debt/(Cash) adjusted for the removal of IFRS 16 adoption impacts by excluding total current and non-current lease liabilities. The Group believes that IAS 17-Based Adjusted Net Debt/(Cash) is a useful measure in that it is aimed to make the Group's Adjusted Net Debt/(Cash) comparable with the Group's historical Adjusted Net Debt/(Cash) presented in accordance with IAS 17. The Group believes that this measure is also commonly used by some investors and analysts to analyse performance of retail companies and compare performance with peers that report using the same or similar methodology. IAS 17-Based Adjusted Net Debt/(Cash) is not defined by IFRS and should not be considered in isolation or as an alternative to total loans and borrowings;
- **IAS 17-Based Adjusted Net Debt/(Cash) to IAS 17-Based Adjusted EBITDA** as IAS 17-Based Adjusted Net Debt/(Cash) at the end of the relevant year divided by IAS 17-Based Adjusted EBITDA for the respective year. The Group considers the ratio of IAS 17-Based Adjusted Net Debt/(Cash) to IAS 17-Based Adjusted EBITDA ratio to be a useful measure in analysing the overall sustainability of the Group's debt burden relative to its financial performance, and believes that this is a commonly used measure used by investors and analysts. IAS 17-Based Adjusted Net Debt/(Cash) to IAS 17-Based Adjusted EBITDA ratio does not take into account the Group's ongoing interest expense and is of limited use in assessing whether the Group will in fact be able to repay its outstanding debt;
- **Invested Capital** as total (deficit)/equity plus total current and non-current loans and borrowings plus total current and non-current lease liabilities plus dividends payable less cash and cash equivalents at the end of the relevant year. The Group presents Invested Capital because it is widely used by securities analysts, investors and other interested parties to assess capital invested in a company and company's efficiency at allocating the capital under its control to profitable investments. Invested Capital is not defined by IFRS and should not be considered in isolation or as an alternative to total equity, total loans and borrowings or other IFRS measures. The Group's calculation of Invested Capital may vary from those of other companies, and therefore comparability may be limited;
- **ROIC**, or return on invested capital, as operating profit less income tax expense for the relevant year ("**Operating Profit less Income Tax Expense**") divided by Average Invested Capital for a given period. Average Invested Capital for a given period is calculated by adding the Invested Capital at the beginning of a year to Invested Capital at year's end and dividing the result by two. The Group presents ROIC because it is widely used by securities analysts, investors and other interested parties to assess a company's efficiency at allocating the capital under its control to profitable investments. ROIC gives a sense of how well a company is using its money to generate returns. ROIC is not defined by IFRS and should not be considered in isolation or as an alternative to total equity or other IFRS measures. The Group's calculation of ROIC may vary from those of other companies, and therefore comparability may be limited. In this Registration Document, the Group has presented ROIC only for the year ended 31 December 2020 as it believes that ROIC for the years ended 31 December 2019 and 2018 is not comparable with ROIC for the year ended 31 December 2020 due to the adoption of IFRS 16 as of 1 January 2019, and presentation of ROIC for the years ended 31 December 2019 and 2018, is therefore, not meaningful;
- **IAS 17-Based Selling, General and Administrative Expenses (IAS 17-Based SG&A Expenses)** as the selling, general and administrative expenses for a given year adjusted for the removal of IFRS 16 adoption impacts by adding in rent expense and associated non-lease components net of variable lease costs and costs of leases of low-value items, amortisation of lease rights recognised before adoption of IFRS 16 and deducting amortisation of right-of-use assets. The Group believes that IAS 17-Based SG&A Expenses is a useful measure in that it is aimed to make the Group's selling, general and administrative expenses comparable with the Group's historical selling, general and administrative expenses presented in accordance with IAS 17. The Group believes that this measure is also commonly used by investors and analysts to analyse performance of retail companies and compare performance with peers that report using the same or similar methodology. IAS 17-Based SG&A is not defined by IFRS and should not be considered in isolation or as an alternative to the selling, general and administrative expenses; and
- **IAS 17-Based Operating Lease Expenses** as the operating lease expenses for a given year adjusted for the removal of IFRS 16 adoption impacts by adding in rent expense net of variable lease costs and costs of leases of low-value item recognised before adoption of IFRS 16. The Group believes that IAS 17-Based Operating Lease Expenses is a useful measure in that it is aimed to make the Group's operating lease expenses comparable with the Group's historical operating lease expenses presented in

accordance with IAS 17. The Group believes that this measure is also commonly used by investors and analysts to analyse performance of retail companies and compare performance with peers that report using the same or similar methodology. IAS 17-Based Operating Lease Expenses is not defined by IFRS and should not be considered in isolation or as an alternative to the operating lease expenses.

The Group has included the Non-IFRS Measures because it believes that they enhance an investor's understanding of the Group's financial performance, position and cash flows (as described above). Further, the Group uses these Non-IFRS Measures in the Group's business operations to, among other things, evaluate the performance of operations and develop budgets and measure performance against those budgets. The Group also believes that these Non-IFRS Measures are reported by some comparable businesses and used by some investors in comparing the performance of businesses.

The Non-IFRS Measures disclosed in this Registration Document are unaudited supplementary measures of the Group's performance and liquidity that are not required by, or presented in accordance with, IFRS. The Group's use and definition of these metrics may vary from other companies in the Group's industry due to differences in accounting policies or differences in the calculation methodology. These Non-IFRS Measures have limitations and should not be considered in isolation or as substitutes for financial information as prepared and reported under IFRS. Undue reliance should not be placed on the Non-IFRS Measures presented in the Registration Document, which should be reviewed in conjunction with the Financial Statements included in it. Reconciliations for these Non-IFRS Measures to the nearest available IFRS measures, where relevant, are contained in "*Selected Financial and Operating Information—Non-IFRS Measures*".

Presentation of Operating Information

In this Registration Document, the Group presents certain operating information regarding its stores such as average sales density, average selling space, average ticket, gross store openings, like-for-like sales, like-for-like average ticket, like-for-like traffic and net store openings. The Group calculates this operating information on the basis of certain assumptions made by it. As a result, this operating information may not be comparable to similar operating information reported by other companies.

The Group defines:

- "**Average sales density**" as total retail revenue during the relevant period divided by the average selling space for that period;
- "**Average selling space**" as total selling space of the stores operated by the Group divided by the total number of stores operated by the Group;
- "**Average ticket**" as total retail sales, including VAT, at all stores operated by the Group during the relevant period divided by the number of tickets in that period;
- "**Gross store openings**" as stores opened by the Group within a period;
- "**LFL**" (or **like-for-like**) sales and other data: the Group distinguishes between sales, average ticket and traffic attributable to new stores and sales, average ticket and traffic attributable to existing stores. The Group considers the sales, average ticket and traffic attributable to stores operating less than 12 full calendar months to be sales, average ticket and traffic attributable to new stores.

  Like-for-like sales growth is a measure of growth in retail sales (including VAT) from the stores operated by the Group that have been in operation for at least 12 full calendar months, but excludes prior year sales of stores closed during the 12-month period and excludes store sales for those months in which respective stores were not operating for seven days or more.

  Like-for-like average ticket and like-for-like traffic are calculated using the same methodology as like-for-like sales. The like-for-like data is presented in this Registration Document only with respect to the stores operated by the Group and excludes stores operated by the Group's franchisees. The like-for-like data is a widely used indicator of a retailer's current trading performance and is important when comparing growth between retailers that have different profiles of expansion, disposals and closures;
- "**Net store openings**" as stores opened by the Group and/or its franchisees (as applicable) less stores closed by the Group and/or its franchisees (as applicable) within a period;
- "**Ticket**" as the receipt issued to a customer at a store operated by the Group for his/her basket (the amount spent by a customer on a shopping trip);

- “**Total selling** space” as the area inside the stores operated by the Group and/or its franchisees (as applicable) used to sell products, and excludes storage areas; and
- “**Traffic**” as the number of tickets issued by stores operated by the Group for the period under review.

The Group calculates this operating information on the basis of certain assumptions made by it. As a result, this operating information may not be comparable to similar operating information reported by other companies.

Presentation of Industry and Market Data

Market, statistical data and other information appearing in this Registration Document relating to the retail industry have, unless otherwise stated, been extracted from private and publicly available information, including principally market research, industry publications, press releases, annual reports, filings under various securities laws, official data published by certain Russian government agencies (such as the CBR and the Rosstat) and World Bank that the Company believes to be reliable. Such information and statistics have not been independently verified. In the case of the presented statistical information, similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. See also “*Risk Factors—Risks Relating to the Group’s Business and Industry—Other Risks Relating to the Group’s Business—Information regarding the Group’s competitors and other market data and trends were not independently verified by the Group and may be inaccurate*”.

All statistical and market information that is specifically attributed to Oliver Wyman LLC (“**Oliver Wyman**”) in this Registration Document under the headings “*Risk Factors*”, “*Industry Overview*”, “*Business*” and “*Operating and Financial Review*” has been reproduced from an industry report entitled “Variety Value Retail Market Study in Russia”, dated 20 December 2020 and prepared by Oliver Wyman at the request of the Company (the “**Oliver Wyman Report**”). Oliver Wyman is a management consulting company. Oliver Wyman has no material interest in the Company. The relevant business address of Oliver Wyman is Serebryanicheskaya embankment 29, 4 Floor, office 125, 109028, Moscow, Russia.

Oliver Wyman has given and not withdrawn its consent to the inclusion of extracts from the Oliver Wyman Report in this Registration Document, in the form and context in which they are included and has authorised the Company to include such extracts in the form and in the context in which they are included for the purposes of item 5.3.2R(2)(f) of the Prospectus Regulation Rules. Oliver Wyman accepts responsibility for the information included in this Registration Document from the Oliver Wyman Report, as part of this Registration Document, and declares that, to the best of Oliver Wyman’s knowledge, the information included in this Registration Document from the Oliver Wyman Report is in accordance with the facts and makes no omission likely to affect the import of such information. With the exception of the extracts from the Oliver Wyman Report, Oliver Wyman does not accept any liability in relation to the information contained in this Registration Document or any other information provided by the Company or any other party. Save for any responsibility arising under item 5.3.2R(2)(f) of the Prospectus Regulation Rules, to the fullest extent permitted by law Oliver Wyman excludes and does not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in accordance with the information in the Oliver Wyman Report or Oliver Wyman’s statement consenting to its inclusion in this Registration Document as required by and given solely for the purposes of complying with Annex I item 1.3 to the Commission Delegated Regulation (EU) 2019/980 as retained in UK law by virtue of the European Union (Withdrawal) Act 2018.

Extracts from the Oliver Wyman Report included in the Registration Document may include estimates and forward looking statements which, by their nature, are inherently uncertain. Such statements should be read in the context of the assumptions on which they were made and should not be treated as authoritative statements of fact. The assumptions may be based on third party public information and industry and statistical data, which are reliable to the best of Oliver Wyman’s knowledge but which Oliver Wyman may not have independently verified.

All statistical and market information provided by LLC Marketing Agency Vector (“**Vector**”) presented in this Registration Document under the headings “*Business*” and “*Industry Overview*” has been reproduced from the Research on Target Audience of Fix Price Stores in Cities with Population of over One Million in the Autumn 2020 (the “**Vector Study**”), prepared by Vector at the request of LLC Best Price, the Company’s principal operating subsidiary. Vector is a marketing consulting company. Vector has no material interest in the Company. The business address of Vector is Office 124, Luzhnetskaya emb. 2/4, building 17, 119270, Moscow, Russia. Vector has given and not withdrawn its consent to the inclusion of information from the Vector Study in this Registration Document, in the form and content in which it is included, and has authorised the contents of those parts of this Registration Document for the purposes of Rule 5.3.2R(2)(f) of the Prospectus Regulation Rules. Vector accepts responsibility for the information included in this Registration Document from the Vector Study, as part of this Registration Document, and declares that, to the best of Vector's knowledge, the information included in this Registration Document from the Vector Study is in accordance with the facts and makes no omission likely to affect the import of such information.

The information sourced from third parties appearing in this Registration Document, including information from the Oliver Wyman Report and the Vector Study, has been accurately reproduced and, as far as the Company is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been used in this Registration Document, the source of such information has been identified.

The Company's estimates have been based on information obtained from the Company's subsidiaries, suppliers, trade organisations and other contacts in the markets in which the Company operates. The Company believes these estimates to be accurate in all material respects as at the dates indicated. However, this information may prove to be inaccurate because of the method by which the Company obtained some of the data for these estimates or because this information cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other inherent limitations and uncertainties.

This Registration Document contains illustrations and charts derived from the Company's internal information and the internal information of the Company's subsidiaries, which have not been independently verified unless specifically indicated.

Currencies and Exchange Rates

The following table below shows, for the periods indicated, certain information regarding the exchange rate between the Russian Rouble and, each, the U.S. Dollar, the Chinese Yuan and the Euro, based on the official exchange rate quoted by the CBR. These rates may differ from the actual rates used in the preparation of the Financial Statements and other financial information appearing in this Registration Document.

	RUB per US$1.00			
	High	**Low**	**Period average[(1)]**	**Period end**
Year ended 31 December				
2018	69.97	55.67	62.93	69.47
2019	67.19	61.72	64.62	61.91
2020	80.88	60.95	72.22	73.88
2021				
January 2021	76.25	73.36	74.39	76.25

Source: CBR

Note:

(1) The average rates are calculated as the average of the daily exchange rates on each business day (which rate is announced by the CBR for each such business day) and on each non-business day (which rate is equal to the exchange rate on the previous business day).

The CBR exchange rate between the Russian Rouble and the U.S. Dollar set for 15 February 2021 was RUB 73.94 per U.S.$ 1.00.

	RUB per EUR1.00			
	High	**Low**	**Period average[(1)]**	**Period end**
Year ended 31 December				
2018	81.39	67.88	74.13	79.46
2019	77.21	68.41	72.32	69.34
2020	93.76	67.82	82.84	90.68
2021				
January 2021	92.30	88.97	90.38	92.30

Source: CBR

Note:

(1) The average rates are calculated as the average of the daily exchange rates on each business day (which rate is announced by the CBR for each such business day) and on each non-business day (which rate is equal to the exchange rate on the previous business day).

The CBR exchange rate between the Russian Rouble and the Euro set for 15 February 2021 was RUB 89.61 per EUR 1.00.

	RUB per CNY1.00			
	High	**Low**	**Period average(1)**	**Period end**
Year ended 31 December				
2018	10.20	8.73	9.49	10.10
2019	9.94	8.83	9.35	8.86
2020	12.03	8.83	10.51	11.31
2021				
January 2021	11.80	11.30	11.48	11.80

Source: CBR

Note:

(1) The average rates are calculated as the average of the daily exchange rates on each business day (which rate is announced by the CBR for each such business day) and on each non-business day (which rate is equal to the exchange rate on the previous business day). RUB per CNY 10.00 exchange rates announced by CBR were converted into RUB per CNY 1.00.

The CBR exchange rate between the Russian Rouble and the Chinese Yuan set for 15 February 2021 was RUB 11.45 per CNY 1.00.

No representation is made that the Russian Rouble, U.S. Dollar, Euro or Chinese Yuan amounts referred to herein could have been or could be converted into Russian Roubles, U.S. Dollars, Euros or Chinese Yuans, as the case may be, at these rates, at any particular rate or at all.

Rounding

Certain figures included in this Registration Document have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Registration Document includes statements that are, or may be deemed to be, "forward-looking statements" and which reflect the Group's views with respect to its results of operations, financial condition, business strategy and its plans and objectives for future operations.

These forward-looking statements can be identified by the use of forward-looking terminology, including the words "targets", "proposes", "plans", "believes", "expects", "aims", "forecasts", "intends", "will", "may", "might", "estimates", "projects", "envisages", "anticipates", "continues", "would", "could" or "should" or similar expressions or, in each case their negative or other variations or by discussion of strategies, plans, objectives, goals, future events or intentions. These forward-looking statements all include matters that are not historical facts. They appear in a number of places throughout this Registration Document and include statements regarding the intentions, beliefs or current expectations of the Group and/or its management concerning, among other things, the results of operations, financial condition, liquidity, capital expenditures, prospects, growth, strategy and dividend policy of the Group and the industry in which it operates.

By their nature, such forward-looking statements are necessarily dependent on assumptions, data or methods which may be incorrect or imprecise and may be incapable of being realised. Moreover, they involve known and unknown risks, uncertainties and other important factors beyond the Group's control that could cause the actual results, performance or achievements of the Group to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Forward-looking statements are not guarantees of future performance. Such factors include:

- competition in Group's current areas of operation and in connection with its expansion strategy;
- a deterioration of economic conditions in Russia, in particular, a decline in consumer discretionary income or consumer spending;
- impact of the COVID-19 pandemic on global economies, including Russia, business and consumer spending and retail sector generally;
- adverse changes in consumer preferences;
- risks related to the Group's growth strategy, including the inability to grow its revenue, generate or raise sufficient capital or secure or maintain necessary resources;
- inability to lease or acquire premises on commercially acceptable terms;
- the inability to renew leases on reasonable terms;
- an interruption in the operations of a distribution centre;
- the Group's inability to attract or service indebtedness;
- failure to comply with existing governmental regulations, or increased governmental regulation of the Group's operations;
- product liability claims and adverse publicity, deterioration of the value of the "Fix Price" brand name and/or general loss of reputation;
- antimonopoly laws and regulations;
- inability to enforce intellectual property rights;
- failure to fulfil the terms of or renew licences, permits and other authorisations;
- an increase in staff costs;
- systems failures and delays;
- insufficient insurance policies;
- certain risks in connection with the substantial use of cash and the increasing use of non-cash payments in the Group's operations;
- the ability of the Group to recruit and retain qualified personnel;
- political, social and governmental instability in Russia;

- incomplete, unreliable or inaccurate official data and statistics in Russia, in particular with respect to the real estate market;
- changes in, or enforcement of, laws, regulations, taxation or accounting standards or practices; and
- other factors set out under "*Risk Factors*".

The list of important factors is not exhaustive. When relying on forward-looking statements, the foregoing factors and other uncertainties and events should be carefully considered, especially in light of the political, economic, social and legal environment in which the Group operates. Forward-looking statements speak only as at the date of this Registration Document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based unless required to do so by applicable law, the Prospectus Regulation Rules, the Listing Rules, the Disclosure Guidance and Transparency Rules of the FCA or the Market Abuse Regulation (Regulation (EU) 596/2014), as it forms part of domestic law in the United Kingdom by virtue of the EUWA. The contents of these paragraphs relating to forward-looking statements are not intended to qualify the statements made as to the sufficiency of working capital in this Registration Document.

DIVIDEND POLICY

The Company currently intends to pay dividends semi-annually with a target pay-out ratio of at least 50% of profit for the period calculated under IFRS. The Board intends to regularly consider, and is entitled to increase, annual dividend pay-out should the Company accumulate excess cash balance while prioritising the investment requirements for the Group's growth and net leverage targets. The Group currently plans to maintain a conservative financial policy with the targeted IAS 17-Based Adjusted Net Debt/(Cash) to IAS 17-Based Adjusted EBITDA ratio below 1x in the mid-term, with no intention to accumulate significant excess cash balance.

Pursuant to the Amended M&A that will become effective on or around 10 March 2021, the Board may declare dividends at a time and of an amount it thinks fit if it is satisfied, on reasonable grounds, that, immediately thereafter, the Company will satisfy the relevant solvency tests under BVI law and will be able to pay its debts as they fall due. For a further description, see "*Description of Share Capital and Certain Requirements of BVI Legislation—Dividends and Other Distributions*". To the extent that dividends are declared and paid by the Company in the future, holders of securities on the relevant record date will be entitled to receive dividends payable in respect of such securities, subject to the terms of any agreements which the relevant securities are subject to. If dividends are not paid in U.S. Dollars, they will be converted into U.S. Dollars and paid to the holders of the securities.

Any future decision to declare and pay dividends will be subject to applicable law and commercial considerations (including without limitation, applicable regulations, restrictions, the Group's results of operations, financial condition, cash requirements, contractual restrictions and the Group's future projects and plans). In particular, because the Company is a holding company, its ability to pay dividends depends on the ability of its subsidiaries to pay dividends to it in accordance with the relevant legislation and contractual restrictions. The payment of dividends by those subsidiaries is contingent upon the sufficiency of their earnings, cash flows and distributable reserves.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Group's consolidated capitalisation as at 31 December 2020, derived from the 2020 Financial Statements included in this Registration Document. This information should be read in conjunction with "*Selected Financial and Operating Information*", "*Operating and Financial Review*" and the Financial Statements (including the notes thereto) included in this Registration Document and beginning on page F-1.

	As at 31 December 2020
	(RUB millions)
Loans and borrowings	
Current loans and borrowings	
Guaranteed	—
Secured	—
Unsecured	15,680
Total current loans and borrowings	15,680
Non-current loans and borrowings	
Guaranteed	—
Secured	—
Unsecured	—
Total non-current loans and borrowings	—
Total loans and borrowings	**15,680**
Lease liabilities	
Current lease liabilities	
Current lease liabilities	6,339
Non-current lease liabilities	
Non-current lease liabilities	3,713
Total lease liabilities	**10,052**
Equity	
Share capital	1
Additional paid-in capital	154
Deficit	(3,771)
Currency translation reserve	7
Total (deficit)/equity	**(3,609)**
Total capitalisation[1]	**22,123**

Note:

(1) Total capitalisation is the sum of total loans and borrowing, total lease liabilities and total deficit.

There have been no significant changes in the Group's capitalisation since 31 December 2020.

All information and statistics in this section not expressly attributable to any party have been derived by the Company from, or are based on, private and publicly available information, including industry publications, market research, press releases, filings under various securities laws, and official data published by the Russian Government agencies. See "Presentation of Financial and Other Information".

Market definition

"**Variety Value Retail or VVR**" is a market of low-price products in all major non-food categories and includes certain categories of food, sold both offline and online. Several channels compete for this market including variety stores, "one-dollar" stores, discounters, mass merchandise stores, as well as grocery, e-commerce and some specialist stores.

Russian retail market

According to the Rosstat, the Russian retail market reached US$ 518 billion in 2019. Historically, it has been steadily growing at 5.0% CAGR for the past five years.

In the past, traditional grocery trade was the largest retail channel but has been consistently losing volume and share to modern trade players. Based on the interpolation of the data from Euromonitor, the Rosstat, the Russian Ministry of Economic Development, GFK Panel and Oliver Wyman's forecast, CAGR for traditional and fragmented trade in Russia is expected to be negative 2.7% for the period of 2019–2027.

Table 1. Retail market evolution by channel 2014–2019 (*in billions of Russian Roubles, % indicate respective shares of each channel in the total retail market*)

	2014	2015	2016	2017	2018	2019
Total	26,356	27,527	28,241	29,746	31,579	33,624
Traditional and fragmented grocery trade	35.7%	34.5%	33.6%	32.3%	30.3%	28.4%
Neighbourhood stores	13.6%	15.3%	16.6%	17.7%	18.8%	20.1%
Hypermarkets	13.6%	13.9%	13.1%	12.8%	11.9%	11.5%
E-commerce	4.1%	4.3%	5.1%	6.1%	7.7%	9.0%
Health and Beauty	5.6%	5.9%	6.2%	6.1%	6.2%	6.1%
Apparel and Footwear	5.1%	4.9%	4.8%	4.8%	4.8%	4.9%
Leisure and Personal goods	4.6%	4.6%	4.6%	4.7%	4.6%	4.5%
DIY	5.3%	4.8%	4.3%	4.2%	4.2%	4.2%
Electronics and Appliance	5.1%	4.4%	4.3%	4.1%	4.2%	4.1%
Supermarkets	3.7%	3.8%	3.8%	3.7%	3.8%	3.9%
Homewares & Home furnishing	2.5%	2.4%	2.2%	2.0%	1.9%	1.8%
Toys and Kids	0.8%	0.8%	0.8%	0.8%	0.7%	0.7%
Variety Value Retail	0.2%	0.3%	0.3%	0.4%	0.4%	0.5%
Pet care	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%

Source: Oliver Wyman Report based on information published by, or derived from, the Rosstat, Euromonitor, GFK Household Panel, Ministry of Economic Development

Neighbourhood stores (i.e. stores of 300–500 sq.m. in size on average located in proximity to residential areas and traffic flows and offering mainly grocery products) were the second-largest retail channel, in terms of growth, in 2019, and are expected to grow at a 8.4% CAGR during the period of 2019–2027. Hypermarkets are a major retail channel but are expected to lose market share in the upcoming years, with a negative 1.3% CAGR during the period of 2019–2027. E-commerce is aggressively developing and is expected to become one of the top-three distribution channels by 2027 with a CAGR of 17.1% in the period of 2019–2027.

Variety Value Retail market is one of the fastest-growing channels of the Russian retail market which accounted for 0.5% of the total retail market in 2019 and is expected to triple its size by 2027 with a 16.9% CAGR in the period of 2019–2027.

Table 2. Estimated retail market evolution by channel 2020–2027 (*in billions of Russian Roubles, % indicate respective shares of each channel in the total retail market*)

	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Total	32,532	34,836	36,520	38,147	39,819	41,559	43,337	45,274
Traditional and fragmented grocery trade	25.9%	24.6%	23.3%	22.0%	20.9%	19.6%	18.2%	16.8%
Neighbourhood stores	22.6%	23.4%	24.4%	25.4%	26.1%	27.0%	27.7%	28.3%
Hypermarkets	11.6%	10.9%	10.4%	9.8%	9.3%	8.8%	8.2%	7.7%
E-commerce	11.3%	12.5%	13.9%	15.5%	17.0%	19.0%	21.1%	23.6%
Health and Beauty	5.5%	5.5%	5.4%	5.2%	5.1%	4.9%	4.7%	4.5%
Apparel and Footwear	4.4%	4.5%	4.4%	4.3%	4.3%	4.2%	4.0%	3.9%
Leisure and Personal goods	4.0%	4.0%	3.9%	3.8%	3.7%	3.6%	3.4%	3.2%
DIY	3.7%	3.6%	3.5%	3.4%	3.2%	3.0%	2.9%	2.7%
Electronics and Appliance	3.7%	3.7%	3.6%	3.5%	3.4%	3.3%	3.2%	3.0%
Supermarkets	4.1%	3.9%	3.8%	3.6%	3.4%	3.2%	3.0%	2.8%
Homewares & Home furnishing	1.7%	1.7%	1.6%	1.6%	1.6%	1.5%	1.5%	1.4%
Toys and Kids	0.6%	0.6%	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%
Variety Value Retail	0.6%	0.7%	0.8%	1.0%	1.1%	1.2%	1.3%	1.4%
Pet care	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%

Source: Oliver Wyman Report based on information published by, or derived from, the Rosstat, Euromonitor, GfK Household Panel, Ministry of Economic Development

The share of the modern trade share in the Russian retail market has been steadily growing mildly approaching figures for developed retail markets.

Table 3. Share of modern and traditional and fragmented trade in total Russian retail market

	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Modern trade share	68%	70%	72%	74%	75%	77%	78%	79%	80%	82%	83%
Traditional and fragmented trade share	32%	30%	28%	26%	25%	23%	22%	21%	20%	18%	17%

Source: Oliver Wyman Report based on information published by, or derived from, Rosstat, Euromonitor, GFK Household Panel, Ministry of Economic Development

In 2020, the COVID-19 pandemic caused a major decrease in sales across the majority of retail channels, which made the total Russian retail market lag behind the pre-COVID-19 forecasts and this market is, therefore, expected to temporarily decline by 3.2% in 2020, based on the annualised data for nine months of 2020 published by the Rosstat and the Russian Ministry of Economic Development.

E-commerce has been the fastest-growing segment of Russian retail for the past five years. The COVID-19 pandemic has even accelerated its growth, driving e-commerce retail segment to become one of the leading retail channels and is anticipated to more than double its size by 2024. Overall, Russian e-commerce penetration is consistently growing, but is still lower than in some Western countries, with room for further growth. Leading e-commerce players (such as Wildberries and Ozon) have substantial presence, however with a focus on "mainstream" segment, so far not paying significant attention to assortment attributable to Variety Value Retail.

Variety Value Retail market

The first Variety Value Retail store was opened in Russia in 2007, with the formation of Fix Price as the only modern trade player in this channel. The market has been substantially growing since then and more than doubled its size over the past five years, albeit still at a low base compared to other countries.

Over the years, this segment of the retail market has been constantly changing: Variety Value Retail players have entered the market (e.g. German retailer Euroshop), some of them went through major rebranding (for example, Zaodno was rebranded into Home Market), and some players have partially or fully closed stores by the end of 2019 (for example, Top Shop, Okhapka/Amigo).

On the back of structural shift in consumer behaviour towards value and net increase of stores in this channel, Variety Value Retail market is expected to grow at a 23% CAGR during the period of 2017–2020 and is expected to increase at a 17% CAGR in the period of 2020–2027 and reach RUB 635 billion in 2027.

Table 4. Russian Variety Value Retail market dynamics (*in billions of Russian Roubles*)

	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
VVR market	109	141	182	206	256	310	367	428	493	562	635
Growth rate, %	27%	28%	29%	13%	24%	21%	18%	17%	15%	14%	13%

Source: Oliver Wyman Report based on information published by, or derived from, the Rosstat, Euromonitor, GFK Household Panel and Ministry of Economic Development

In 2019, Fix Price was estimated to account for 93% of the Variety Value Retail market, measured by revenue (including VAT), according to Euromonitor and Spark Interfax data (as compared to 91% in 2018 and 88% in 2017). As at 31 December 2019, Fix Price had 3,371 stores opened across Russia. Within the Variety Value Retail market, the closest competitor to Fix Price is Home Market, which in 2019 was estimated to have less than 3% market share, measured by revenue.

Table 5. Overview of Variety Value Retail players in Russia

Company	Revenue, RUB billions, 2019(1)	Number of stores		Stores' CAGR 2015–2019	Market share by revenue, 2019
		2015	2019		
Fix Price	142.6(3)	2,063	3,371	+13.1%	93%
Home Market(2)	2.4	74	114	+11.4%	2%
Euroshop	1.2	20	25	+5.7%	1%
Top Shop	0.1	19	*Closing*		

Source: Oliver Wyman Report based on information published by, or derived from, respective companies' websites, Spark Interfax, Euromonitor and GFK Household Panel

Notes:

(1) Excluding VAT.

(2) Home Market includes Zaodno data, as Home Market formerly operated under the brand "Zaodno".

(3) Revenue (excluding VAT) of the stores operated by the Group and franchise stores in Russia.

Russian Variety Value Retail market vs international benchmarks

The Russian Variety Value Retail market is lagging behind Western countries in volume and potential consumption per capita, suggesting further potential for growth: in Russia, Variety Value Retail market represented approximately 0.5% of the total retail market in 2019, while in mature markets such as the United Kingdom and Canada it accounted for over 3.5%.

Thus, the Russian Variety Value Retail market remains underpenetrated in comparison with Western countries in terms of the share of Variety Value Retail in the total retail market and the number of stores per capita.

Table 6. Comparison of Russian Variety Value Retail market with developed countries

Country[1]	Market size (2019) (US$ millions)	CAGR 2014–2019	Estimated market size (2025) (US$ millions)	Estimated CAGR 2020–2025	Share of Variety Value Retail in total retail market, %, 2019	Variety Value Retail stores per 1,000 people, 2019	Variety Value Retail stores (sq. m.) per 1,000 people, 2019
Russia	2,799	24.9%	7,590	19.1%	0.5%	0.02	5
Germany	4,804	6.3%	6,011	8.2%	0.7%	0.05	30
Canada	12,100	5.0%	14,706	4.3%	3.6%	0.22	102
U.K	21,229	1.6%	22,483	6.7%	3.9%	0.09	52
EU[2]	52,181	3.4%	58,357	5.5%	1.5%	0.08	34
USA	79,591	5.3%	109,837	5.6%	2.4%	0.14	106

Source: Oliver Wyman Report based on information published by, or derived from, for international benchmarks—Euromonitor Database and Forecast, for Russia—Euromonitor, Rosstat, Ministry of Economic Development, GFK Household Panel, companies' websites

Notes:

(1) Germany and U.K. in this Table 6 are presented separately given the relative significant presence of variety value retail in these countries compared to other EU countries presented in the "EU" line.

(2) EU in this table refers to European Union including the U.K., Netherlands, Ireland, Belgium, Germany, Spain, Poland, Denmark, France, Austria and Norway.

The comparison analysis referred to in Table 6 was conducted on the basis of selected countries from the Euromonitor database: out of 224 countries in the world, 156 countries lack variety value stores, 55 countries were considered as being of low level of maturity (i.e., where variety value stores account for less than 0.5% of the total retail market) and 13 countries were included in the final sample (USA, U.K., Canada, Netherlands, Ireland, Belgium, Germany, Spain, Poland, Denmark, France, Austria, Norway).

Table 7. Top-down estimates of Variety Value Retail stores potential and market share of the leading player in Russia and other selected countries

	People per Variety Value Retail store, Current	People per Variety Value Retail store, Predicted, 2019	People per Variety Value Retail store, Predicted, 2024	Market share of the leading player in the Variety Value Retail market, 2019 (by revenue)
USA	10,345	9,641	8,230	35%
Russia, Potential	15,670	15,670[1]	12,399[2]	—
Germany	22,474	23,088	18,262	26%
U.K	23,896	25,041	21,577	21%
Canada	25,728	21,218	19,311	23%
Russia, Actual	40,194	—	—	93%
Netherlands	40,953	44,076	27,040	57%

Source: Oliver Wyman Report based on information published by, or derived from, Rosstat, Euromonitor

Notes:

(1) As per top-down estimates (correspond to 9,367 Variety Value Retail stores).

(2) As per top-down estimates (correspond to 12,017 Variety Value Retail stores).

Countries with mature Variety Value Retail markets demonstrate a higher level of competition with leading retail players generally occupying a significantly lower share of the relevant market as compared to Russia where Fix Price as the leading variety value retailer has a significant market share. International experience suggests that a more competitive environment causes leading players on mature markets to focus on investing in improvement of like-for-like performance than on expansion pace. See also "*Risk Factors—Risks Relating to the Group's Business and Industry—Risks Relating to the Group's Strategy—The Group may not be successful in managing its growth and implementing its expansion plans"* as well as *"Risk Factors—Risks Relating to the Group's Business and Industry—Risks Relating to the Group's Strategy—The Group's growth depends on its ability to drive like-for-like sales growth*".

Target addressable market

The retail market, in general, includes a large variety of categories and channels and its definition is not simple. To estimate the size of the addressable market for Variety Value Retail it is important to exclude products sold at price points that are higher than those typically prevailing in the Variety Value Retail market and in specific categories which are typically not served by the Variety Value Retail (for example, perishable food). Therefore, the addressable market is a selection of retail products which are similar to Variety Value Retail products in terms of price and assortment offer, while can be sold through different retail channels.

Table 8. Approach to addressable market estimation (*2019 data*)

	Value (RUB billions)	% of total retail market	Comments
Total retail market	33,624	100%	• Total Russian retail market including all channels, categories and regions (grocery and non-grocery segments)
Goods relevant for Variety Value Retail in price terms	14,922	44.4%	• Market specifics are taken into account • Selection of goods, which are relevant for Variety Value Retail stores in price terms
Addressable market for Variety Value Retail	1,169	3.5%	• Addressable market was adjusted for relevant Variety Value Retail customers profile and preferences • Applied Variety Value Retail product mix and assortment ratios validating market estimation with customers insights and expert interviews
Existing Variety Value Retail market	182	0.5%	• Identification of existing Variety Value Retail market

Source: Oliver Wyman Report based on information published by, or derived from, the Rosstat, Euromonitor, GFK Household Panel

Price caps applied in addressable market analysis outlined in Table 8 above vary across categories which allows to guarantee that the most relevant products for addressable market are included into assessment. Products below price caps contribute to 44.4% of the total retail market or RUB 14,922 billion. Weighted average price cap amounts to RUB 364.

According to Oliver Wyman's model based on Rosstat, Euromonitor and GFK Panel data, the size of the addressable market was estimated to be RUB 1,169 billion in 2019, which accounted for 3.5% of the total Russian retail market, and is served by several channels. Non-food categories persistently account for more than half of the addressable market, even though food and drinks have demonstrated faster growth over the past years, especially in 2020 because of COVID-19 pandemic.

Channel split of the addressable market has been changing over the past five years, with neighbourhood and variety value stores strengthening their position and declining share of traditional trade. Variety Value Retail channel share of the addressable market is growing with accelerating pace, reaching 16% in 2019, and is expected to increase up to 18% in 2020.

Table 9. Addressable market for Variety Value Retail by channel 2014–2019 (*in billions of Russian Roubles, % indicate respective shares of each channel in the total addressable market for Variety Value Retail, 2014–2019*)

	2014	2015	2016	2017	2018	2019
Total	**851**	**900**	**954**	**1,013**	**1,091**	**1,169**
Traditional and fragmented grocery trade	28.7%	28.2%	27.5%	26.9%	25.3%	23.9%
Neighbourhood stores	11.7%	12.5%	14.0%	14.2%	14.6%	14.1%
Variety Value Retail	7.0%	8.5%	9.0%	10.8%	12.9%	15.6%
Hypermarket	17.8%	16.3%	14.9%	13.6%	12.3%	11.1%
E-Commerce	3.7%	4.3%	4.9%	5.7%	6.9%	8.0%
Apparel and Footwear	5.9%	5.8%	5.7%	5.6%	5.3%	5.1%
Supermarket	3.9%	3.9%	3.8%	3.8%	4.1%	4.3%
Health and Beauty	4.8%	4.9%	5.0%	5.1%	4.6%	4.3%
Leisure and Personal goods	4.1%	4.1%	4.0%	4.0%	3.9%	3.8%
DIY	4.2%	4.0%	3.7%	3.5%	3.6%	3.8%
Electronics and Appliance	4.6%	4.3%	4.0%	3.7%	3.6%	3.6%
Homewares and Home furnishing	2.4%	2.3%	2.2%	2.0%	1.8%	1.6%
Other (including toys and kids and pet care)	1.1%	1.1%	1.1%	1.1%	1.0%	0.9%

Source: Oliver Wyman Report based on information published by, or derived from, Rosstat, Euromonitor, GFK Household Panel, Ministry of Economic Development

The share of traditional and fragmented trade in the addressable market is expected to further decrease to 9% in 2027, while Variety Value Retail is expected to become the largest channel in the addressable market with a 35% share.

Table 10. Estimated addressable market for Variety Value Retail by channel 2020–2027 (*in billions of Russian Roubles, % indicate respective shares of each channel in the total addressable market for Variety Value Retail, 2020–2027*)

	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Total	**1,151**	**1,265**	**1,354**	**1,440**	**1,530**	**1,624**	**1,724**	**1,829**
Traditional and fragmented grocery trade	21.1%	18.3%	17.0%	15.1%	12.6%	11.4%	9.9%	8.2%
Neighbourhood stores	14.7%	14.3%	13.6%	12.9%	12.3%	11.5%	10.7%	10.0%
Variety Value Retail	17.9%	20.2%	22.9%	25.5%	28.0%	30.3%	32.6%	34.7%
Hypermarket	10.6%	10.2%	9.4%	8.7%	8.1%	7.5%	7.0%	6.4%
E-Commerce	9.2%	10.8%	12.2%	14.0%	16.0%	17.5%	19.1%	21.0%
Apparel and Footwear	5.0%	5.0%	4.9%	4.7%	4.6%	4.4%	4.2%	4.0%
Supermarket	4.1%	3.9%	3.7%	3.5%	3.4%	3.2%	3.0%	2.8%
Health and Beauty	4.2%	4.1%	4.0%	3.8%	3.7%	3.5%	3.3%	3.1%
Leisure and Personal goods	3.7%	3.7%	3.5%	3.4%	3.2%	3.1%	2.9%	2.8%
DIY	3.6%	3.5%	3.3%	3.1%	3.0%	2.8%	2.6%	2.4%
Electronics and Appliance	3.5%	3.4%	3.3%	3.2%	3.1%	2.9%	2.7%	2.6%
Homewares and Home furnishing	1.6%	1.6%	1.5%	1.5%	1.4%	1.3%	1.3%	1.2%
Other (including toys and kids and pet care)	0.8%	0.8%	0.8%	0.8%	0.7%	0.7%	0.7%	0.7%

Source: Oliver Wyman Report based on information published by, or derived from, Rosstat, Euromonitor, GFK Household Panel, Ministry of Economic Development

The addressable market for Variety Value Retail can reach up to RUB 1,829 billion in 2027 based on the currently available estimates and model assumptions. This implies market value CAGR of 7% in the period from 2020 to 2027.

In 2019, the addressable market was mostly occupied by traditional and fragmented trade and neighbourhood stores having a 24% and a 14% share, respectively, while Variety Value Retail had a 16% share as of the end of 2019 and showed high potential to increase market share. E-commerce channel also has high assortment relevance to Variety Value Retail in different product segments and is expected to continue growing with a strong pace accelerated by COVID-19.

The share of traditional and fragmented trade in the addressable market is expected to decline rapidly over the years, mainly being crowded out by active growth of neighbourhood stores and Variety Value Retail.

Assuming no disruptor (online or offline) focused on Variety Value Retail market appears to challenge existing players and existing players continue the current activity, Variety Value Retail channel can achieve up to 35% of the addressable market in 2027.

It is important to stress the degree of uncertainty in these estimates, caused by the wide range of the statistics currently capturing the COVID-19 pandemic impact. There is, in particular, no assurance that the COVID-19 pandemic will continue to impact the Variety Value Retail market in the same way as currently estimated.

White space potential (number of stores)

Based on macro-economic drivers comparison with international benchmarks and Russia, Variety Value Retail market has an estimated potential to grow up to approximately up to 11,700 stores across Russia, which is approximately three times higher than the number of opened stores, according to Euromonitor and websites of existing major players (Table 11). This store potential includes the current number of opened stores.

Table 11. Estimated overview of market potential by the federal district of Russia

Federal district	Number of VVR stores		People per VVR store		Addressable market (RUB billions), 2019	VVR market (RUB billions), 2019	Estimated VVR market saturation
	Actual 2019	Estimated potential	Actual 2019	Estimated potential			
Central	1,064	3,339	37,062	11,810	410	58	31.9%
Volga	793	2,270	36,933	12,900	203	32	34.9%
Siberian	434	1,312	39,443	13,052	101	23	33.1%
Southern	445	1,224	37,002	13,452	120	23	36.4%
North-Western	364	1,187	38,412	11,781	113	20	30.7%
Ural	357	1,094	34,624	11,301	100	15	32.6%
North Caucasus	147	630	67,557	15,759	20	6	23.3%
Far Eastern	47	642	173,813	12,719	65	4	7.3%
Total	**3,651**(1)	**11,698**	**40,194**	**12,545**	**1,169**	**182**	**31.2%**

Source: Oliver Wyman Report based on information published by, or derived from, Rosstat, Euromonitor

Notes:

(1) As of the end of the third quarter of 2020, total number of Variety Value Retail stores in Russia amounted to 4,091.

The current market saturation level is different across regions in Russia, with Central and Volga districts being the most penetrated, while Far East significantly lagging behind. Moscow and Saint Petersburg are the cities with the highest absolute potential, together accounting for more than 1,500 additional white spaces currently not occupied by Variety Value Retail market.

Table 12. Estimated overview of market potential by cities of Russia (*grouped by population size*)

City(1)	Number of VVR stores		People per VVR store		Estimated VVR market saturation, %
	Actual 2019	Estimated potential	Actual 2019	Estimated potential	
Moscow	284	1,208	44,641	10,495	23.5%
Saint Petersburg	97	472	55,650	11,437	20.6%
Other >1M population cities	525	1,721	29,765	9,076	30.5%
Cities with 0.5-1M population	530	1,533	26,705	9,234	34.6%
Cities with 0.25-0.5M population	535	2,248	37,682	8,975	23.8%
Cities with 0.05-0.25M population	973	2,732	26,460	9,423	35.6%
Cities with <0.05M(2) population	707	1,784	43,707	17,316	39.6%
Total	**3,651**	**11,698**	**40,194**	**12,545**	**31.2%**

Source: Oliver Wyman Report based on information published by, or derived from, Rosstat, Euromonitor

Notes:

(1) "M" refers to million.

(2) Cities and villages with population below 5,000 people are excluded from analysis.

Overview of customer preferences

Oliver Wyman conducted an on-line customer survey in September 2020 with 2,000 respondents in Russia. According to this survey, price is the most important factor for Russian customers in shopping decisions while COVID-19 has reinforced several consumer trends and further pushed customers to change their shopping habits.

Table 13. Store choice criteria in 2018 and 2020

	Prices	Product quality	Assortment	Location	Convenience of shopping	# promotion items	Atmosphere, interior
2018	72%	68%	48%	44%	38%	35%	28%
2020	74%	69%	50%	45%	39%	37%	30%

Source: Customer Survey conducted by Oliver Wyman

Vector conducted a customer survey in November 2020 carrying out over 1,000 face-to-face interviews in 10 cities of Russia with population of over one million and, additionally, over 500 online surveys. Among questions asked in this survey were the following:

Table 14. "If you are to seek lowest prices, which retail chain you would prefer?"

	Fix Price	Auchan	Galamart	Pyaterochka	Svetofor	Magnit
Russia	80%	5%	3%	3%	2%	2%
Moscow	87%	9%	0%	3%	1%	1%
St. Petersburg	86%	1%	1%	2%	0%	3%

Source: Vector Study

Table 15. "Which of retailers do you know at least by the name?"

	Pyaterochka	Auchan	Lenta	Fix Price	Perekrestok	Magnit Convenience
Nov-2019	93%	89%	86%	85%	73%	73%
Nov-2020	96%	94%	89%	87%	84%	78%

Source: Vector Study

Value sentiment of customers

Based on market research referenced in Table 13 above, price and product quality remains the most important criteria for the choice of the store by customers (approximately 70% of customers named these as main factors for visiting a store).

Walking towards the store remains the most common way to shop groceries. Customers prefer neighbourhood stores over super- and hypermarkets, although generally are less satisfied with them.

Regarding shopping at Variety Value Retail stores, there is no significant bias towards low-income customers. Most clients come to Variety Value Retail stores in search of a better price for regular purchases or to find specific products. Stores of this channel are perceived as being convenient and having strong price offer, but being weaker on assortment.

Variety Value Retail store customers perceive neighbourhood stores and hypermarkets as Variety Value Retail store alternatives.

E-commerce adoption is much higher in big cities, where customers are more digitally advanced and logistics are cheaper. Customers are increasing the frequency of online purchases and discover new categories (for example, food). However, there are still barriers for e-commerce adoption, limiting the potential for growth in Variety Value Retail, including inability to assess product quality before purchase, duration and cost of delivery compared to cost of products bought.

Omnichannel players' offer is skewed towards lower price end, but still significantly more expensive than Variety Value Retail stores' assortment.

Table 16. Assortment of online active players' vs Fix Price

	Wildberries	Ozon	Utkonos	Lenta	Auchan	Fix Price
Average price of the assortment, October 2020	1,103	454	349	288	252	88
Share of assortment < RUB 200	15%	49%	54%	65%	67%	100%

Source: Oliver Wyman Report based on companies' public data (snapshot)

COVID-19 has strengthened value needs

The COVID-19 pandemic has hit the Russian retail market hard in the second quarter of 2020 and led to a significant reduction in retail spending reinforced by income decrease and feeling of insecurity, with subsequent decrease of retail market by 3.7% to RUB 15.2 billion in the first half of 2020 (from RUB 15.8 billion in the first half of 2019), and expected decrease by 3.2% in 2020 to RUB 32.5 billion from RUB 33.6 billion in 2019.

These events have reinforced several consumer trends and led to the emergence of new behaviours, such as, for example, e-commerce penetration, preference of neighbourhood stores, unwillingness to leave home and tendency to stock up when shopping. Moreover, the previously existing trend of focusing on value is reinforced and now can be viewed as a baseline for customer behaviour.

According to the customer survey conducted in September 2020, 34% of customers have reported the loss of income, more are afraid that this is going to happen. It negatively impacts spending and further develops a feeling of uncertainty. Customers continue to hunt for best prices and offers, advantaging discounters and the increasing importance of promo and price-value comparison: 71% of customers report promo-hunting as one of the main economy strategies, 48% choose stores with overall lower price levels. In these circumstances, necessity becomes a more important driver of shopping than leisure.

During restrictions imposed by the Russian Government in response to COVID-19, customers were required to decrease time out of home, as a result minimising the number of store visits and preferring stores located in close proximity to them: according to market research performed in 2020, 40% have reported switching to stores in proximity that were easy to reach.

Variety Value Retail stores have benefited from these events. Variety Value Retail market has increased by 26% during the first half of 2020 to RUB 103 billion (from RUB 82 billion in the first half of 2019). The market share of Fix Price remained stable in the first half of 2020 (same as in the first half of 2019). Variety Value Retail stores were allowed to remain open during lock-down in Russia, being at the same time an alternative for many non-food specialists.

However, there is no assurance that the COVID-19 pandemic will continue to impact customer preferences in the same way as currently estimated. See also "*Risk Factors—Risks Relating to the Group's Business and Industry—Risks Relating to Demand and Competition—There is no assurance that the COVID-19 pandemic will continue to have the same overall net positive effect on the Group's results in the future or that the measures implemented to contain or mitigate the spread of the virus would not have a material adverse impact on the operations and financial results of the Group*".

Opportunities in Kazakhstan, Belarus and Uzbekistan

Kazakhstan, Belarus and Uzbekistan are characterised by similar economic and demographical situations, which are also fairly comparable to Russia. Among these three countries, the Belarus market is the most saturated.

Kazakhstan

The total retail market amounted to US$ 30.7 billion in 2019 and demonstrated high pace of retail market growth (a 12.5% CAGR over the past five years). The market is underdeveloped and demonstrates a significantly lower level of modern trade penetration comparing to the Russian retail market.

Population and economic activity are unevenly distributed and significantly skewed towards the capital and big cities (e.g. Almaty), which, therefore, are more attractive for retail players than distant regions with lower population and income per capita.

According to the Oliver Wyman Report, Variety Value Retail market is still emerging and is estimated to be at approximately 5% saturation in terms of number of stores based on comparison with international benchmarks and analysis of the number of traffic areas in cities of Kazakhstan.

Belarus

The total retail market amounted to US$ 20.7 billion in 2019 and demonstrated high pace of retail market growth (a 11.5% CAGR over the past five years). The market is similar to the Russian retail market in terms of structure, but Belarussian modern trade penetration is still at the lower stages of development.

Among regions of Belarus, Minsk stands out as more attractive for Variety Value Retail stores penetration, other regions being similar in terms of average income and retail market activity.

Variety Value Retail already has a strong presence in Belarus with three competitive players. According to the Oliver Wyman Report, it is estimated to be at approximately 46% saturation in terms of number of stores based on comparison with international benchmarks and analysis of the number of traffic areas in cities of Belarus.

Uzbekistan

The total retail market amounted to US$ 14.7 billion in 2019 and demonstrated high pace of retail market growth (a 19.0% CAGR over the past five years). The market is underdeveloped and demonstrates a significantly lower level of modern trade penetration comparing to the Russian retail market.

Population and economic activity are unevenly distributed and significantly skewed towards the capital Tashkent and big cities, which, therefore, are more attractive for retail players than distant regions with lower population and income per capita.

According to the Oliver Wyman Report, Variety Value Retail market is still emerging and is estimated to be at approximately 2% saturation in terms of number of stores based on comparison with international benchmarks and analysis of the number of traffic areas in cities of Uzbekistan.

Table 17. Estimated Variety Value Retail stores potential in selected CIS countries

Country	Total number of retail stores 2019	Total number of modern trade stores 2019	Current number of Variety Value Retail stores	Estimated potential number of Variety Value Retail stores	Estimated potential number of people per outlet
Kazakhstan	123,124	83,496	93	1,793	18,387
Belarus	61,027	41,923	361	781	12,116
Uzbekistan	105,055	46,056	21	1,267	26,014

Source: Oliver Wyman Report based on information published by, or derived from, Euromonitor and these countries' respective official statistical services

BUSINESS

Overview

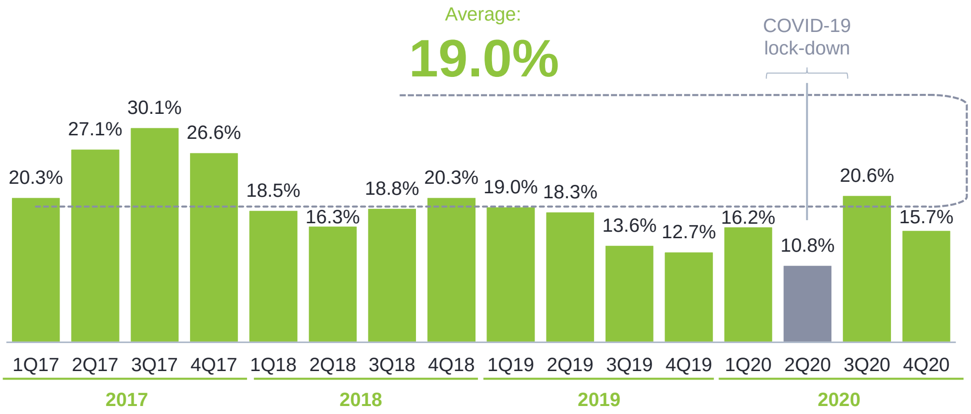
The Group is one of the leading variety value retailers globally and the largest variety value retailer in Russia operating under the trade mark "Fix Price", with over 4,000 stores and RUB 190,059 million in revenue as of and for the year ended 31 December 2020, respectively. Fix Price provides an affordable shopping destination, offering a broad range of essential and unique products at several fixed price points. In the Russian variety value retail market, Fix Price is the leader both by number of stores and revenue. According to the Oliver Wyman Report, Fix Price was estimated to account for 93% of the variety value retail revenue in Russia in 2019, making it 13 times larger than other players on the Russian variety value retail market combined, and had, by far, the largest number of stores among Russian variety value retailers. Based on publicly available information, the Group believes it enjoys leading revenue growth, profitability and return on capital levels among publicly traded variety value retailers globally. Fix Price has been able to successfully capitalise on the ongoing structural shift in Russian customer spending towards value offering, which is also observed in other geographies worldwide. The Group believes that this shift is being driven by customers with lower income levels as well as the more affluent customers, who are finding Fix Price's assortment and value proposition increasingly appealing.

As of 31 December 2020, the Fix Price retail chain comprised 4,167 stores across 1,330 cities (in Russia and neighbouring counties) encompassing a total selling space of approximately 890 thousand sq. m. In Russia, Fix Price's largest market, the Group operated in 78 out of 85 of Russian regions covering 1,250 localities, as of 31 December 2020. As of the same date, the Group's stores were present in 38 Russian cities with a population of more than 500 thousand people (representing a 100% presence in such cities), 261 Russian cities with a population of 50 to 500 thousand people (representing a 92% presence in such cities) and 524 Russian cities with a population of less than 50 thousand people (representing a 66% presence in such cities). Overall in Russia, Fix Price stores operated in 823 out of 1,117 cities (representing a 74% overall presence in Russia), as of the same date.[2] A typical store has an average sales area of approximately 210 sq. m. The stores are primarily located in convenient and high-traffic locations in high-density areas and shopping centres. In addition to operating stores in large and densely populated cities, the Group successfully operates in smaller localities (with population of at least 5,000 people). The Group also has presence outside of Russia with 276 stores in the Fix Price retail chain as of 31 December 2020, including 152 stores in Belarus, 89 stores in Kazakhstan, 15 stores in Uzbekistan, 2 stores in Kyrgyzstan, 14 stores in Latvia and 4 stores in Georgia. While most of Fix Price's store base is operated by the Group, 425 out of 4,167 Fix Price stores were franchised, representing 12.6% of the Group's total revenue in the year ended 31 December 2020. Fix Price has been using the franchise model to test remote markets and regions where it had limited or no presence and/or which were not a priority for the Group at the relevant time, with the view to increase geographical presence and store network in those markets and regions.

The Group has exhibited strong revenue growth of 33.0% and 31.4% for the years ended 31 December 2020 and 2019, respectively. The Group's recent revenue growth reflects both a strong like-for-like sales performance and rapid expansion of selling space. The Group enjoyed double-digit like-for-like sales growth over the last sixteen consecutive quarters ended 31 December 2020.

2 Presence data is based on Rosstat.

Like-for-Like Sales Growth Since 2017



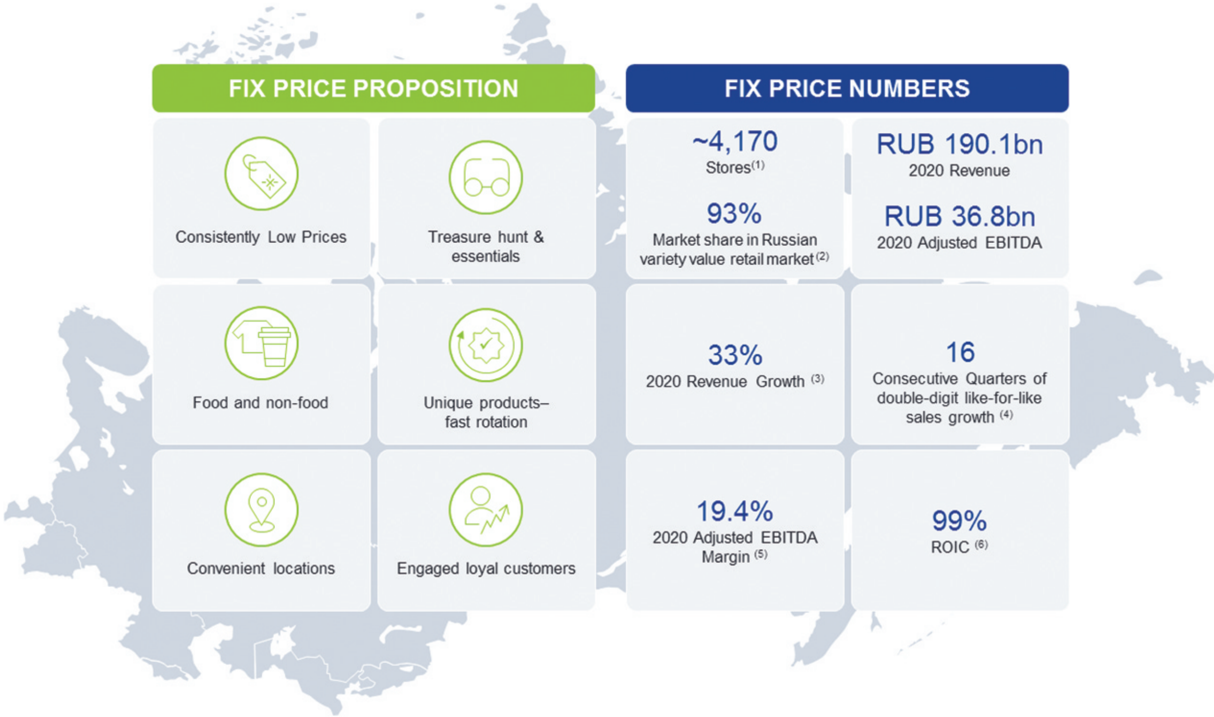
Note:

For the definition of like-for-like sales, see "*Presentation of Financial and Other Information*".

In 2020, the Group enjoyed like-for-like sales growth of 15.8% compared to 15.4% in 2019 and 18.6% in 2018. In 2020, the Group had 655 net store openings, including stores operated by the Group and franchise stores, the most it has opened in one calendar year in its history. The Group believes there is further ample potential to expand its operations in Russia as well as in neighbouring countries. According to the Oliver Wyman Report, as of November 2020, the total store potential for the Russian variety value retail market was estimated to be approximately 11,700 stores (including Fix Price stores operating in the market at that time), which is nearly three times higher than the Group's current store network in Russia. Looking outside of Russia, in the neighbouring countries where the Group has a presence with stores operated by the Group, the total store potential for the respective variety value retail market was estimated to be approximately 3,800 stores in Belarus, Kazakhstan and Uzbekistan as of November 2020 (including Fix Price stores operating in the market at that time).

The key pillars of Fix Price's distinctive customer proposition are deep value of its product offering and continuously refreshed and unique assortment providing the "treasure hunt" experience that customers can enjoy during their essential trips to the Group's stores. The Group's offering includes its own private brands as well as third-party branded and non-branded products, comprising approximately 1,800 SKUs across approximately 20 categories, including non-food, drogerie and food products. Aiming to achieve constant newness, the Group launches 40 to 60 products every week, with approximately 60% of product assortment refreshed up to six times per year. In offering its product proposition, the Group is focused on encouraging a "WOW" reaction from customers by striving to surprise them with new and exciting products at incredibly low prices. The Group aims to be the price leader across its product categories and SKUs. The Group's multiple price points policy (as of 31 December 2020, including six anchor price points: RUB 50 (US$ 0.66), RUB 55 (US$ 0.72), RUB 77 (US$ 1.01), RUB 99 (US$ 1.30), RUB 149 (US$ 1.95) and RUB 199 (US$ 2.61)[3]) allows the Group to provide an extensive range of products while maintaining the variety value retail attractiveness. This policy also provides the Group with additional flexibility to address market environment and external factors, primarily foreign exchange rate volatility as well as inflation. The Group's continuous efforts to maintain its unique customer proposition have allowed the Group to reach a 87% unaided brand awareness in Russia, according to the Vector Study, as well as attract and develop a substantial loyal customer base of approximately 12 million registered card holders as of 31 December 2020. Approximately 36% of the Group's retail sales in 2020 was generated from sales of products to Fix Price's loyalty programme card holders, whose average ticket was 1.7 times higher than that of non-card holders. Analysis of the data on customers and their spending habits accumulated from the loyalty card programme allows the Group to make efficient merchandising, procurement and marketing decisions, which, in turn, contributes to the Group's growth, further increases customer loyalty and drives sales.

3 Price points presented in this Registration Document in Russian Roubles were converted into U.S. Dollars at the CBR exchange rate of RUB 76.25 as of 31 January 2021.



Notes:

(1) 4,167 stores as of 31 December 2020.

(2) For the year ended 31 December 2019.

(3) A change in the Group's revenue for the year ended 31 December 2020 as compared to the year ended 31 December 2019, expressed as a percentage.

(4) For the definition of like-for-like sales growth, see "*Presentation of Financial and Other Information*".

(5) For the year ended 31 December 2020. For the definition of Adjusted EBITDA Margin, see "*Presentation of Financial and Other Information*".

(6) For the year ended 31 December 2020. For the definition of ROIC, see "*Presentation of Financial and Other Information*".

The Group's low-price business model is underpinned by the following key pillars: data-driven procurement supplemented by streamlined centralised logistics, efficient store management model, and a highly experienced management team. State-of-the art IT solutions enabling the Group to achieve a high degree of automation across its operations serve as the foundation of the Group's key efficiency pillars.

- **Data-driven procurement supplemented by streamlined centralised logistics.** The Group sources products in a manner that is designed to achieve low cost, fast response and frequent product rotation and sell-through. The Group has a large, diversified and predominantly domestic supplier base with nearly 100% of SKUs supplied directly via the Group's distribution centres for onward transportation to the Group's stores. The Group believes that its market position and scale allow it to negotiate favourable terms with suppliers, as well as customised product features aimed at maximising profitability. The Group's sourcing decisions are based on a thorough analysis of historical data and sophisticated forecasting tools in relation to market developments, retail trends, sales history and customer behaviour. It takes only 1 to 2 months (for domestic suppliers) and 7-8 months (for Chinese suppliers) for the product to go through the full cycle from an idea to shelf. Such speed to market is achieved as a result of efficient sourcing system built based on 13 years of sales history as well as quick decision making process of a highly competent and flat-structured procurement team. The Group's logistics infrastructure is represented by eight strategically located distribution centres with a total space of approximately 195 thousand sq. m. Fix Price's distribution centres to stores transportation is almost fully outsourced, which allows for greater flexibility and cost control. The Group believes that its integrated IT system contributes to streamlined logistics by limiting human factor and allowing the Group to manage the process in real time.
- **Efficient store management model.** The Group's stores are standardised and consistent across the entire Fix Price chain in terms of product assortment, pricing policies, product layout, equipment and

marketing activities. This approach allows the Group to maintain high degree of tech-enabled automation of operations across stores and to manage the entire network of over 4,000 stores as if the Group was managing a single store, thereby contributing to efficiency of operations and creating a consistent brand image. This standardisation also enables the Group to obtain uniform data analytics on store performance, which contributes to efficient merchandising and procurement decisions. The Group follows a proven store roll-out process supported by advanced IT solutions enabling high automation of the network expansion and streamlined store monitoring processes. The Group maintains an asset-light business model with 100% of its stores being leased. It has a balanced mix of leases with fixed and floating rates, with a primary focus on short-term leases. The Group benefits from limited competition from federal retail chains that typically require larger properties for their operations than the Group's typical approximately 290 sq. m. average store size. As a result of this competitive advantage, the Group takes a very proactive approach in managing and negotiating favourable lease terms with landlords.

- **Highly experienced management team.** The Group has a highly experienced management team with over 15 years of experience in the retail industry on average and no rotation since Fix Price's foundation. The majority of the Group's current thirteen top executives have worked together at Kopeika. The management team has a strong entrepreneurial corporate culture, which further enhances the Group's competitive position.

The Group's diversified and broad product offering and exceptional value proposition to customers have resulted in a consistent track record of strong revenue, profit and IAS 17-Based Adjusted EBITDA growth. The Group's total revenue was RUB 190,059 million, RUB 142,880 million and RUB 108,724 million in the years ended 31 December 2020, 2019 and 2018, respectively, demonstrating 33.0% growth in the year ended 31 December 2020 as compared with the year ended 31 December 2019, and a 32.2% CAGR over the last three years ended 31 December 2020. The Group's profit for the year was RUB 17,575 million, RUB 13,173 million and RUB 9,128 million in the years ended 31 December 2020, 2019 and 2018, respectively, demonstrating 33.4% growth in the year ended 31 December 2020 as compared with the year ended 31 December 2019, and a 38.8% CAGR over the last three years ended 31 December 2020. The Group's IAS 17-Based Adjusted EBITDA was RUB 28,632 million and RUB 19,777 million in the years ended 31 December 2020 and 2019, respectively, and the Group's Adjusted EBITDA was RUB 14,194 million in the year ended 31 December 2018, translating into 44.8% growth in the year ended 31 December 2020 as compared with the year ended 31 December 2019, and a 42.0% CAGR over the last three years ended 31 December 2020. The Group has also recorded strong and consistent like-for-like sales growth over the three years ended 31 December 2020, with average annual growth of 16.6% over the period and 15.8% growth in the year ended 31 December 2020 as compared with the year ended 31 December 2019. In addition to driving active expansion of the Group's retail network, consistently high top line growth combined with strong cash flows in the periods under review supported the Group's strong dividend generation, with RUB 53,017 million of dividends declared in the three years ended 31 December 2020.

History and Development

The Group's business was established in 2007 by its founders Mr. Artem Khachatryan and Mr. Sergey Lomakin, who recognised a market opportunity for an affordable shopping destination aimed at offering Russian families a broad range of essential goods at a fixed and low price. They decided to implement a retail chain in Russia based on the "dollar store" business model existing in the U.S. and Canada, while utilising their profound knowledge of the Russian retail industry specifics. Prior to starting Fix Price, Mr. Khachatryan and Mr. Lomakin were shareholders and top executives of the Russian federal food and non-food retail chain Kopeika, where they worked with Mr. Dmitry Kirsanov, its top executive at the time, as well as the majority of other current senior managers of the Group. This team of Kopeika's senior managers then formed the core management team of the Group. In 2007, LLC Best Price, the Group's principal operating subsidiary, was registered, and the first Fix Price store was opened in Moscow, Russia. Subsequently, the Group formed its retail offer, which the Group believes was unique for the Russian market, keeping an emphasis on its low-cost, fixed price offering while expanding its product range. The founders are not currently involved in the Group's operational management. However, their direction in the formation and initial stages of Fix Price's development was of critical importance to the business given their profound understanding of the retail industry based on a long track record of experience managing and participating in Russian retail businesses.

The initial focus of the Group's operations was on discovering and tailoring its business model. In the first three years of operation, the Group opened approximately 100 stores across Russia. By 2013, the Fix Price retail network comprised 1,144 stores, with 929 stores operated by the Group and 215 stores operated by franchisees. In just two years, the store count doubled, reaching over 2,000 stores, including 1,681 stores operated by the Group and 397 stores operated by franchisees by the end of 2015. In 2019, the Group opened its 3,000th store and, in 2020, its 4,000th store.

The Group launched its franchising business in Russia in 2010, allowing it to rapidly expand its presence across the country. The Group started its expansion to other countries in 2016, granting a franchise licence to open Fix Price stores in Georgia and Kazakhstan, with a subsequent launch of a franchising business in Belarus and Latvia in 2017.

As the Group's retail network grew, the Group began implementing a number of business initiatives. In particular, the Group continued to expand and enhance its product range to offer even more diversified, extensive and appealing products to its customers. In 2010, the Group launched its private brands offering. In 2016, the Group introduced multiple fixed price points for its merchandise providing additional pricing flexibility to address market environment and external factors, primarily foreign exchange rate volatility as well as inflation. In response to the rapid development of the online market, in 2018, the Group implemented a click-and-collect shopping option that allows customers to form their baskets online and collect the purchase in the most convenient store of the Group.

In 2019, the Group continued its expansion outside of Russia, when stores in Kyrgyzstan and, in 2020, in Uzbekistan were launched. As of 31 December 2020, outside of Russia, in Belarus, Kazakhstan and Uzbekistan the Group conducted its business through stores directly operated by the Group, while also partnering with a small number of franchisees in Kazakhstan and Belarus. As of the same date, in Latvia, Georgia and Kyrgyzstan, the Group conducted its operations solely through franchisees.

New institutional shareholders invested into the Group as it expanded. In 2016, VTB Group became an investor through one of its investment vehicles, which acquired 6.9% in the Company from the founding shareholders; in 2019, a group of financial investors, led by Marathon Group, invested in the Group, when Marathon Group's investment vehicle Samonico Holdings Ltd acquired an aggregate of 9.9% in the Company from VTB Group and the founding shareholders; and in early 2020, The Goldman Sachs Group, Inc. became an investor, when its investment vehicle ELQ Lux Holding S.a.r.l. (later replaced by GLQ International Holdings Ltd) acquired 4.0% in the Company from the founding shareholders. For the Company's current shareholders of record, see "*Principal Shareholders*".

The following table sets out the Group's store count evolution, including stores operated by the Group and franchise stores, as of 31 December of each year beginning in 2007:

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
4	75	109	169	319	600	1,144	1,672	2,078	2,291	2,477	2,941	3,512	4,167

Competitive Strengths

The Group believes that the following strengths have contributed to its success and will continue to support its competitive position and business strategy going forward.

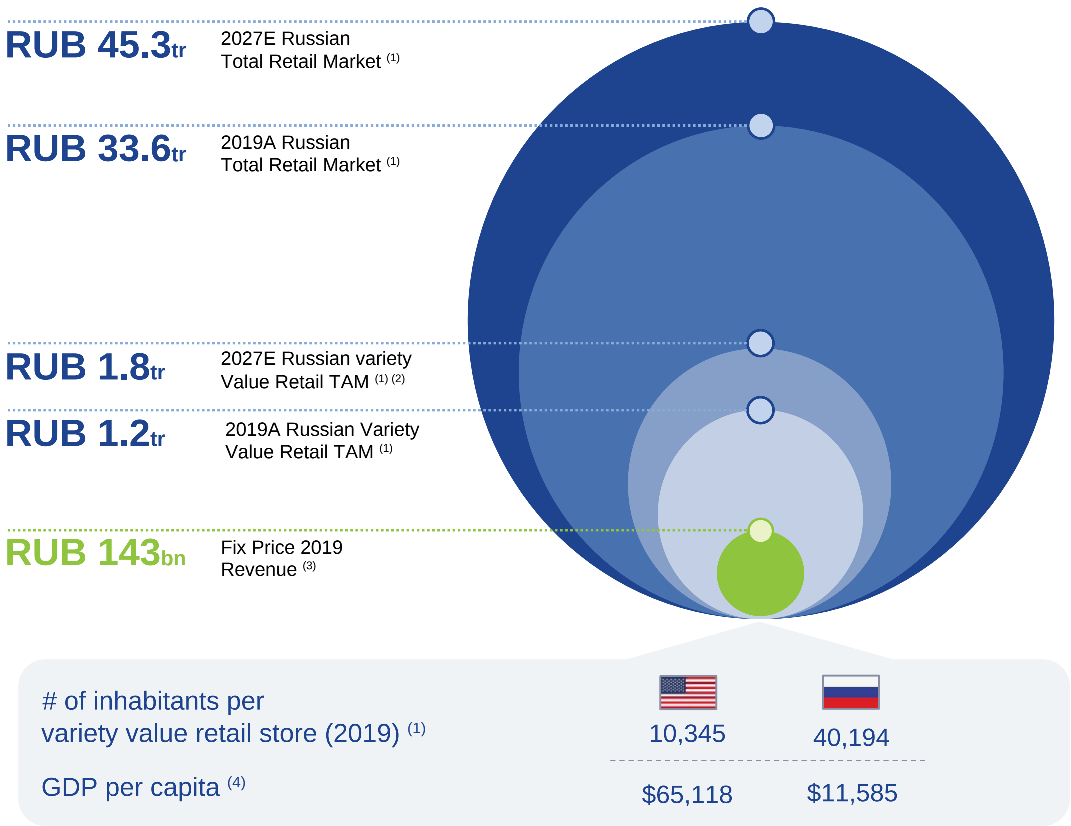
Leading market position in a highly attractive, large and growing market

Founded over 13 years ago with a vision to disrupt the retail sector, with a vast network of over 4,000 stores across 78 out of 85 Russian regions and six neighbouring countries, the Group believes it is currently the fastest growing retailer among publicly listed variety value retailers globally (based on publicly available information) and is the leader in the Russian variety value retail market both by number of stores and revenue (as described in "*—Overview*").

In the years ended 31 December 2020 and 2019 the Group's revenue grew at 33.0% and 31.4%, respectively, in each case, year year-on-year. The average revenue growth for US-based variety value retailers (including Dollar General, Dollar Tree, Five Below, Ollie's and Grocery Outlet) for the last financial year was 11.1% and the average revenue growth for variety value retailers based outside the U.S. (including Dollarama, B&M and Dino) for the last financial year was 18.1%, in each case calculated by reference to the latest publicly reported financial information of these companies. As described in "*—Overview*", Fix Price was estimated to account for 93% of the variety value retail sales in Russia, making it 13 times larger than other players on the Russian variety value retail market combined, and had, by far, the largest number of stores among Russian variety value retailers. The Group's leading market position is further reinforced by its 87% unaided brand awareness in Russia according to the Vector Study.

The Group believes that it had pioneered and scaled the variety value retail concept in Russia, and, therefore, has a first-mover advantage, as a result of which it currently operates in a market that is characterised by significant barriers to entry to new competitors. The barriers to entry that have contributed to the Group's leading market position include: a nationwide presence, unique customer value proposition translating into brand equity, well-invested operations, robust supply chain with long-standing relationships with suppliers and partnership with landlords and the operational complexities of running a non-food value retailer in Russia. Indeed, as discussed in "*Industry Overview*", since the first Fix Price store opening in 2007, a number of potential competitors have attempted—but none have succeeded—in creating a network of stores comparable in size to the Group's store network.

Further, the Group's leading market position enables it to drive the development of the value retail market in Russia and neighbouring countries, drawing upon a globally proven concept which has demonstrated significant growth over the past decade (see "*Industry Overview*"). The Group's business proposition addresses a material and fast growing market, which is underpinned by a sizeable population of over 249 million (in Russia, other CIS countries, Georgia and Latvia — the geographies comprising the Group's expansion focus), approximately 75% of inhabitants in Russia, whose monthly income is less than US$ 600, and further support for the segment from changing consumer habits since the COVID-19 outbreak. On the back of structural shift in consumer behaviour towards value, in 2017-2020, the Russian variety value retail market, measured by sales, has grown at a 23% CAGR and the Group sees substantial further upside supported by the significant level of under-penetration today (see "*Industry Overview*"). The Russian addressable variety value retail market, measured by sales, may reach up to RUB 1,829 billion by 2027, growing at a 7% CAGR from 2020 (see "*Industry Overview*" for more details on the market). The following chart provides an illustration of the Russian addressable variety value retail market potential:



Notes:

(1) Based on data from the Oliver Wyman Report.

(2) "TAM" refers to total addressable market. See "*Industry Overview*".

(3) Revenue (excluding VAT) of the stores operated by the Group and franchise stores in Russia.

(4) World Bank, 2019 data.

Unique customer value proposition

The Group believes that the sixteen consecutive quarters of over 10% like-for-like sales growth and 19% average like-for-like sales growth it has experienced over the same period are testament to the strength and relevance of the Fix Price customer value proposition.

The Group offers its customers deep value across a diverse, unique and constantly renewed product assortment, satisfying their needs for everyday essentials while providing an engaging "treasure hunt" experience. The Group's loyalty card programme brings additional value to customers through a number of attractive benefits. The elements of this unique customer value proposition are further described below.

Deep value across a diverse product offering

The Group's ultimate goal is to provide customers with a diversified product mix, approximately one third comprising consumables/regular assortment and approximately two thirds comprising general merchandise/changing assortment, measured, in each case, by retail sales, and with significant savings compared to other offline and online retailers. Fix Price strives to offer outstanding value via an uncompromising "every day low price" strategy across six anchor highly competitive price points, all under US$ 3 (RUB 200) as of 31 December 2020. As of 31 December 2020, approximately 80% of the Group's product assortment was priced under US$ 1.3 (RUB 100). According to the Vector Study, low prices is the main reason for customers' visiting Fix Price stores.

The Group sells a broad range of products across approximately 1,800 SKUs in approximately 20 different categories, including household goods, cosmetics and hygiene, stationery and books, clothes, toys, household chemicals, as well as shelf-stable food and drinks. The Group maintains a diversified mix of own private brands, branded and non-branded (no-name) products with respective 2020 retail sales shares of approximately 35%, 31%, and 35%. The Group offers surprise-filled shopping experiences via deeply discounted "WOW" products across—among others—toys, household goods and clothes, which drive traffic and excitement.

The Group's policy is to be the price leader across its product categories and SKUs. As an example, based on a survey of a basket of 16 comparable products conducted by the Group in January 2021 (with slight variations in weight and packaging, including four products with similar target use but which are non-branded and, hence, are not directly comparable), Fix Price was 45% and 61% cheaper than a modern Russian food and non-food retailer and a well-known Russian e-commerce retailer, respectively. Based on a survey of a basket of 12 directly comparable same brand essential products conducted by the Group in January 2021 (with slight variations in weight and packaging), Fix Price was 41% and 50% cheaper than the same selection of products at a modern Russian food and non-food retailer and a well-known Russian e-commerce retailer, respectively. Despite the Group's deep-value and sub-$3 pricing, all Fix Price product categories were profitable in 2020.

Constant newness and rapid time to market

Continuously refreshing product offering is at the core of the Group's assortment strategy. The Group launches 40 to 60 products every week, many of which are driven by seasonal occasions and latest retail trends, with approximately 60% of assortment in SKU terms being rotated up to six times per year. The Group's own private brands are developed in-house by dedicated procurement and design teams that continuously monitor the market for best-selling goods, collaborating closely with the Group's suppliers to deliver quality products at the right time, at strategic price points and with target profitability. The Group's customers have posted millions of product reviews and "treasure hunt" posts in relation to the Group's continuously renewed product assortments on social media, including Instagram, YouTube, VK, Facebook, Telegram and other online platforms. This digital content is created by customers at their own initiative and the Group does not sponsor it.

Convenient shopping experience and an exciting "treasure hunt"

The Group seeks to open its Fix Price stores in locations it believes benefit from convenience of access and high-traffic, with functional floor layouts, designed with easy-to-navigate displays enabling customers to swiftly identify and browse category worlds. The Group believes its carefully tailored, engaging and pleasant in-store atmosphere enhances the shopping experience and reinforces its price image. The Group constantly renews its assortment to create an element of discovery and "treasure hunt" experience for its customers. This encourages repeat visits fuelled by the search for exciting novelties. According to the Vector Study, Fix Price enjoys a high Net Promoter Score ("**NPS**", a metric that measures the willingness of customers to recommend products or services of a company to others) of 60%. In addition, based on the results of the Vector Study, the Group's customers expressed high levels of satisfaction with Fix Price stores in terms of in-store experience, with over

80% of respondents satisfied with in-store service, cleanliness and overall impression. The Group believes that the results of the study are reflective of the Group's customer focus.

Fast-growing loyalty programme with highly attractive benefits

The Group's Fix Price "Bonus Card" loyalty programme has approximately 12 million registered card holders. Approximately 36% of the Group's retail sales in 2020 was generated from sales of products to Fix Price's loyalty programme card holders, creating a "win-win" for the Group's customers and Fix Price. Fix Price loyalty programme card holders earn bonus points for purchases which they can redeem in the future, covering up to 50% of the cost of the next purchase, and are also entitled to receive giveaways and exclusive marketing offers. The Group benefits from higher customer spend as a result of its loyalty programme, with an average ticket of loyalty programme card holders being approximately 1.7x the average ticket of non-card holders in 2020. Based on the Vector Study, loyalty programme card holders visit the Group's stores 4 times a month on average. The Group believes that the benefits that the loyalty programme offers translate into high levels of Fix Price's recognition among customers: according to the Vector Study, approximately 70% of customers are ready to recommend Fix Price to others (i.e. "promoters"). The purchase history of card holders provides the Group with valuable data, which the Group uses to identify spending patterns, receive instant feedback and make data-driven marketing strategy decisions aimed at further increasing customer satisfaction and driving sales.

Operational excellence: standardisation, tech-enabled automation and agile sourcing

The Group believes that its efficient operational model driven by lean decision making and nimble management approach greatly benefits from standardisation of its store network, highly automated operations, centralised logistics and efficient procurement as follows.

Fully standardised leased store portfolio driving outstanding unit economics

The Group has standardised its entire network of stores in terms of pricing, product assortment, product layout, equipment and marketing.[4] The Group's stores are located in high-traffic areas, have the same assortment with sub-$3 pricing architecture, same racetrack and displays, same in-store equipment, and trade from similar floor plans with average sales area of approximately 210 sq. m. They all operate with 4-5 staff members per shift and 2-3 cash registers per store. The entire store network is leased with all of the lease agreements for the Group's stores located in Russia denominated in Russian Rouble and 62% of lease agreements as of 31 December 2020 having a term of less than 1 year.

The Group believes that the standardisation of its stores drives value, convenience and a great experience to Fix Price customers. At the same time, standardisation reduces the complexities of running the Group's vast store portfolio, allows it to make efficient purchasing decisions and contributes to the efficiency of its operations.

This proven concept allows the Group to deliver outstanding unit economics with an average store payback period of approximately 9 months, average net investment of RUB 4 million, IAS 17-based store Adjusted EBITDA for newly opened stores of approximately RUB 6.5 million for the first full 12 calendar months period since opening and average store-level ROIC of approximately 160% (based on results for the year ended 31 December 2020, see "*—Operations—Retail Format and Concept*"). The Group believes that its standardised store model, reinforced by a rigorous site selection process and standardised and efficient operations in-store, drives the strength and consistency of its Adjusted EBITDA Margin across all federal districts in Russia.

Agile sourcing model and long-standing relationships with suppliers

The Group's efficient, agile and streamlined sourcing model translates into the ability to offer a constantly changing and carefully crafted product assortment, delivering deep value to its customers and strong margins to the business.

Over the past 13 years, the Group has developed long-standing, direct and collaborative relationships with over 600 local and international suppliers. The Group's procurement team works closely with these suppliers to continuously create new and trendy products to meet the evolving tastes and needs of the Group's customers. The Group believes that the sheer scale of its business and purchasing volumes make Fix Price a highly relevant partner to its suppliers, who provide the Group with tailor-made solutions to fit its assortment strategy.

The Group's significant and diverse supplier base enables the Group to be flexible in selecting suppliers based on expected economics, market environment and offered terms. For example, during the three years ended 31 December 2020, the Group had a stable share of products sourced from domestic suppliers reaching

4 Except for certain remote locations (e.g. in the Russian Far East and other countries) where assortment and prices may differ.

approximately three quarters of the Group's products, in terms of cost of goods sold, in 2020. This share reflects the Group's policy aimed at addressing the effects of sharp currency exchange rate fluctuations that the Russian economy has experienced in the last several years, and further decreasing idea-to-shelf lead times and transportation costs.

The Group's sourcing model and use of sophisticated algorithms to forecast demand backed by its state-of-the-art IT infrastructure allows the Group to also maintain average inventory days level of 65 and days payable levels of 71 in 2018-2020, which the Group believes are among industry-leading levels among publicly listed variety value retailers listed under "*—Leading market position in a highly attractive, large and growing market*", based on their publicly reported financial information.

State-of-the-art IT infrastructure translating into better decision-making and decreased costs

Since the inception of Fix Price, the Group's IT infrastructure has been designed for scale, and today supports all key facets of decision-making within its business. The Group's flexible, SAP-powered platform which over time has been enhanced by the addition of new IT systems such as, among others, WMS (warehouse management system), proprietary demand forecasting tool, QlikView (visualisation tool), Opentext (information management tool), SET Retail (POS system), mobile solutions for store operations and employees' remote access, support the Group's supply chain, cash and inventory management, purchasing, pricing, in-store systems and HQ functions such as HR and finance.

The high degree of tech-enabled automation of store-level processes allows the Group to effectively run the entire network as a single store and to further scale it without significant expansion of HQ personnel or significant additional investments in IT infrastructure. Besides the automation of store operations, the Group utilises a number of advanced IT solutions for store roll-out and monitoring, further contributing to the Group's high degree of automation and streamlined processes for site inspection, store renovation and lease negotiation.

Over the past 13 years, the Group's state-of-the-art IT platform has been processing large amounts of customer-generated data, enhancing the quality of management decisions together with stock-planning, demand forecasting and price-setting mechanisms.

Logistics infrastructure scaled for growth

The design of the Group's logistics infrastructure is highly strategic in supporting a portfolio of more than 4,000 stores. Operating across 78 out of 85 regions in the world's largest country by land size, the Group's logistical infrastructure is critical to the success of its business model.

As of 31 December 2020, the Group had eight distribution centres, including three owned centres (in Moscow region and Yekaterinburg) and five leased centres (in Kazan, Voronezh, Krasnodar, St. Petersburg and Novosibirsk) with an aggregate space of approximately 195 thousand sq. m.

The Group's logistics infrastructure is nearly 100% centralised, such that nearly all of the Group's merchandise is delivered directly from suppliers to the Group's distribution centres for onward transportation to stores, which enables the Group to have full control over the supply chain and minimises working capital requirements.

Leading financial KPIs among best-in-class peers

The Group believes it enjoys leading revenue growth, profitability and ROIC levels among publicly-traded variety value retailers globally (namely, Dollar General, Dollar Tree, Five Below, Ollie's, Grocery Outlet, Dollarama, B&M and Dino), based on their publicly reported financial information.

The Group's outstanding revenue growth at a CAGR of 32.2% in the three years ended 31 December 2020 is driven by both rapid network expansion with more than 1,690 increase in store count over the period of three years since 31 December 2017 and robust like-for-like sales growth averaging 19.0% for the last sixteen quarters ending 31 December 2020.

In the year ended 31 December 2020, the Group's IAS 17-Based Adjusted EBITDA grew 44.8% year-on-year and reached RUB 28,632 billion with the IAS 17-Based Adjusted EBITDA Margin of 15.1% (up 1.3 percentage points from 2019), which the Group believes represents an industry-leading margin among the publicly-traded variety value retailers listed above, based on their publicly reported financial information. In the year ended 31 December 2020, the Group's profit for the year grew 33.4% year-on-year and reached RUB 17,575 million.

A combination of high sales densities, low operating expenses and asset-light business model enables Fix Price to achieve superior return on capital with a market leading ROIC among publicly-traded variety value retailers listed above of 98.8% in 2020 (estimated by reference to their publicly reported financial information).

Visionary management team—experienced, dedicated and incentivised

The Group's visionary founders, who will also be on the Board of Directors, Mr. Lomakin and Mr. Khachatryan, launched Fix Price in 2007 in order to disrupt the retail market. Having the benefit of substantial prior experience in discount and non-food retailers, they channelled their passion of bringing the 'variety value retail' concept to the Russian consumer to drive the rapid growth of Fix Price over the past 13 years.

Ten out of the Group's current thirteen top executives started working together with Mr. Lomakin and Mr. Khachatryan at the initial stage of Fix Price's development in 2007-2009. The Fix Price management team, led by the Group's CEO, Mr. Dmitry Kirsanov, has multi-year experience in retail across a broad range of disciplines, including merchandising, marketing, real estate, finance, store operations, supply chain management and information technology.

The Group believes that it has aligned the interests of its key employees with those of its shareholders through cash and equity ownership incentive programmes, supported by an entrepreneurial team culture with lean decision making. Fix Price believes that its leading market position, appealing growth outlook and career development opportunities will enable the business to continue to attract and develop high-calibre talent.

Business Strategy

Fix Price prides itself on having grown into a clear leader in Russian variety value retail. Going forward, the Group aims to build upon its market leading position and continue to deliver exceptional results by pursuing the following strategies:

Capitalise on up to approximately 15 years of store roll-out potential across Russia and neighbouring countries

Fix Price has a proven track record of opening hundreds of profitable stores per year and currently is targeting approximately 750 new stores per annum over the mid-term, with approximately 700 net store openings in 2021 and approximately 750 net store openings in 2022 in Russia and other geographies (including franchise stores). In 2023-2025, the Group targets to have approximately 800 net store openings per year in Russia and other geographies (including franchise stores).

Leverage material white space potential across Russia, including by penetrating deeply across Russian regions

The Group believes there is ample potential to expand its operations in Russia. As discussed in "*—Overview*", as of November 2020, the total store potential for the Russian variety value retail market was estimated to be approximately 11,700 stores (including Fix Price stores operating in the market at that time), which is nearly three times higher than the Group's current store network in Russia.

Based on its leadership in the Russian variety value retail market, Fix Price believes it is well-positioned to take advantage of this white space opportunity by increasing stores' density in existing geographies throughout Russia.

The Group has been able to achieve consistent store level economics throughout the rollout of its expansion in Russia, including in towns and villages with populations as little as 5,000 inhabitants. As a result, the Group's medium term network expansion strategy is to continue to build upon its success in Russia by deeply penetrating the Russian regions.

Leverage standardised store format and store opening process

The Group applies rigorous investment criteria to new store openings. These include detailed analysis of new plots across macroeconomic, commercial, technical and site-specific criteria. Standardisation of its stores, including selling space, fittings, layout, assortment and equipment, contributes to efficient and seamless roll-out, allowing the Group to open a fully functioning store in approximately 60 days from site selection and beginning of lease negotiation process. The Group will continue its rapid network expansion by leveraging its standardised small store format, which allows the Group to open new stores quickly and cost-effectively.

Continue to expand abroad

The Group plans to continue to expand its international network of stores, both in countries in which it currently operates (including Kazakhstan, Uzbekistan, Kyrgyzstan, Belarus, Latvia and Georgia) and in other geographies in the longer term.

As described in "—*Overview*", total store potential in the addressable variety retail market in Belarus, Kazakhstan and Uzbekistan was estimated to be approximately 3,800 stores as of November 2020 (including Fix Price stores operating in the market at that time). As of 31 December 2020, the Group had 152 stores in Belarus, 89 stores in Kazakhstan and 15 stores in Uzbekistan. As the value retail market in those countries is still in its early stages, the Group believes it can continue on its outstanding growth and margin trajectory.

Continue to focus on Fix Price's unique customer value proposition to drive like-for-like growth

The Group intends to continue to drive its outstanding like-for-like growth by leveraging its unique customer proposition through offering appealing and diverse products at deep value with continuously refreshed assortment, meeting rapidly changing customer needs, its loyal and engaged customers and providing an attractive in-store experience.

Deliver essential product and create excitement via constant "newness" at strategic price points

Whereas delivering consumables drives customer *need* to visit Fix Price stores, creating constant range newness drives the *desire* to visit the Group's stores, with 41% of the Group's customers visiting its stores at least once a week, according to the Vector Study. Previous modifications in price architecture with the introduction of RUB 199 (US$ 2.61) price point in 2018, followed by the introduction of RUB 149 (US$ 1.95) price point in 2019, contributed to a continuous shift in the Group's product mix across price points, driving a significant and consistent double-digit like-for-like sales growth. The Group intends not only to continue to seek to provide its customers with significant savings across its essential product range, but also actively seek opportunities to introduce new price points or new products to reflect market environment, customer needs and expected economics for the Group.

Grow active loyalty programme holders

The Group will seek to continue to expand its Fix Price loyalty card programme. By expanding its loyalty card programme, the Group is seeking not only to increase its loyal customer base but also to provide the Group with greater insight into customer spending habits and trends, which the Group believes will allow it to grow the average basket size and further like-for-like expansion.

Further, the Group will seek to increase the number of loyalty programme card holders and frequency of store visits by improving the value proposition of its loyalty programme, rewards and targeted marketing.

Invest in customer experience and deepen customer engagement

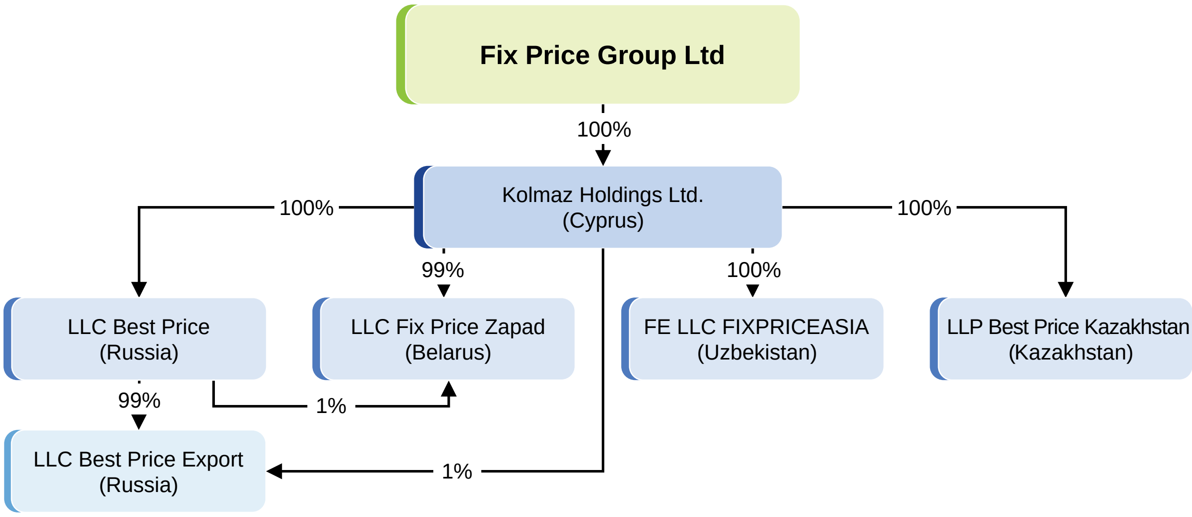
The Group believes that customer satisfaction is key to its success. The Group prides itself on investing in stores and customer experience. The Group will seek to continue focusing on investing in stores and customer experience to increase the store visit frequency, average ticket size, reviews and referrals. The Group is focused on deepening its customer engagement by offering additional channels of consumer experience in order to drive loyalty, traffic, average ticket, in-store purchases, and attract new customer groups.

For example, the Group intends to expand its assortment proposition under its click-and-collect offering in response to greater customer demand for online shopping channel driven, in part, by the COVID-19 pandemic.

The Group also intends to continue to enhance its digital presence as a means to communicate with customers through, among other means, a well-established, easy to navigate, constantly updated website, Fix Price mobile app which allows its customers to surf through Fix Price assortment and accumulate loyalty programme bonus points, and social media, including YouTube and Instagram. The Group will continue to launch innovative marketing initiatives leveraging online platforms to reinforce brand awareness and consumer outreach.

Organisational Structure

The Company is a company limited by shares incorporated under the laws of the BVI and is the holding company of the Group. The Group primarily operates through LLC Best Price, a limited liability company organised and existing under the laws of Russia. LLC Best Price leases all of the Group's stores in Russia and holds substantially all of the Group's operational assets and conducts substantially all of its business. In Russia, the Group also has a subsidiary LLC Best Price Export, which is engaged in export operations of the Group through a resale of products from the Group's distribution centres to its franchisees located outside of Russia. The Group also has operating subsidiaries in Kazakhstan (LLP Best Price Kazakhstan), Uzbekistan (FE LLC FIXPRICEASIA) and Belarus (LLC Fix Price Zapad). Kolmaz Holdings Ltd is an intermediate holding company of the Group incorporated in Cyprus. The following chart sets forth the Group's current corporate structure:



Note:

The Group also owns a minority interest in some of its franchisees in Russia.

The Company's registered office is at Commerce House, Wickhams Cay I, P.O. Box 3140, Road Town, Tortola, VG1110, BVI, and its telephone number is +1 284 852 1000. The registered office of LLC Best Price, the Group's main operating company, is at 11 Pobedy street, Khimki, 141401 Moscow Region, Russia. The Group's head office is located at 7 1-Y Botkinskii proezd, building 1, 125284 Moscow, Russia.

The Group's supply, commercial, financial and sales strategies are managed centrally from the head office in Moscow. Retail operations and store management are overseen by the Group's CEO and Sales Director supported by the Group's other senior management team members who actively participate in the executive decision making process.

Operations

Overview

The Group is a deep variety value retailer operating under the "Fix Price" brand and offering a broad range of relevant and unique products priced at several fixed and low price points (as of 31 December 2020, RUB 50 (US$ 0.66), RUB 55 (US$ 0.72), RUB 77 (US$ 1.01), RUB 99 (US$ 1.30), RUB 149 (US$ 1.95) and RUB 199 (US$ 2.61) as well as fractions of RUB 50 (US$ 0.66) and RUB 55 (US$ 0.72) marketed under the "divide the price" category). The Group offers third-party brands, its own private brands and non-branded (no-name) products comprising approximately 1,800 SKUs across approximately 20 categories, including non-food, drogerie and food products. The Group's assortment proposition is based on a frequent rotation of merchandise, offering approximately 40 to 60 new products every week, calculated on an average per year basis, aimed at maintaining a fresh and exciting offer for its customers and driving repeat visits and greater basket sizes.

In offering its product proposition, the Group is focused on delivering "treasure hunt" appeal to its customers, such that customers are compelled to come to the store to see what new products at very low prices are in stock. The Group also focuses on maintaining the "WOW" factor of its offerings, by striving to create the "can't be so cheap!" customer reaction. All of these elements of the offerings are aimed at encouraging customers to spend impulsively when they know the item may not be available during their next visit.

The Group operates in Russia, as well as in Belarus, Kazakhstan and Uzbekistan through a chain of stores operated by the Group. In addition to stores operated by the Group, in Russia, Belarus, Kazakhstan, Georgia, Latvia and Kyrgyzstan the Group conducts business through stores which are operated by franchisees. As of 31 December 2020, the Group and its franchisees operated 4,167 stores in 78 of 85 regions in Russia, with a total selling space of approximately 890 thousand sq. m. As of the same date, the Group and its franchisees operated 276 stores in 6 countries outside of Russia (Belarus, Kazakhstan, Uzbekistan, Georgia, Latvia and Kyrgyzstan), with a total selling space of 64 thousand sq. m. See "*—Store Portfolio and Locations*".

The Group believes that its scale, a consistent delivery of a broad and diversified range of relevant products at several fixed and low price points, based on its analytic approach to inventory management and sourcing model, enable it to offer a compelling value proposition to its customers across all of its product categories. All of these factors lead to customers' recognition of Fix Price stores as a leading destination for best value general merchandise in Russia based on the Vector Study.

Retail Format and Concept

The Group operates a "one store" format using a consistent and standardised concept across the entire Fix Price chain in terms of an average store size, product assortment, pricing policies, product layout, equipment, marketing and promotional activities. The Group believes that this approach allows it to ensure the consistency and scalability of its business, improve efficiency and build consistent brand image with customers.

The principal concept of the Group's stores is to offer customers a broad range of essential, unique and constantly changing assortment priced at several fixed and low price points, with exciting "treasure hunt" experience at conveniently located stores with excellent customer service.

The Group's typical Fix Price store primarily targets married customers with children, and with middle- and low-level income living, with a focus on customers with an income of up to RUB 45,000. Based on the Rosstat data, this income level group constitutes approximately 76% of the Russian population. According to the Vector Study, 13% of the Group's customers earned more than RUB 40,000 in 2020 (as compared to 6% in 2016). Women aged 25-55 comprise the core group within this target audience.

A typical store of the Group has an average store size of approximately 290 sq. m., primarily located in convenient and high-traffic locations in high-density areas as well as in shopping malls and shopping centres/ markets, across a variety of urban markets. In addition to locating stores in densely populated cities, the Group has been successful in operating stores in smaller localities and expects to continue to expand its chain in such localities. The Group's standalone stores typically operate from 9:00 am until 9:00 pm, seven days a week, with 4-5 staff members per shift, and have 2-3 cash registers.

Standardisation of the Group's stores enables the Group to obtain uniform data analytics on its stores' performance, which the Group believes allows it to accurately forecast its stock needs for future periods.

The typical features of the Group's average store as of and for the year ended 31 December 2020 are summarised in the table below:

Average store size (sq. m.)(1)	c. 290
Average sales area (sq. m.)(1)	c. 210
Average net investment (RUB millions)(2)	4
Average IAS 17-based store Adjusted EBITDA (RUB millions)(3)	6.5
SKUs	c. 1,800
Average payback period (months)(4)	9
Average store-level ROIC (%)(5)	c. 160

Notes:

(1) For stores operated by the Group.

(2) Average net investment is the average capital expenditure required to open a new Russia-based store operated by the Group, including IT equipment and intangible assets (e.g. SAP licenses), but excluding working capital as it is effectively financed by suppliers (based on capital expenditures for stores opened in 2020).

(3) Average IAS 17-based store Adjusted EBITDA is calculated as store revenue less store level expenses associated with cost of goods sold, transportation costs, shrinkage costs, staff costs, operating lease expenses, bank charges, security costs, maintenance costs, advertising expense, utility expense and other expenses for the first full 12 calendar months period since opening (based on Russia-based stores operated by the Group that were opened during 2019, were operating as of 31 December 2020, and repaid the average net investment (i.e. where the cumulative IAS 17-based store Adjusted EBITDA since store opening exceeded RUB 4 million)).

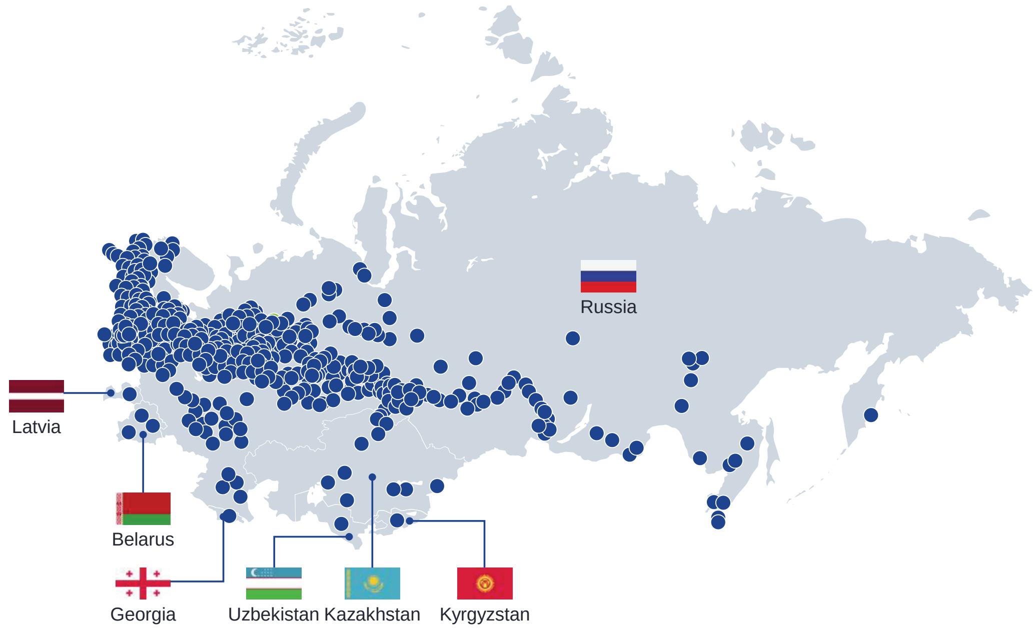
(4) Average payback period is defined as the time period required for the cumulative IAS 17-based store Adjusted EBITDA from a new Russia-based store operated by the Group as per Note 3 above to cover the sum of average net investment, as per Note 2 above, expressed in months.

(5) Average store-level ROIC is determined as average IAS 17-based store Adjusted EBITDA as per Note 3 above divided by average net investment, as per Note 2 above, expressed as a percentage.

Sometimes the Group rents out space at its stores to third parties that provide complementary services or goods such as dry-cleaners, photo services, as well as arranges for installation of ATMs, which the Group believes contributes to customer footfall and revenue growth and drives incremental income.

Store Portfolio and Locations

The following map provides an illustrative overview of the geographic location of the Group's stores as of 31 December 2020:



The table below sets forth the total number of the Group's stores in Russia, in each federal district, and outside of Russia, the percentage they comprise of all of the Group's stores as of 31 December 2020 and the net store openings for the year ended 31 December 2020, for both the stores operated by the Group and stores operated by its franchisees:

Country/Federal District	Number of stores operated by the Group	Number of franchise stores	Total number of stores (operated by the Group and franchise stores)	Stores operated by the Group as a % of total number of stores	Franchise stores as a % of total number of stores	Net store openings
Russia	3,507	384	3,891	84.2%	9.2%	520
Central	1,141	12	1,153	27.4%	0.3%	129
North-West	278	119	397	6.7%	2.9%	62
South	455	27	482	10.9%	0.6%	71
North Caucasian	147	17	164	3.5%	0.4%	32
Volga	810	19	829	19.4%	0.5%	105
Urals	324	54	378	7.8%	1.3%	57
Siberia	352	81	433	8,4%	1.9%	44
Far East	—	55	55	—	1.3%	20
Belarus	143	9	152	3.4%	0.2%	52
Kazakhstan	77	12	89	1.8%	0.3%	63
Latvia	—	14	14	—	0.3%	4
Georgia	—	4	4	—	0.1%	—
Kyrgyzstan	—	2	2	—	0.05%	1
Uzbekistan	15	—	15	0.4%	—	15
Total	**3,742**	**425**	**4,167**	**89.8%**	**10.2%**	**655**

The table below sets forth the total number of the Group's stores and selling space as of 31 December of each year presented, for both the stores operated by the Group and stores operated by its franchisees:

As of 31 December	Number of stores operated by the Group	Selling space of stores operated by the Group (th. sq.m)	Number of franchise stores	Selling space of franchise stores (th. sq. m.)
2012	502	106	98	22
2013	929	195	215	47
2014	1,333	279	339	73
2015	1,681	351	397	85
2016	1,967	409	324	67
2017	2,141	446	336	70
2018	2,642	552	299	64
2019	3,072	647	440	97
2020	3,742	797	425	92

Click-and-Collect

In 2018, in response to the rapid development of the online market, the Group implemented a click-and-collect online shopping channel that allows customers to form their baskets online and collect the purchase in store at the most convenient location for them. The minimum and maximum check size for purchases using this option is RUB 500 and RUB 5,000, respectively.

In the event of an increasing need to develop its online shopping channel to respond to market trends and developments where it will be economically viable for the Group to do so, the Group believes its click-and-collect option will serve as a solid basis for future online development. See "—*Competition*".

Franchisees

In the past, the Group typically entered into franchising arrangements on the basis of the Fix Price store format with third party retailers to test the market in the remote regions and/or counties which were not a priority for the Group at the relevant time, with the view to increase geographical presence and store network in those regions and countries. The Group launched its franchising programme in Russia in 2010, with a subsequent international roll-out in 2016. As of 31 December 2020, 2019 and 2018, the Group had 425, 440 and 299 stores, respectively, operating on the basis of franchising arrangements. As of 31 December 2020, 384 and 41 Fix Price franchise stores operated in Russia (primarily in remote areas, such as, for example, Kaliningrad, the Siberia and Far East) and outside of Russia (including Belarus, Latvia, Kazakhstan, Georgia and Kyrgyzstan), respectively.

Franchise stores operate in a similar manner to the stores operated by the Group and form an incremental part to the Group's business model. The Group normally requires its franchisees to open franchise stores at premises similar in format to the premises where the stores operated by the Group are located. The Group, as a franchisor, determines the pricing system, trade equipment, assortment matrix, merchandising standards, advertising campaigns, centralised supplies and staff training that franchisees must adhere to under the franchising agreements.

The Group selects its franchisees on the basis of a number of criteria, including experience in the retail industry, retail operating capabilities and sufficiency of financial resources. The Group oversees the formation of franchise stores, including through the approval of acceptable store locations and monitoring store renovation processes. The Group receives franchise fees from franchisees on the basis of agreements governing the use of the Group's standards and IP and sells its products to its franchisees on a wholesale basis pursuant to supply agreements. Franchisees pay for the products purchased from the Group on a full or partial prepayment basis. In addition, franchisees pay a one-time initial fee of RUB 310 thousand as well as sales-based royalties. Franchisees pay sales-based royalties for the use of the Group's standards and IP generally fixed at 3-4% of monthly revenue made by the franchisee. In the years ended 31 December 2020, 2019 and 2018, the Group's revenue received from wholesale sales, comprising sales to the Group's franchisees as well as fees under franchising agreements, was RUB 24,034 million, RUB 19,686 million and RUB 14,632 million, accounting for 12.6%, 13.8% and 13.5% of the Group's total revenue, respectively. The franchising agreements of the Group are normally entered into for a period of three years.

During the contracted franchise period, the Group tracks the performance of franchise stores utilising its IT infrastructure, which enables the Group to have access to and monitor franchisees' sales data. If a franchise store is underperforming or does not meet certain financial undertakings set out in the franchising agreements, steps can be taken to remedy underperformance, including termination of the agreement and fines. The Group can typically terminate franchising agreements on five business days' prior notice to the franchisee if the franchisee is in material breach of the agreement.

The Group owns a non-controlling interest in some of its franchisees. Based on the performance of its franchisees and if economically viable for the Group, the Group opportunistically considers purchasing franchise stores. For example, in 2018, the Group completed acquisition of the operations of its franchisee operating in Novosibirsk, Russia; in 2019, the Group acquired LLP Best Price Kazakhstan, its franchisee operating in Kazakhstan; and in 2020, the Group acquired the operations of its franchisee in Belarus.

For certain risks associated with the Group's franchisees, see "*Risk Factors—Risks Relating to the Group's Business and Industry—Other Risks Relating to the Group's Business—As the Group does not have direct control over its franchisees, breaches by franchisees of their contractual arrangements with the Group or improper operation and management of stores by franchisees could harm the Group's business*".

Product Offering

Product Assortment

The Group offers its customers a broad range of relevant and unique products priced at several fixed and low price points. The Group offers third-party brands, its own private brands and non-branded (no-name) products comprising approximately 1,800 SKUs across approximately 20 categories, including non-food, drogerie and food products. The Group primarily offers non-perishable food products, which are products that do not require refrigeration and, hence, have a longer shelf life. This approach enables the Group to operate one temperature zone at all of its distribution centres and results in lower capex requirements. Perishable food products, such as ice cream which is delivered by suppliers directly to stores, comprise an insignificant portion of the Group's product offering.

In terms of the Group's retail sales mix by rotation type, for the year ended 31 December 2020, approximately 35% of the Group's retail sales comprised products in the consumables/regular category and approximately 65% of the Group's retail sales comprised products in general merchandise/changing category (see "*—Product Categories*").

In the year ended 31 December 2020, private brands, third-party branded products and non-branded (no-name) products accounted for approximately 35%, 31% and 35% of the Group's retail sales, respectively.

The Group's product assortment is based on a broad, but disciplined, SKU count of products intended to satisfy customer demand while at the same time optimising inventory turnover and minimising the stock of slow-moving SKUs. Product assortment is centrally controlled to ensure standardisation across the network. The Group has a streamlined 'test-to-shelves' process for new SKUs premised on a quick decision making process implemented by a highly competent and flat-structured procurement department. See "*—Supply Chain*".

The Group's assortment proposition is based on a frequent rotation of merchandise, offering approximately 40 to 60 new products every week, calculated on an average per year basis, with approximately 60% of product assortment refreshed up to six times per year. The remaining approximately 40% primarily represents constant (regular) assortment, which is unlikely to be rotated because customers use it recurrently due to its use features (e.g., toilet paper, aluminium foil, garbage bags). The Group typically launches 8 seasonal collections of products per year dedicated to holidays, such as the New Year and Christmas celebrations, Halloween, Valentine's Day, 1 September (dedicated to back to school period), 8 March (the International Women's Day), Father's Day, Easter, as well as Horticulture items dedicated to the gardening season. This approach is aimed at surprising customers and encouraging repeat visits, keeping Fix Price stores fresh and exciting for customers and brining a "treasure hunt" element to the customer value proposition.

The assortment of products available at the Group's stores is regularly revised based on market developments, customer behaviour, information from suppliers, the Group's understanding of evolving customer needs (based on its analysis of actual purchase behaviour and input from market analysts) and relevance to the Group's proposition and anticipated impact on margins. The Group is constantly looking for new ideas for enhancing its product assortment and ensuring its offered products are among the best and latest on the market. In particular, the Group reviews the latest global trends in the non-food retail segment, explores the assortment of the largest U.S. and European retailers, keeps an active dialogue with suppliers, visits industry fairs and conferences and monitors social media to identify new and best trends. The Group believes that the continuous rotation and adjustment of its product range and mix is particularly attractive to the core customer base and increases customer loyalty.

The Group believes that its success in non-food category management and product assortment decisions is largely based on a thorough analysis of historical data accumulated over 13 years of operations and sophisticated forecasting tools as a result of a high degree of automation and standardisation across its operations. This allows the Group to receive and analyse data on consumer preferences and demand for various goods.

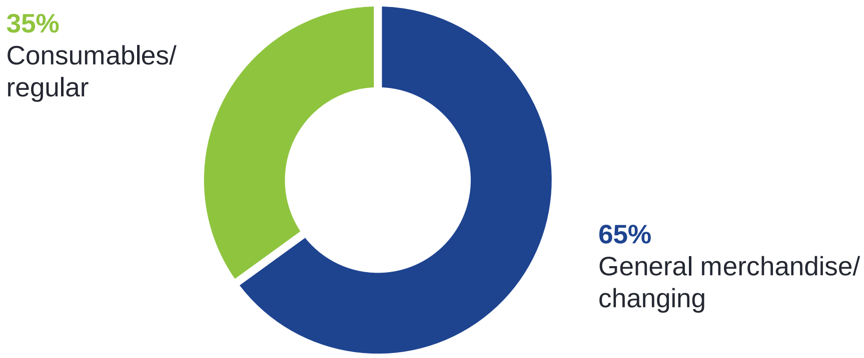
Since 2015, the Group has gradually shifted its focus towards sourcing more domestically manufactured products as a result of a rebalancing of the cost of products in favour of domestic suppliers due to increases in the cost of importing products from Asia, primarily China, driven by the Russian Rouble depreciation in 2014. See "*—Supply Chain—Suppliers—Supplier Base*".

Product Categories

The Group's products are split predominantly across consumables/regular and general merchandise/changing product categories. Consumables/regular category comprises product assortment that is considered to be available on shelves at all times consisting predominantly products in the food and drogerie categories, including grocery, confectionary, drinks and snacks, household goods, household chemicals and cosmetics and hygiene products. General merchandise/changing product category includes non-food products, including toys, stationery and books, clothes, party and celebration products, as well as accessories.

The following diagram shows a breakdown of the Group's retail sales mix by rotation type for the year ended 31 December 2020 for stores operated by the Group:

Retail Sales Mix By Rotation Type(1)



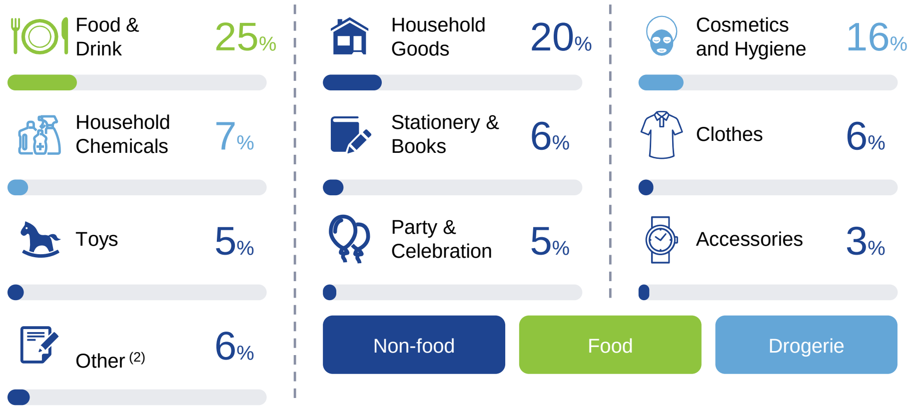
Note:

(1) Based on the Group's retail sales for the year ended 31 December 2020.

The Group's strategy is aimed at driving both traffic and margin. In the year ended 31 December 2020, all categories of products sold at the Group's stores were profitable. Products in the consumables/regular category have historically been the Group's traffic drivers, given that these comprise products that people tend to need on a regular basis, while products in the general merchandise/changing product category have been the key margin drivers. Margin-driving products are typically non-food categories with higher unit prices and higher gross margins across all of the Group's product categories.

The following table shows a breakdown of the Group's retail sales mix by product category for the year ended 31 December 2020 for stores operated by the Group:

Retail Sales Mix By Category[1]



Notes:

(1) Based on the Group's retail sales for the year ended 31 December 2020.

(2) "Other" refers to electronics, healthy lifestyle products, car accessories, pet supplies and other general merchandise.

Branded

As of 31 December 2020, approximately one third of the Group's product assortment (by the number of SKUs) comprised third-party branded products across various product categories. In the years ended 31 December 2020, 2019 and 2018, third-party branded products accounted for approximately 31%, 24% and 23% of the Group's retail sales, respectively.

The Group believes that its market position and scale allow it to negotiate customised features of third-party branded products with suppliers, including packaging, size, design, taste, weight and other characteristics, in order to obtain lower costs to fit the Group's pricing policy. This customisation and scale allow the Group to offer more attractive prices to its customers. The Group also believes that the sheer scale of its business and purchasing volumes make Fix Price a highly relevant partner to its suppliers.

Non-branded (no name)

As of 31 December 2020, approximately one third of the Group's product assortment (by the number of SKUs) comprised non-branded (no name) products across various product categories. In the years ended 31 December 2020, 2019 and 2018, non-branded (no name) products accounted for approximately 35%, 40% and 38% of the Group's retail sales, respectively.

The Group considers non-branded (no name) products as the most appropriate category for testing and rotation given that there are typically no packaging or ongoing obligations to continue production by suppliers of these products. Offering such products also provides the Group with additional flexibilities to respond to customer trends and needs by launching new or innovative products quickly.

Private Brands

As of 31 December 2020, approximately one third of the Group's product assortment (by the number of SKUs) comprised its own private brand products across various product categories. In the years ended 31 December 2020, 2019 and 2018, private brands accounted for approximately 35%, 36% and 39% of the Group's retail sales, respectively.

Private brands are strategically important to the Group's business because they enable the Group to deliver an extensive product offering in each consumer category, provide a significant means of competitor differentiation and typically carry higher margins. The Group designs and develops its private brands in-house by reference to products of other retailers that the Group believes are successful and by making them less expensive. As a result, the Group believes that its private brands are on par with third-party branded products widely presented on the market as far as the quality and appearance are concerned. The Group believes it can achieve exceptional pricing proposition on its private brands as a result of an efficient management of the supply chain, the cost of packaging and a thorough monitoring of the quality of materials used to manufacture private brand products. The Group believes that by offering private brands it can also significantly speed up inventory turnover. Continuous focus on offering a broad range of private brands has enabled the Group to deliver an extensive product offering in each consumer category. With their lower cost, the Group's private brands typically enhance the Group's margins and contribute towards improving profitability per square meter.

The Group actively manages its own private brand and third-party branded product mix with the aim of providing a balanced offering that maximises appeal to its customers. The Group operates a specialist private brand team that works in conjunction with the category management (procurement) department to determine the private brand assortment strategy and the marketing team to determine the private brand advertising strategy. In developing its private brands portfolio the Group focuses on making private brands look like third-party branded products as opposed to its own merchandise developed in-house.

As of 31 December 2020, the Group's private brands portfolio comprised approximately 60 private brands. The Group's most popular private brands include Cotte, Swess, Liberte, Homestar, Manafort (consumables/regular category); Play the Game, Kid's Fantasy (toys within general merchandise/changing category); and Greenart, With Love and Snezhnoe Kruzhevo (party and celebration within general merchandise/changing category). Each of the Group's private brands has its own architecture, including the specific assortment of products and a target customer group.

The Group conducts extensive marketing and promotion of its private brands utilising a number of marketing tools, including marketing campaigns dedicated to private brands carried out independently of the general marketing of the Group's stores. In particular, the Group has registered several domain names dedicated specifically to its private brands and actively promotes these brands using respective websites (see "*—Intellectual Property*"). A number of the Group's private brands have received various industry awards.

The Group sources private brand products primarily from foreign, mainly Chinese, suppliers.

Pricing

The Group believes it offers a clear value proposition to its customers. The Group offers its products at several fixed and low price points that resonate with its target demographic and with other value-oriented customers. As of 31 December 2020, approximately 80% of the Group's product assortment was priced under RUB 100 (US$ 1.31). The Group's products offered at RUB 149 (US$ 1.95) and RUB 199 (US$ 2.61) are primarily what the Group refers to as the "WOW" products, such as, for example, toys and home décor items, offered with an aim to create the "can't be so cheap!" customer reaction, as similar products are usually much more expensive at other retail chains and online platforms. The Group aims to ensure that its customers have a strong image of the low price, affordable products at six principal price points available at Fix Price stores. Based on the Vector Study, the main reason for respondents' visiting Fix Price stores was the lowest prices offered. The Group continuously monitors prices for products offered by other retail chains similar to the ones the Group offers to ensure that it has the most attractive pricing proposition to its customers. The Group believes that its pricing proposition is further reinforced by benefits offered to customers using its loyalty programme (see "*—Customers—Loyalty Programme*").

Multiple price points for its products allow the Group to be more flexible in responding to the market environment, primarily foreign exchange volatility and inflation movements, by introducing new SKUs at higher price points or with the optimised cost base. If an existing SKU's margin is not attractive, the Group's policy is to revise the relevant price point by introducing a slightly different product at a higher price point or keep the same price point but optimise SKU's cost base focusing on packaging costs and product quantity or characteristics, without compromising the product's quality. In the former case, the Group achieves such revision by selectively moving primarily new SKUs that are in transit or at the Group's distribution centres and have not been displayed at the Group's stores from one price point category to another. The Group believes that it has been able to use these tools efficiently as a result of its quick inventory turnover, continuous assortment rotation and fast decision-making processes.

The Group believes it is able to deliver this value proposition through sourcing products in a manner that is designed to achieve low cost, fast response and frequent product rotation and sell-through. The Group maintains a direct, dynamic and collaborative relationship with its suppliers that provide the Group with quality merchandise at attractive prices. In line with the Group's relentless focus on cost optimisation, the Group conducts an in-depth analysis of the cost structure of the sourced merchandise and engages in proactive discussion of pricing architecture with its suppliers, including in relation to the Group's target price and margins, in order to negotiate the most favourable supply terms. In addition, as a significant number of the Group's suppliers manufacture products tailored to the Group's product assortment and pricing policy, the Group believes it is able to control cost structure of those products by directing the designs, specifications and technical requirements of products, including packaging, while ensuring that the Group's quality requirements are met.

The Group's pricing policy and decisions are based on a thorough analysis of historical data and forecasting, which the Group believes have proven to be accurate to date. In setting prices for its products, the Group takes into account market developments, customer behaviour as well as the Group's understanding of evolving customer needs (based on its analysis of actual purchase behaviour and input from market analysts).

The Group believes that it has also been able to achieve significant cost efficiency underlying its pricing policy as a result of an effective use of its logistics infrastructure. See "*—Supply Chain*". In addition, the Group has a strong focus on overall cost optimisation, which contributes to its ability to maintain its deep value proposition. The Group's pricing strategy is supported by marketing policy, including the Group's loyalty programme, as discussed under "*—Marketing*".

Quality Control and Customer Satisfaction

The Group has a strong focus on providing its customers with reliable quality products. The Group has a rigorous quality management system based on a set of internal quality assurance policies and regulations, including:

- product quality policy;
- regulations on control of non-conforming products;
- regulations on private brand products quality assurance;
- product quality assurance guidelines; and
- other quality related instructions and regulations.

In accordance with these policies and regulations, the Group has established strict quality control procedures whereby it carefully monitors the quality of products that end up on the shelves of Fix Price stores and verifies product quality at all stages—from production to finished products, including at the Group's distribution centres. The Group's quality control measures include a review of production conditions at manufacturing factories, assessing products in laboratories, responding to customer requests, as well as testing and tasting not only the Group's private brand products but also no-name and third-party branded products. Quality control is centrally implemented as products flow through the Group's centralised supply chain system and locally monitored as products are laid out in the Group's stores. The products that do not conform with the Group's standards are timely identified and promptly removed from the shelves upon detection. The Group's quality control system is overseen by its quality control centre.

A key criterion in the selection of the Group's suppliers is their ability to supply quality goods. The Group audits its suppliers and their goods before their selection and also on a regular basis during the term of the Group's contractual relationship with them. The Group requires suppliers to complete rigorous supplier audit checklists, containing over 55 test points and with required compliance rate of over 90%. The Group is committed to maintaining long-term relations with its suppliers and works closely with them to eliminate key causes of quality problems and monitors improvement activities of its suppliers. In case of unsatisfactory audit results, the Group provides recommendations to the relevant supplier, requests a step plan and the deadline for the implementation of the improvement measures and, then, re-audits the relevant supplier.

In 2020, the Group conducted 213 tastings, 55 tests, 3 audits as part of its quality control process. In 2020, the number of on-site audits was significantly lower than in previous years due to cancellation of a number of audits as a result of the COVID-19 pandemic.

The Group has established customer claim submission and remediation process systems and seeks to ensure that incidents related to quality matters serve as a trigger for joint quality review with suppliers, if required. The Group has a feedback hotline for customer complaints, and customers can also make requests via the Group's website.

See also "*—Supply Chain—Suppliers—Principal Supply Terms and Conditions*".

Premises

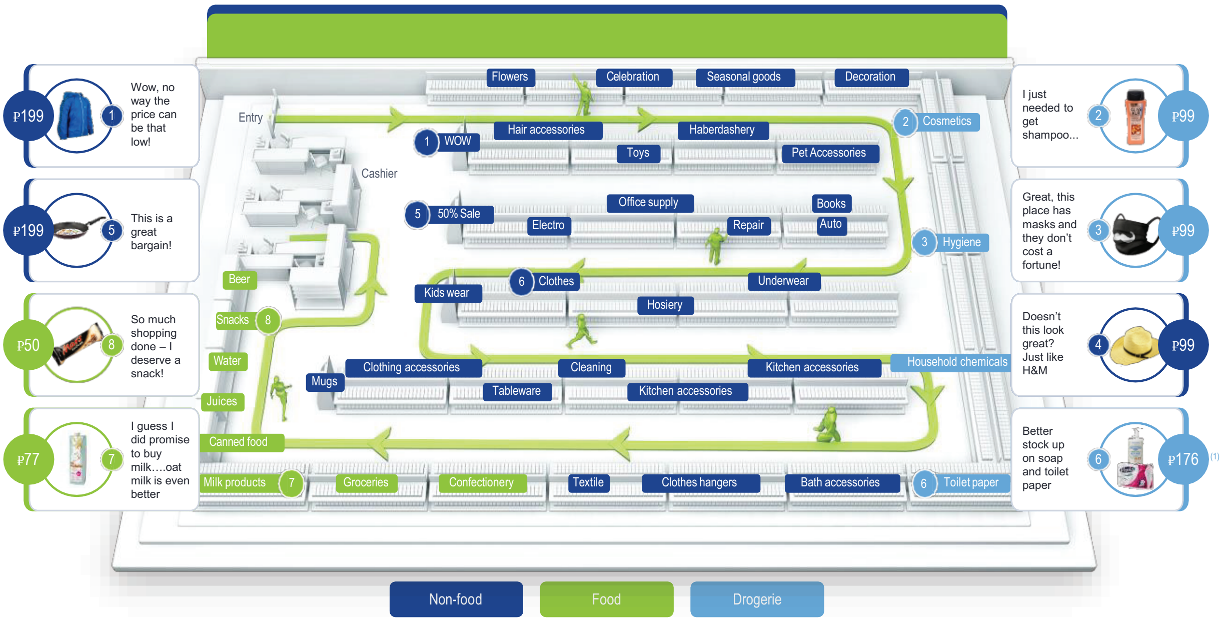
Store Layout

The Group has developed and employs standard and consistent layouts and designs for its stores to facilitate an easy and convenient shopping experience. The Group's stores have clean and well-lit interiors with an open layout of an appropriate geometric shape with clear and informative signage and planograms that allow for greater visibility to customers and are designed for easy navigation. The products are displayed and easily accessible in several zones based on product categories, including non-food, drogerie and food, consistently across the store network. Products are further organised within each zone by type neatly and facing forward. The layout is designed to put particular focus on a clear price communication and presentation with visually attractive displays being prominently located. In addition, the product organisation is designed to encourage cross-selling, "treasure hunting" and create a "WOW" customer reaction. For example, on the designated shelves with the "WOW" signage, the Group places a selection of products priced at RUB 149 (US$ 1.95) and RUB 199 (US$ 2.61) aimed to create a strong, "it can't be so cheap!" reaction. Essentials are typically placed at the back of a store to encourage customers to walk through the whole store. The Group seeks to ensure sufficient density and on-shelf availability of products. The vast majority of the Group's stores have 75 shelves of trading equipment where products are placed.

This standardisation does not only facilitate efficient merchandising management and contributes to efficiency in stocking and control, but also creates a consistent offering, familiar and recognisable to customers. The Group's central merchandising team oversees store layout, as well as conformity to the Group's standards and adjustment for promotional activities.

The Group seeks to minimise customer queuing times by ensuring a sufficient number of check-out points open to serve customers. A typical store has 2-3 cash registers.

The following diagram provides an overview of a typical Fix Price store layout (with illustrative product offerings and targeted customer reactions).



Note:

(1) Considering toilet paper at RUB 99 and soap at RUB 77.

Based on the results of the Vector Study, the Group's customers expressed high levels of satisfaction with Fix Price stores in terms of in-store experience, with over 80% of respondents satisfied with in-store service, cleanliness and overall impression.

The Group continuously strives for new enhancements to its store workflow management process. For example, the Group recently introduced mobile printers for price tags printing.

New Store Roll-Out

The Group has a strong and successful track record of identifying attractive opportunities, anticipating site performance and successfully opening new stores since its formation in 2007. In the years ended 31 December 2020, 2019 and 2018, the Group increased its store portfolio by 655, 571 and 464 net store openings, respectively.

The Group's current strategy is to continue to expand in Russia while maintaining a balance between the chain expansion and keeping the target level of stores' profitability through new store openings. In addition to operating stores in large and densely populated cities, the Group has a broad geographic presence across the whole territory of Russia successfully operating in smaller localities (with population of at least 5,000 people). Based on consistent average Adjusted EBITDA margin for the stores operated by the Group across all federal districts in Russia during the year ended 31 December 2020, the Group believes it is well positioned to continue to pursue expansion and drive margins in both, large and densely populated cities, as well as less affluent and smaller locations with lower footfall.

The Group also expects to pursue international growth in the mid-term, initially focusing on countries neighbouring with Russia, given similarities in customer behaviour, culture, taste, language and proximity enabling the Group to leverage its current distribution network.

The Group believes that there remains a significant opportunity to continue the roll-out of new Fix Price stores across Russia as well as in other countries where Fix Price stores are currently present. As described in "*—Overview*", as of November 2020, the total store potential for the Russian variety value retail market was estimated to be approximately 11,700 stores (including Fix Price stores operating in the market at that time). In the neighbouring countries where the Group has a presence with stores operated by the Group, the total store potential for the respective variety value retail market was estimated to be approximately 3,800 stores in Belarus, Kazakhstan and Uzbekistan as of November 2020 (including Fix Price stores operating in the market at that time).

New Store Development and Site Selection

The Group has a comprehensive and effective process to evaluate proposed new store openings supported by advanced IT solutions. The Group continuously monitors and analyses its expansion potential beyond the existing store network through a white space analysis in which modelling is based on the performance of the Group's existing chain of stores and on a number of other factors, including economic, demographic and strategic factors; commercial factors; technical and physical factors; and environmental and legal factors.

Economic, demographic and strategic factors

Economic, demographic and strategic factors are examined in order to identify target cities and localities in which new stores could be based. In particular, the Group takes into consideration the number of inhabitants (focusing on localities with at least 5,000 inhabitants), income levels, unemployment rates, socio-demographic composition, local government/administration and the level of competition in each of the cities/localities where it is considering opening stores. The Group believes that its 'every day low price' proposition makes its stores suitable even in cities and other localities with below-average income levels.

Commercial factors

The most important commercial factor for specific site selection, once a suitable target city/locality has been identified, is location relative to concentrations of population, transportation access, as these drive footfall, sales volumes and the payback period for the store. The Group, in particular, looks at foot and other traffic; potential visibility by car, foot and public transport; vehicle density of the road servicing the store; type of district based on the prevailing type of buildings (residential (taking into account the prevailing number of floors), business (office centres), industrial buildings); availability of social infrastructure facilities (administrative institutions, medical facilities); commercial environment (food and industrial).

Technical and physical factors

The Group considers technical and physical factors for a specific site that might have an impact on total investment, such as proportions and size, absence of utility connectivity issues, traffic patterns and the ability to implement the Group's standard layout and logistical support system. When the Group leases space in an existing building, it assesses the quality and features of the existing building, level (floor) of location and unloading options. In case of a store location at a shopping mall, the Group evaluates the mall's specialisation and the location of the site inside the mall from the perspective of visibility from the entrance to the mall/across the floor.

Environmental and legal factors

When considering a store opening, the Group looks at environmental factors such as the Group's ability to comply with environmental and sanitary regulation (including rules regarding minimum distances to residential and public buildings). The Group also carries out a legal review to ensure that the landlord has requisite legal title to the premises and that appropriate permitted usage approvals are in place.

Decision Process

The Group's store roll-out process is highly automated. The Group has a regularly updated database of potential venues generated in-house on the basis of internal analysis and direct search process. This database enables a quick collection and processing of information on potential store venues based on specific search criteria tailored to the Group's roll-out strategy and specific factors that the Group takes into consideration when selecting a new store venue. This system is able to generate comprehensive and detailed data and analytics for evaluated venues.

The Group's relationship and regular contact with existing landlords and real estate agents allow the Group to have access to the most current and relevant information on the real estate market in the regions where it operates and to react swiftly to new store opening opportunities.

Once the site for a potential new store is identified, the Group visits and assesses the potential site and carries out a financial appraisal for it, including evaluation of local demographics, retail adjacent areas, property characteristics and economics based on the factors described above. As part of the appraisal, the Group prepares a technical and economic feasibility analysis of the potential site, including estimation of the store performance metrics such as projected revenue, IAS 17-based store Adjusted EBITDA, payback period and NPV. Thereafter, information on the site is submitted for review of the investment committee for confirmation or revision of commercial terms.

If the financial appraisal is approved by the investment committee, the Group conducts negotiations on the applicable rental rates with the landlord and once the commercial terms are agreed between the Group and the landlord, the Group's commercial team prepares commercial terms of lease for the site. Once commercial terms are internally approved, other internal functions, including legal, accounting and internal control, are involved to oversee the lease agreement preparation. In negotiating terms with landlords, the Group targets obtaining predominantly mid-term leases (less than 3 years) denominated in Russian Rouble (for Russian stores) and a balanced mix of store sales-linked and fixed rental rates. Once the lease agreement is agreed with the relevant landlord and all relevant conditions for the store opening are satisfied, the lease agreement is executed. Lease terms negotiation typically takes approximately 30 days.

Thereafter, the Group carries out re-fitting works, arranges for personnel hiring and sourcing of the store equipment and merchandise and marketing. Store re-fits and openings are overseen by the real estate department, coordinating the involvement of other departments and assisting regional operations managers with openings within their areas of responsibility; this approach enables standardisation, greater efficiency and the continued focus of other departments on their roles operating the Group's network. The average time for re-fitting (from lease execution to the store opening date) is, on average, one month. The Group is usually granted a discounted rental rate for the first two months of lease, which includes the re-fitting period.

The Group's average capital expenditure to open a new store operated by the Group in Russia, including IT equipment and intangible assets (e.g., SAP licenses), is approximately RUB 4 million (based on capital expenditures for stores opened in 2020). The Group's average capital expenditure to open a new store operated by the Group in other countries where the Group operates is typically lower than the Group's average capital expenditure to open a new store operated by the Group in Russia. Capital expenditure for new store openings is incurred fully in local currency.

The Group's typical new store roll-out process for a new store takes approximately 60 days from entering the legal process (i.e. beginning of preparation of new store lease terms) to store opening.

In 2020, the Group evaluated over 7 thousand potential site locations, of which 50% locations were preliminarily approved and 721 stores opened.

The Group also monitors the performance of each store in its retail chain on a regular basis. The Group will consider closing a store if it fails to meet key performance indicators over a specified period of time. In addition, as part of its active store management programme, the Group proactively negotiates with landlords to reduce lease payments. See "*—Property Overview*". In cases where the Group is not able to negotiate favourable terms, it prefers to close stores (even if they are profitable) with the aim of ultimately opening a new store in the neighbourhood to minimise operational lease costs. In 2020, most store closures ocurred because the Group managed to relocate stores to adjacent or proximate locations with more favourable lease terms or locations with higher customer traffic.

Store Monitoring

The Group has implemented store level reporting and management systems supported by advanced IT solutions. The Group has developed and constantly improves mobile applications for its employees that assist with the automation of all in-store operations. Store managers and directors utilise a user-friendly interface installed on palmtops or smartphones to check and monitor current business in real time and report on the performance. Such solutions are aimed at facilitating standardisation and improving performance of personnel across the stores by reducing routine task time. These solutions allow store managers to track a number of key store performance indicators, including sales and their comparison against budget, like-for-like performance, loyalty programme card sales, results of regular store audits, store ranking across the entire network and within a store sub-group. Store managers also use a store management app which allows to monitor current tasks execution (such as stock checks and cleanliness checks) and inventory management, to obtain full information on products and manage claims submission. These solutions are integrated within the Group's IT infrastructure allowing the Group's senior management to monitor store performance in real time, including store-level key performance indicators, such as sales, like-for-like sales growth, IAS 17-based store Adjusted EBITDA, as well as traffic, average check and assortment.

The Group regularly audits its stores through surprise inspections and "mystery shopper" checks focusing on, among other things, assortment, cleanliness, work of cashiers and handling of cash. Compliance with key performance indicators below 80% level triggers extensive store checks and investigations.

Store Maintenance

The Group conducts regular maintenance for the upkeep of its stores, the implementation of which is overseen by the Group's operations team and by an engineer dedicated to a group of stores. Maintenance focuses on (i) compliance with all applicable building, sanitary and safety regulations, most recently, with a particular focus on COVID-19 related requirements, with regular audits performed by sales department's employees (in case of malfunctions or breakdowns, the Group has a system whereby a request is generated in the internal request management information system to call contractors to fix malfunctions); (ii) the cleanliness of each store; (iii) upgrading stores to ensure uniformity of the shopping experience across the Group's network, including, for example, remodelling store layouts to improve customer routing and product presentation and refitting lighting; and (iv) replacing equipment as it reaches obsolescence.

The Group's average refurbishment capital expenditure for stores operated by the Group is approximately RUB 2 million per store. The Group currently targets to renovate approximately 8% of stores operated by the Group annually from 2021 onwards.

Customers

The Group is committed to its customer-focused approach to retailing. The Group's commercial managers and retail teams have significant experience and seek to deliver an attractive, competitive offer for customers across the key attributes of: price, product range, quality, availability, service and shopping environment. This underpins the Group's broad customer appeal.

Categories and Shopping Patterns

The Group's target audience consists of married customers typically with 1-2 children, and with middle- and low-level income living with a focus on customers with an income of up to RUB 45,000. In terms of occupation, the Group's target audience includes primarily office workers, blue-collar workers as well as pensioners. According to the Group's estimates based, among other things, on Rosstat data of Russian population's monthly income, its target audience in Russia comprises approximately 76% of the Russian population. According to the Vector Study, 13% of the Group's customers earned more than RUB 40,000 in 2020 (as compared to 6% in 2016). Women aged 25-55 comprise the core group within this target audience as they are typically decision makers that influence spending choices within their household.

According to the Vector Study, 41% of the Group's customers visit its stores at least once a week. According to this survey, the main reason for respondents' visiting Fix Price stores was the lowest prices offered, with other key reasons named being good assortment, value for money proposition, convenient locations and quality of goods. According to the Vector Study, Fix Price enjoys a high NPS of 60%. In addition, based on the results of the Vector Study, the Group's customers expressed high levels of satisfaction with Fix Price stores in terms of in-store experience, with over 80% of respondents satisfied with in-store service, cleanliness and overall impression.

The Group believes that its diversified and broad product offering of relevant and unique products at low and fixed prices has been among the key factors in building a stable and predictable customers' demand, which is evidenced by the number of customers making frequent visits to the Group's stores.

Loyalty Programme

The Group has a frequently used and effective loyalty programme that was launched in 2013. The Group believes it was the first variety value retailer in Russia to launch a loyalty programme. Customers participating in the loyalty programme purchase a loyalty card for RUB 55, which enables them to accumulate up to 10% of the check value using the card while shopping and then use accumulated amounts (bonus points) to obtain up to 50% discount on next purchases. The programme also enables card holders to participate in various promotions and partner offers as well as to take advantage of customised offers, including enhanced bonus points on "Favourite Product" and one-off bonus points in connection with various Fix Price events. These benefits are intended to sustain customer loyalty, bolster the Group's low-cost reputation and encourage repeat purchases. As of 31 December 2020, there were approximately 12 million registered members in the Group's loyalty programme.

In 2020, the Group sold over 5 loyalty cards per day per store. Approximately 36% of the Group's retail sales in 2020 was generated from sales of products to Fix Price's loyalty programme card holders, whose average ticket was 1.7 times higher than that of non-card holders. Based on the Vector Study, loyalty programme card holders visit the Group's stores 4 times a month on average. The Group believes that the benefits that the loyalty programme offers translate into high levels of Fix Price's recognition among customers: according to the Vector Study, approximately 70% of customers are ready to recommend Fix Price to others (i.e. "promoters"). The Group communicates with loyalty programme card holders through e-mail, SMS, mobile application as well as by conducting new product, pricing and other surveys. The loyalty programme also enables the Group to track customer purchase history, personal data and reaction to changes in product assortment and pricing, providing valuable feedback on customer shopping habits. This feedback allows the Group to make efficient assortment rotation decisions as well as to better target the Group's marketing activities.

Marketing

The Group's marketing strategy is aimed at driving store traffic with the Group's target demographic as well as other value-oriented customers. The Group's strategy includes the use of a wide range of marketing channels. These marketing channels include the use of media (television), printed materials, POSM, outdoor advertising, Internet, event marketing as well as the use of the loyalty programme (see "*—Customers—Loyalty Programme*").

The Group constantly focuses on marketing cost-efficiently by employing a tailored marketing strategy aimed at its target audience segmentation and affinitive communication channels for these segments. All of the Group's marketing content is generated in-house. The Group's digital experience in marketing, anchored by the Group's social media presence, is growing rapidly. The Group utilises Instagram, VK, YouTube, Facebook, Telegram and other social media channels to engage the Group's customers with compelling digital content created by the Group on a regular basis. The Group also benefits from the digital content related to, among others, experience at Fix Price stores, such as millions of videos uploaded by customers in various social media groups created by customers themselves. The free word of mouth marketing via social media also supports the Group's marketing activity. In 2020, the Group's social media content included approximately 2,700 videos and posts. The Group's digital presence, therefore, significantly contributes to the Group's ability to carry out effective marketing at minimal spend. The Group also continuously works on its customer website optimisation. As a result of recent enhancements to its customer website, the Group increased daily unique website visits to approximately 110 thousand, comprising approximately 100% organic traffic. In addition, such enhancements allowed the Group to achieve high customer engagement, translating into approximately a 5-minute average website session duration and increased product research online, with the purchase made offline, including, using the click-and-collect option.

The Group also views its Fix Price mobile app as an efficient tool to reach out to target audience allowing customers to surf through Fix Price assortment and accumulate loyalty programme bonus points. The Group recorded over 7 million downloads of the app since its launch, over 110 thousand daily active users and over 1.2 million monthly active users on average in 2020.

The Group also uses other marketing tools, such as partnering up with influencers, with a goal to expand audience, further facilitate brand recognition and increase brand loyalty. In addition, the Group's marketing efforts also focus on brand repositioning towards younger and higher income audience by using new marketing channels, improving the visual content of product and packaging as well as leveraging feedback to personalise marketing efforts.

The Group believes that its diversified and tailored marketing approach enables it to drive sales, while keeping a low marketing cost base. In the year ended 31 December 2020, the Group's advertising costs comprised 0.3% of revenue (compared to 0.5% in the year ended 31 December 2019 and 0.4% in the year ended 31 December 2018), representing approximately a 3.5 times decrease since 2012.

The Group believes that its marketing policy has contributed to a high level of its unaided brand awareness of 87%, based on the Vector Study.

Supply Chain

The efficiency of the Group's sourcing competencies and distribution platform are critical to supporting the Group's geographical expansion, maintaining low pricing and ensuring that the Group has sufficient merchandise at its stores that can be quickly rotated in line with the Group's assortment policy. The Group's supply chain is, therefore, one of the key elements of its business model and represents one of the Group's key competitive advantages.

The Group's supply chain operations include sourcing, direct import capabilities, warehousing and storage infrastructure (distribution centres) and organisation of deliveries of products to stores.

Suppliers

Sourcing

The Group sources products in a manner that is designed to achieve low cost, fast response and frequent product rotation and sell-through.

The Group maintains a long-standing, direct, dynamic and collaborative relationship with its suppliers and agents that provide the Group with access to quality merchandise at attractive prices. When it comes to Chinese supplies, the Group sources goods exclusively through agents, with such an arrangement providing easier coordination with individual suppliers (one agent can work directly with around 1,000 manufacturers), granting exclusivity to certain agents such that they cannot work with any other Russian retailer and helping the Group to search for new products and be aware of the latest product trends globally.

The Group strives to maintain a transparent procurement model, whereby it engages in proactive discussions of pricing architecture with its suppliers, including in relation to the Group's target price and margins, with a view to obtain the best supply offers. The Group negotiates customised features of products with suppliers, including packaging, taste, design, weight and other characteristics, leveraging its market position and scale aimed at maximising their profitability. The Group also benefits from exclusive arrangements with some of its suppliers as regards customisation of products sourced by the Group. Due to its scale and pace of expansion, its knowledge of customer behaviour, well-developed supply chain and lean decision making process, the Group believes that it has been in a position to offer its suppliers the potential for greater market share, which, in turn, has enabled the Group to negotiate improved purchasing conditions, thereby increasing its gross margins and competitiveness. This has contributed to the attractiveness of the Group's offering and pricing for the Group's customers and, hence, higher traffic generation.

The Group has a highly competent and well-coordinated procurement team of 75 employees divided into 11 category management teams acting as full-cycle commercial departments, reporting to the department director. There are no assortment or procurement committees involved in the Group's procurement system and category management procurement decisions. The Group believes that this structure provides substantial flexibility to the procurement team allowing for a quick and streamlined decision process in relation to category management and sourcing. Each category management team is responsible for the full sale cycle, starting from SKU selection to delivery of merchandise to stores and monitoring relevant category performance results. Each category manager, effectively acting as a commercial head of the relevant product category, is responsible for the strategy of development and management of such category. Product managers are responsible for supply contract negotiations, private brands management, reclamations and coordination with the marketing department. Supply managers or import managers (as applicable depending on product category) are responsible for placement of orders, stock maintenance at distribution centres and shipment documentation. The Group's procurement team has a relentless focus on achieving supply chain's top performance employing a comprehensive set of key performance indicators for this purpose, including revenue, like-for-like sales, front margin and inventory turnover.

This team's sourcing decisions are based on a thorough analysis of historical data and forecasting in relation to market developments, the latest global trends in the industry, like-for-like sales in previous periods, customer behaviour, evolving customer needs, which the Group believes have proven to be accurate to date. The Group's IT systems provide it with a number of effective instruments to perform such analysis and forecasting.

The Group utilises an electronic trading system (Cislink) for monitoring and obtaining favourable supply terms if supplier selection process is based on a tender process. The system automatically selects the best offer which the Group accepts. If no tender process is involved, the Group analyses offered terms and makes a selection based on the best one proposed, as well as results of product testing and tasting and reliance checks (including review of production capabilities and due diligence and risk profile checks and reviews).

The Group has implemented the Code of Conduct and Business Ethics and Modern Slavery and Human Trafficking Policy that, among other things, outline the rules and objectives that the Group committed to adhere to in relation to supplier selection, including those dealing with forced or child labour and observing human rights of employees of suppliers. Pursuant to these policies, the Group has adopted zero-tolerance approach towards any form of forced or child labour by any supplier. Also, pursuant to the policies, the Group requires suppliers to comply with the Group's internal policies and applicable legislation and also carries out periodic evaluation of such compliance.

The Group's suppliers, including large and international manufacturers, produce tailor-made products catered to the Group's assortment strategy and price points. The Group, therefore, has a strong focus on product design to ensure compelling proposition. Decisions on product design are based on an internal voting system, customer feedback, analysis of publicly available product reviews, including in social media and bloggers' posts.

The Group has a quick and streamlined 'test-to-shelves' process for new SKUs. The delivery of the Group's new merchandise takes on average one week from the time of order placement to its delivery, when ordering from domestic suppliers. In relation to Chinese suppliers, it usually takes from seven to eight months from the Group's presentation of the new product idea to the supplier to its delivery to the stores, with this time period necessary to manage selection of products for test sales, product certification, package design, test sales, analysis of sales and ordering large quantities for final sell-through.

Supplier Base

The Group has a large, diversified and predominantly domestic supplier base.

In the year ended 31 December 2020, the Group had over 600 suppliers. The Group's supplier base is constantly growing, having increased from 507 as of the end of 2018 to over 600 as of 31 December 2020.

The top 5, 10, 20 and 30 suppliers of the Group accounted for 29%, 39%, 50% and 56% of the Group's cost of goods sold, respectively, in the year ended 31 December 2020, and 29%, 39%, 49% and 56% of the Group's cost of goods sold, respectively, in the year ended 31 December 2019. The top-5 suppliers are primarily Chinese agents that work directly with hundreds of manufacturers in China.

Since 2015, the Group has gradually shifted focus towards sourcing more domestically manufactured products from sourcing largely from Asia, primarily China, due to the increases in the cost of importing products driven, primarily, by the Russian Rouble depreciation in 2014. In the year ended 31 December 2020, approximately three quarters of the Group's products, in terms of cost of goods sold, comprised products sourced from domestic suppliers, with the remaining portion sourced from other countries. See also "*—Operations—Product Offering—Product Assortment*". Food, cosmetics and clothes comprise the key categories of products the Group sources from domestic suppliers, and toys, kitchenware, household goods and accessories comprise the key categories of products the Group sources from foreign suppliers.

Principal Supply Terms and Conditions

The Group generally enters into standard framework contracts with its suppliers. Such framework contracts provide for general terms, such as the rights and obligations of the parties, quality and packaging of the supplied goods and guarantee terms. With regard to each individual delivery, the Group provides the supplier with an order specifying the assortment and quantity of goods to be delivered based on the price-lists, including applicable discounts, agreed by the parties. Framework contracts also typically restrict a supplier from offering to the Group prices for its products above those offered to supplier's other clients.

Since a significant number of the Group's suppliers produce tailor-made products catered to the Group's assortment strategy and price points, supply contracts typically stipulate that the Group provides its suppliers with specifications and technical requirements of products. With respect to the Group's private brands, suppliers are required to produce a sample of the product which the Group retains to be able to review delivered products against the sample. In relation to sourcing products from China, before order placement, the Group receives a product sample from its Chinese suppliers which then undergoes product certification by independent certification agencies. If certification is not successful due to product defects or other reasons, the Group does not proceed with its order. The Group also requires its Chinese suppliers to provide a product sample for monitoring quality of shipped products. The Group's quality control team is responsible for ensuring product quality and arranging for audits of supplier production facilities, including by involving independent certification agencies.

The prices for the Group's merchandise imported from China, where a substantial number of the Group's foreign suppliers are located, are primarily set in Chinese Yuans. The prices for the Group's products sourced from domestic suppliers are set in Russian Roubles. The Group also has an insignificant number of agreements for the products imported from abroad denominated in Euro or other currencies.

For the majority of the Group's domestically sourced products, the Group generally pays 45 calendar days after product delivery to a distribution centre. For imported products, depending on the supplier, the Group pays within 120 days after shipment (on FOB terms).

Distribution

As of 31 December 2020, the Group operated eight modern distribution centres with a total space of approximately 195 thousand sq. m., including three own distribution centres located in Pushkino (Moscow region), Vnukovo (Moscow region) and Yekaterinburg, and five rented distribution centres located in St. Petersburg, Novosibirsk, Kazan, Krasnodar and Voronezh. The Group's distribution centres are strategically located based on the geographical presence of the Group's retail network in Russia and the neighbouring countries where the Group operates. Approximately 100% of the Group's merchandise is delivered directly from suppliers to the Group's distribution centres for onward transportation to the Group's stores, with a small number of SKUs delivered directly to stores (such as, for example, ice-cream and similar products that require certain temperature regime for storage).

The following table sets out certain information on the Group's distribution centres as of 31 December 2020:

Location	Total Production Space (sq. m.)	Ownership/Lease	Lease Expiry (for leased stores)
Pushkino, Moscow region	27,453	Owned	—
Vnukovo, Moscow region	27,374	Owned	—
Yekaterinburg	22,890	Owned	—
Novosibirsk leased distribution centre	28,922	Leased	June 2025
St. Petersburg leased distribution centre	13,820	Leased	July 2022
Kazan	32,607	Leased	March 2022
Krasnodar	20,689	Leased	March 2022
Voronezh	21,435	Leased	July 2021

Note:

Excluding the Group's owned distribution centre in Novosibirsk that is up for sale (approximately 23 thousand sq. m.).

Two distribution centres are currently being built for the Group in St. Petersburg and Krasnodar and the Group expects that the construction will be completed in the course of 2021.

The Group's distribution centres operate on the basis of WMS Logistic ("**WMS**"), a warehousing management system based on a modern technology developed specifically to meet the Group's needs for efficient warehouse management and rapid expansion. WMS is integrated into the Group's core SAP software which allows the Group to have full visibility over the supply chain cycle from ordering to processing in a warehouse or a store. All interactions take place in real time, allowing data to be exchanged without delays or slowing down other processes. WMS is easily scalable, which is a crucial factor when opening new distribution centres. One of the solutions used in this system is a module for control of assembled pallets with merchandise. The Group's logistics specialists together with the Group's business security function developed a procedure that enables control of assembled pallets directly at the Group's distribution centres. Essentially, this system compares the actual weight of an assembled pallet at the exit point and the weight calculated by the system using the data that is regularly entered and updated during the initial receipt of goods at the distribution centre. Accordingly, if during the weighing of an assembled pallet a difference is detected between these two weights, amounting to 0.8 or more of the weight of the lightest box, the pallet will not be shipped but will instead be referred to the Group's security function's control area where the error will be identified and addressed. In this case, the

Group's security function acts as an independent function administering such control to make sure that no pallets that have not been properly assembled are sent out to the stores. This technology allows the Group to reduce the costs and time to promptly address incomplete pallet assembly issues at the warehouse, which reduces the risk of delivery of non-conforming orders to the stores and, consequently, the associated lost sales as well as additional operating costs to identify the reasons for such non-conformance.

The Group's IT infrastructure also enables automatic generation of orders for product restock at stores and placement of such orders at distribution centres.

The Group intends to gradually increase the space of its distribution centres to support its future store roll-out programme. The Group currently targets to increase its owned distribution centres' space by a total of approximately 350 thousand sq. m. by the end of 2025, including through the expansion of space by approximately 250 thousand sq. m. and the replacement of approximately 100 thousand sq. m. of the distribution centres' space (not including approximately 10 thousand sq. m. increase in the leased space targeted to be implemented over the same period). The Group anticipates total investments in the construction for the increase of its own distribution centres' space to be approximately RUB 13 billion in the mid-term, with approximately 30% of this amount expected to be spent in 2023 and the remainder spend expected to be distributed approximately uniformly across other years. The Group expects to finance these investments through operating cash flows and/or bank financing.

Construction of new distribution centres involves certain risks. See "*Risk Factors—Risks Relating to the Group's Business and Industry—Risks Relating to Real Estate—The Group's planned construction of distribution centres may be subject to delays and cancellation*".

Transportation

Almost all of the Group's transportation needs for product delivery services are outsourced (with a small number of trucks owned by the Group for flexibility and internal cost benchmarking purposes). The Group engages a number of third-party outsourcing-companies to provide delivery services. The Group usually enters into one-year contracts with these outsourcing companies that provide for performance incentives based on service quality. The performance, pricing and selection of these outsourcing companies are periodically reviewed to ensure a high level of delivery service at minimum cost. The Group believes that the ambient assortment of the Group's product offering simplifies transportation and allows the Group to achieve cost reduction.

Where the Group imports products, it engages a variety of land and sea transportation operators/agents for transportation from overseas to Russian ports and to the Group's distribution centres. Customs clearance is involved with respect to imported goods (at Pskov, Tver and Yekaterinburg customs, as well as at the Vostochny port of Vladivostok at the Nakhodka customs and at the port of Vladivostok at the Vladivostok customs and, also, at the port of Novorossiysk). The customs clearances process is overseen by customs brokers acting on behalf of the Group. Railway transportation is used primarily for deliveries from China to the Group's distribution centres located in Novosibirsk and Yekaterinburg.

COVID-19 Impact

The overwhelming majority of the Group's stores and all of its distribution centres have continued to operate as an essential business during the COVID-19 pandemic and the Group committed to maintaining a safe work and shopping environment. At the outset of the COVID-19 outbreak, the Group implemented increased cleaning protocols which have remained in place throughout the pandemic, including surface disinfections, ensured that all cash registers remain open to avoid queues, initiated daily staff wellness checks, introduced social distancing measures and developed an action plan in case of infection of its in-store and distribution centres personnel.

The Group believes that its variety value business model has allowed it to generally benefit in the COVID-19 environment, which has been characterised by a slowdown in the business and consumer spending activity, with customers shifting towards value retail. The Group believes that continuous operation of its business during this time has also provided opportunities to capture market share from weaker non-food competitors or those non-food competitors that were shut down throughout the pandemic.

During the pandemic, the Group temporarily closed 28 stores in Russia, representing less than 1% of the total store count, which reopened within three months from their closing. These were mostly the stores located in shopping malls and shopping markets, which suspended operations either to meet regulatory requirements aimed at limiting the spread of COVID-19 or because the operation at that time was not economically viable for them.

While some of the Group's Chinese suppliers suspended operations for a short period of time (which also overlapped with the Chinese New Year period when supplies from China generally stop coming), the Group did not experience any significant supply chain disruptions or product availability issues. This was primarily the result of having most of its product deliveries for the first and, to some extent, the second quarters of 2020 from its Chinese suppliers satisfied prior to the outbreak of COVID-19 in China and the ability of the Group's suppliers, including domestic supplies, to continue deliveries in April-May 2020 after the most disruptive stage of COVID-19 infections to date.

The Group experienced volatility in sales during March-April of 2020 as store traffic and consumer demand significantly decreased as a result of consumers' initial reaction to the COVID-19 pandemic in connection with the implementation of social distancing measures, while the average ticket increased as customers stocked up on products in light of the COVID-19 related restrictions. To address the reduction in traffic, the Group worked quickly to reassure customers that its stores remained open and that the Group carried essential products at the lowest prices and advertised its heightened store safety protocols in response to the pandemic. The Group also expanded its existing SKU range by approximately 60 COVID-19 related SKUs in approximately two weeks from the start of the lockdown in Moscow and secured on-shelf availability of essential goods, including face masks, sanitisers and other necessities, all supported by promptly adjusted marketing campaigns focused on promotion of this type of merchandise. While the Group saw a temporary decrease in like-for-like sales growth in April 2020 as a result of the decrease in traffic at the initial stages of the COVID-19 related restrictive measures, the Group's like-for-like sales demonstrated a double-digit growth in each quarter of 2020 as the Group responded to changing consumer needs and benefited from increased consumer spending, despite the fact that like-for-like traffic performance remained subdued for most part of 2020.

The Group incurred additional selling, general and administrative expenses during the year ended 31 December 2020 relating to the cost of operating the Group's stores and distribution centres, including the costs associated with enhanced cleaning protocols and personal protection equipment, as well as additional bonuses and COVID-19 related financial assistance. This increase, however, was offset by a positive impact on margins that the Group achieved as a result of a slight shift in demand during the second quarter of 2020 towards more marginal non-food products and optimisation of certain operating expenses. In addition, the Group believes that the adverse impact of COVID-19 on the commercial real estate market has provided the Group with additional negotiation leverage to secure better lease terms from landlords. As a result, the Group was able to renegotiate more favourable rental rates for approximately 85% of its leases, which contributed to a decrease in the IAS 17-Based Operating Lease Expenses and amortisation of right-of-use assets, each as a percentage of revenue, in the year ended 31 December 2020, as compared to the year ended 31 December 2019. These factors contributed to the decrease in the overall selling, general and administrative expenses of the Group as a percentage of its revenue. In addition, while in the second quarter of 2020 the Group took a more selective approach to new store development, the Group continued opening new stores despite COVID-19 and accelerated store roll-out in the second half of 2020 as new opportunities emerged on the commercial real estate market. The Group had a total of 655 net store openings, including stores operated by the Group and franchise stores, in 2020 as compared to 571 net store openings, including stores operated by the Group and franchise stores, in 2019.

Although the Group has not experienced any material adverse effect on its business as a result of the COVID-19 pandemic to date, with the overall impact of the COVID-19 outbreak on the Group resulting in a net positive effect on its results, COVID-19 has had and continues to have adverse repercussions across regional and global economies and financial markets that adversely affect the geographies in which the Group operates, including Russia. See "*Risk Factors—Risks Relating to the Group's Business and Industry—Risks Relating to Demand and Competition—There is no assurance that the COVID-19 pandemic will continue to have the same overall net positive effect on the Group's results in the future or that the measures implemented to contain or mitigate the spread of the virus would not have a material adverse impact on the operations and financial results of the Group*".

Competition

Although the retail market is highly competitive in Russia, as discussed in "*Industry Overview*", the Group believes that the variety value retail segment of this market has a much lower level of competition. As described in "*—Overview*", the Group is the leading player on the Russian variety value retail market, with a 93% estimated market share, measured by variety value retail stores sales in 2019, with very few direct competitors that operate on this market. The Group believes that this position is underpinned by its business model that is sufficiently unique on the Russian market thereby making it difficult to replicate.

As a variety value retailer that offers a broad assortment of products, the Group competes with various types of retailers, including supermarkets, specialty stores, non-grocery discount retailers and, to a lesser extent, online retailers, across a variety of product categories and market segments. The Group strives to offer products that differ in appearance, taste and weight from other federal retailers.

The Group competes with federal supermarket chains, such as Pyaterochka, Svetofor, Magnit, O'Key, Dixy and Lenta, and other large food retailers with respect to certain food products, such as dry food, drogerie and non-food products, such as household goods, home care products and health and beauty products. While the Group offers a very small share of chilled products, it generally does not compete in the fresh, frozen and chilled food products segments. The Group believes that it is seen by customers as a complementary shop, driven by exceptional value, convenience and its unique product assortment, which sets it apart from such food retailers.

The Group competes with specialty retailers in selected categories of products. For example, the Group competes with Detsky Mir, a children's goods retailer, in respect of children's products and toys. The Group also competes with Petrovich, Hoff and Leroy Merlin in respect of home improvement and gardening products, and Magnit Drogerie in respect of drogerie products. However, the Group believes that its structural advantages allow it to improve value to customers as compared to leading specialty retailers as a result of offering a significant share of its own private brands, fast inventory turnover, an assortment policy aimed at the development of unique high-demand products at low prices, accurate prediction of future customer demand, convenient locations and wide geographical coverage.

Although the Group is the leading variety value retailer in Russia, allowing it to compete on pricing due to its large scale, the Group faces certain competition from non-grocery discount retailers, such as Home Market and Euroshop. Home Market, the largest of these discount retailers, had 114 stores in 2019 (see "*Industry Overview*"). The Group believes that it is clearly differentiated from these non-grocery discount retailers by its advanced pricing and assortment policy built on a deep understanding of consumer trends and preferences based on years of experience working with non-food assortment, its differentiated offering with an efficient goods movements management system (from order to shelf) and precise forecasting to minimise obsolete items, fast inventory turnover with new products offered every week, the ability to obtain best prices from suppliers driven by large purchase volumes, flexible procurement policy and exclusivity arrangements with suppliers, as well as its wide geographic coverage.

In addition to traditional store-based retailers, to a lesser extent, the Group competes with Internet-based retailers. The Group believes, based on its internal analysis and industry publications, that the variety value segment of the retail market has historically been the least penetrated by the online channel due to its differentiated proposition and business model, where the average transaction value, basket size and total SKU count are significantly lower compared to other segments of retail market. However and largely in response to the COVID-19 pandemic, certain variety value retailers launched and/or accelerated existing online initiatives or pilot projects, including "click and collect" and delivery in partnership with specialist providers, according to publicly available information. The Group believes, based on publicly available information, that these initiatives currently remain small in scale and have only been undertaken by selected U.S. players, whilst there have been very limited initiatives undertaken by European and other players. The Group's Internet-based competitors are Yandex.Market, AliExpress, Ozon and Wildberries. The Group believes that its proposition is currently materially different to online retailers, in particular in terms of availability of stock, shopping experience, ability to check the stock quality before purchase as well as lower prices on similar items.

The Group's sales and profits could be reduced by increases in competition. See "*Risk Factors—Risks Relating to Group's Business and Industry—Risks relating to Demand and Competition—Competition may affect the Group's financial performance*".

Property Overview

The Group's policy is to lease and not own its store premises. As of 31 December 2020, the Group operated 3,742 stores with a total selling space of 797 thousand sq. m., all of which were leased. The Group's business model focused on leasing stores with relatively limited expansion capital expenditure per store has contributed to the Group's generally positive free cash flows and strong returns on invested capital.

As of 31 December 2020, the Group leased approximately 62% of its stores on the basis of short-term lease agreements with a duration of up to 12 months, approximately 38% of its stores on the basis of 1 to 5 year lease agreements and less than 0.1% of its stores on the basis of longer-term leases of over 5 years. The Group's short-term focused leasing policy provides the Group with operational flexibility and offers the Group additional flexibility in responding to changing market environment by engaging in negotiations with landlords on an annual basis and taking advantage of the expiring lease term. The majority of the Group's store lease agreements provide for automatic extensions or provide that the Group has renewal rights exercisable subject to compliance with the lease terms and upon a written notice to the lessor. Some of the Group's store lease agreements allow the lessor to retain the Group's property or block access to the Group's retail space in case the Group defaults on lease payment obligations.

Due to the volatility of the Russian Rouble foreign exchange rate during recent years, in 2014 the Group started proactively renegotiating its lease agreements for stores located in Russia with lease rates established in U.S. Dollars and/or Euros by converting them into Russian Rouble denominated leases. The Group has been successful in such renegotiations, having converted all of its foreign currency denominated leases for stores located in Russia into Russian Rouble denominated leases. All of the Group's lease agreements for the stores operated by the Group in other jurisdictions where the Group has presence are denominated in the respective national currency, except for some of the Group's stores in Belarus, where leases have historically been denominated in U.S. Dollars or Euros consistent with the market practice.

The Group strives to achieve the best available rental rates for its stores. As a result, the Group frequently negotiates with landlords to reduce lease payments. The Group's historic success in renegotiating its lease terms is largely based on its short-term leasing policy allowing substantial flexibility in offering new terms to lessors in response to changing market environment. In addition, the Group takes proactive positions in the negotiation of favourable lease terms with landlords due to limited competition from federal retail chains that typically require larger properties for their operations. In cases where the Group is not able to negotiate favourable terms, it prefers to close stores (even if they are profitable) with the aim of ultimately opening a new store in the neighbourhood to minimise operational lease costs.

The Group enters into lease agreements with fixed rates as well as floating rates (which, in the latter case, include lease agreements with rates linked to store's sales, often with a certain fixed minimum and/or maximum rate component), constituting approximately 51% and 49% of total number of leases as of 31 December 2020, respectively. Where a lease agreement contains a floating rate component, such floating rate is set as a percentage of the store's sales. Such percentage varies from store to store, with the current target rate range of 4.5-6% of the store's sales. Some of the Group's lease agreements provide for an annual indexation of rental rates.

The Group leases its headquarters under a nine-year long-term lease agreement and its rented distribution centres under the long-term leases of three to seven years. These leases have Russian Rouble denominated lease rates, with the majority of them providing that the Group has renewal rights exercisable subject to compliance with the respective lease terms and Russian law and upon a written notice to the lessor.

Information Technology

The Group believes that its IT-platform that the Group strives to continuously improve is a key factor of the Group's high operating efficiency. The Group has introduced and deploys up-to-date IT solutions that cover all major aspects of its business. The Group's further technological development is one of its strategic priorities.

The Group has had its core ORACLE-based SAP ERP system since its foundation which ensures the management of full-cycle merchandise distribution, management of cash flows and accounting processes. The SAP system's functionality is constantly developed and improved to respond to the Group's long-term objectives. The Group believes that investment in the SAP system from the onset of its business has significantly contributed to the Group's continuous efficiency of operations.

The Group pays special attention to the integration of its SAP system with its other IT systems. All the Group's business units are integrated into an online electronic document management system for the purposes of acceleration of approval process and enhanced control of internal communications. Integration with the Group's warehousing management system (WMS) allows for real time management of technological operations across all distribution centres. Integration with Opentext, an information management system, allows to manage the creation, use and lifecycle of information within the organisation. Integration of the SAP with the BOSS-Kadrovik personnel management system allows for centralised time-board accounting of stores and warehouses. To ensure operating control of key indicators, reporting and preparation of dashboards in business units, the Group utilises QlikView, a BI system for consolidation of essential data from various sources in one application and monitoring of financial results and risks in the real time mode.

The Group strives to ensure transparency of information in relation to business processes through the use of Business Studio system, a system that provides for elaboration and visualisation of business processes, supplemented by Confluence system, a system of internal policies and regulations on business processes.

The Group believes that its cutting-edge IT-solutions facilitate better control of the Group's operating processes across the whole business, improve efficiency and flexibility of the management system and mitigate an adverse effect of the human factor. For example, an automatic ordering module developed within the SAP system makes it possible to place automatic restocking orders without involving an operator. The Group believes that the introduction of such functionality has contributed to a significantly higher efficiency of merchandise management in stores.

The Group's priorities in terms of automation of business tasks are web-based solutions and mobile applications adjusted to serve the operating aspects of the Group's business. The Group has developed and constantly improves mobile applications for its employees that assist with the automation of all in-store operations. Store managers and directors utilise a user-friendly interface installed on palmtops or smartphones to check and monitor current business in real time and report on the performance. Such solutions are aimed at facilitating standardisation and improving performance of personnel across the stores by reducing routine task time. In addition, the Group operates a WEB system to manage IP cameras in stores which allows for centralised remote control of store premises. The Group also uses Service Desk technology based on the JIRA software designed to ensure efficient collection and implementation of requests across the Group's functions. The Group has also introduced an online shopping platform for its click-and-collect option and an online order processing system and has developed user-friendly iOS and Android mobile applications for shoppers. The Group has introduced SET Retail, an up-to-date advanced POS system with broad performance capabilities and potential for further development in response to business needs which reflects up-to-date trends in retail. The Group's server system is centralised in a data centre located in Moscow. Fault-tolerance and scalability of the IT infrastructure is ensured by operating system virtualisation technology with flexible server resource distribution and key system disk mirroring on a remote back-up centre. The Group utilises up-to-date fault-tolerant data storage systems, all systems are backed up, the performance of the Group's server systems and telecommunications equipment is monitored round the clock.

The Group believes that its IT infrastructure and systems enable management to make efficient pricing and inventory management decisions, facilitate the Group's budgeting and accounting processes, allow for standardisation and automation of the Group's operations across its chain of stores and automate routine transactions with suppliers, all with limited employee involvement.

Risk Management and Controls

Risk management is an integral component of the Group's overall management aimed at ensuring that risk exposure is taken into account in the Group's decision processes as well as ensuring compliance with relevant legislation and regulations. The Group's risk management procedures cover all categories of risk (such as economic, regulatory, political, market, operational, financial, human capital, information technology and legal risks) across key business processes and establish a set of criteria for risk acceptance and ownership within the Group. The Group's risk management procedures are also designed to provide the relevant risk owner with tools for risk mitigation to an acceptable, controlled level that allows the management to achieve its goals. The Group's control processes are highly automated as a result of a significant automation of the Group's business operations (see "*—Information Technology*"). This automation is designed to ensure high efficiency and transparency of control processes through identification, assessment and monitoring of risks.

Risk identification, assessment and analysis is performed as part of the annual risk review sessions with the Group's CEO in connection with the Group's annual budget planning process, as well as in the course of internal audit checks conducted in accordance with the Group's internal audit programme. The Group has established an internal audit team responsible for risk management and control processes and providing consultations aimed at enhancing the Group's operations. The Group's internal audit procedures carried out in 2020 resulted in 48 recommendations, with 71% of them accepted by the Group's management for further execution by the relevant risk owners (173 recommendations with 57% accepted, in 2019). In addition, in 2020, the internal audit team developed 13 proposals for operational efficiency improvements, with 69% of them accepted by the relevant audit participants (19 proposals, with 53% accepted, in 2019).

A critical element of the Group's internal control system is its highly disciplined approach to control over operational costs and capital expenditure that was implemented at the time of the Group's foundation and became part of the Group's corporate culture. The Group has a strong focus on overall cost optimisation across all aspects of its operations supported by advanced IT technologies designed to achieve optimal cost structure. For example, the Group uses an electronic trading system that allows the Group to monitor and obtain best prices of goods and services for operational needs.

The Group's internal control system is predicated on accurate and timely preparation of financial statements and adequate controls over financial and operational results. The Group prepares its management financial information and financial statements under IFRS recognition principles. Since the early years of the Group's history, the Group's financial statements have been audited by an independent auditor. The Group has also implemented a "fast close" approach for closing of its monthly results on IFRS basis, which enables the Group to receive monthly reporting package within a short period of time after the month's end. The Group's senior managers also use a dashboard system to ensure operational control and monitoring of key performance indicators in the real time mode, quick reaction to changes in performance and appropriate business decisions to ensure the Group's business needs are met.

The Group utilises an automated budgeting system based on a combination of top-down and bottom-up budgeting methods and a highly detailed approach to planning income and expenses line items with a focus on planning methodology, business drivers and established standards. The Group has also implemented an automated budget control system allowing to initiate expenses solely within the approved budget.

The Group's risk management procedures and underlying IT systems are reviewed and updated on a regular basis to ensure their efficiency and appropriateness for the Group's business.

Intellectual Property

The Group has registered its "Fix Price" trademark (both Latin and Cyrillic characters), which is used by all of its stores, in Russia, valid until 14 March 2028. It holds 10 "Fix Price"-related figurative trademarks with different options for corporate brand-book designs. Also, the Group has registered 3 trademarks related to the "Fix Price" brand pursuant to the WIPO system with protection in other countries, including Austria, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Latvia, the U.K. and Uzbekistan. The Group, also, registered 5 trademarks related to "Fix Price" brand in Kazakhstan and has also applied for registration of its 5 "Fix Price" trademarks in Uzbekistan.

As of 31 December 2020, the Group has also registered 80 trademarks in Russia and 54 trademarks at the international level, through the WIPO system, in respect of its private brands, in various product categories. These trademark registrations are valid for 10 years from the date of registration and the Group plans to renew them once they expire. The Group has also registered 14 domain names related to Fix Price brand and also 18 domain names for its private brands. The Group does not have any patents. The Group regards its trademarks and other intellectual property rights as valuable assets and take appropriate action to protect and, when necessary, enforce them. See *"Risk Factors—Risks Relating to the Group's Business and Industry—Other Risks Relating to the Group's Business—A deterioration of the value of "Fix Price" brand or infringement of the related trademarks could negatively impact the Group's business*".

Insurance

In forming its insurance coverage, the Group assesses a number of factors, including the size of coverage, covered risks, terms and limitations. The Group currently maintains insurance coverage against damage caused by fire, water, natural disasters, theft and third-party wrongdoing for all of its distribution centres and certain stores. The Group's insurance policies also include building insurance, including insurance of the finishing, engineering systems and inventory. The Group does not currently maintain insurance coverage for product liability or loss of key management personnel, as these are not industry practice in the Russian retail sector. The Group believes that its current insurance arrangements comply with insurance requirements under applicable laws. In accordance with applicable law requirements, the Group also makes mandatory payments to relevant non-budget state funds in relation to its employees' medical, social and accident insurance. The Group also maintains voluntary medical insurance for several categories of its employees and has implemented a financial assistance programme for its personnel, including COVID-19 infected employees who do not work remotely. Based on data accumulated over the past years, the Group believes that financial assistance programmes for personnel are more efficient than general insurance programmes (except for voluntary medical insurance).

Corporate Social Responsibility and Environment

The Group recognises the importance of assessing, planning for, and disclosing the potential impact of environmental, social, and governance (ESG) risks to its business. The Group has, therefore, focused on the environmental impact of its business, the care and satisfaction of its personnel, and the community in which it operates.

Social

In 2014, the Group launched its Good Deeds social programme aimed at providing support to orphanages, rehabilitation centres, large families, senior citizens, war veterans as well as animal shelters. Since then, the Group has carried out numerous social and charitable events, which helped over 120 social institutions, orphanages and families to receive help. The support the Group has provided as part of its Good Deeds social programme has included donating RUB 5 million to each, the Konstantin Khabensky Foundation and the charity fund "Give Life" (Podari Zhizn), both focused on helping children and young people with oncology and other serious diseases (2019) and participation in works aimed at improving the outdoor area of Nadezhda Social Rehabilitation Centre for Minors and donating necessary household items for pupils (2020). In addition, in an effort to support communities in the COVID-19 environment, in 2020, the Group purchased protective overalls for medical staff of certain healthcare institutions and purchased and arranged for deliveries of approximately 2,800 sets of disposable tableware for young patients to the Volgograd Regional Children's Hospital in Russia.

The Group's efforts under its Good Deeds social programme have been recognised among Russia's leading Best Social Projects for 2017, 2018 and 2019 by SocialProjects.org, a social initiative dedicated to supporting social projects and promoting sustainable development in Russia.

As part of its efforts focused on supporting personnel, the Group puts particular emphasis on ensuring gender balance amongst personnel and zero tolerance to discrimination. The Group strives to ensure that all colleagues are treated fairly and with respect, that no employee is discriminated against on grounds of gender, race, colour, religion, disability, sexual orientation or other grounds. The Group has also implemented a number of staff motivation programmes, including voluntary medical insurance, financial assistance and employee loans, and holds various corporate events for personnel through the 'soft benefits' programme (most recently largely suspended due to COVID-19 regime). The Group also offers various training opportunities to its personnel, including extensive remote training and using various IT training platforms, and has put in place occupational safety measures, including periodic assessment of working conditions. As a result of these initiatives, in 2020, the Group has delivered over 50 educational lectures for its personnel and approximately 11.6 thousand of personnel received internal training.

Environmental

The Group promotes and strives to follow an 'eco-focused' approach in conducting its business operations in an effort to minimise environmental impact. The Group's initiatives in this area span across the whole chain of its operations, including distribution, stores, the headquarters and product offerings. These have included multiple sustainability practices, including waste management and energy saving measures, such as:

- with respect to the Group's distribution infrastructure:
  - the use of approximately 17 thousand tonnes of recycled cardboard in 2020;
  - no refrigeration or aeration chambers used in distribution centres and trucks allowing to reduce energy consumption and CO^2 emissions by approximately 6.5 times as compared to traditional distribution centres and aeration chambers (based on the Group's estimates);
  - restoration or transfer for scrap recycling of rechargeable batteries after 3-5 years of use;
  - termination of the use of pallets after 4-5 cycles with arranging for their restoration;
  - installation of pallet wrappers at all distribution centres allowing to reduce consumption of stretch film by approximately 2.5 times as compared to the manual wrapping of pallets (based on the Group's estimates);
  - processing of waste into 300 kg bales before disposal allowing to reduce garbage size by approximately 1.5 times as compared to the manual waste collection (based on the Group's estimates);
  - installation of LED lighting and motion sensors at the Group's owned distribution centres, which based on the Group's estimates, allowed to achieve approximately 20-35% reduction in electricity consumption;
- with respect to the Group's stores:
  - transitioning to LED lighting at stores;
  - no high-performance refrigerators used in stores to limit energy consumption;

- with respect to the Group's headquarters, transition to electronic document flow resulting in significant reduction of paper use;
- with respect to the Group's product offering:
  - extensive category development and increased offering of healthy lifestyle products as a result of the increased demand for such products; and
  - introduction of 'eco-friendly' products, including cotton pads, wooden care accessories and paper bags, as well as planned introduction of wooden kitchenware and bamboo fibre dishes.

As part of the Good Deeds programme, the Group also actively participates in multiple environmental and educational projects aimed at fostering responsible attitude to the environment (including batteries and paper waste collection for further recycling, waste management and tree planting). In 2019 and 2020, the Group's Good Deeds ecology focused programme received the "Eco Best Award", an independent public award, awarded for best products and practices in the field of ecology, energy and resource saving in Russia, based on review and vote of experts in the relevant fields.

The Group believes it complies in all material respects with the environmental standards applicable to it. The Group has not been involved in any material legal proceedings that are, or have been in the 12 months preceding the date of this Registration Document, related to environmental protection issues.

Governance

The Group has adopted the following policies to provide enhanced ESG transparency and guidance to the Group's stakeholders:

- Environmental, Health and Safety Policy to ensure the health and safety of personnel and consumers and to minimise the impact of the Group's business on the environment; pursuant to this policy, the Group has committed, among other things, to implement initiatives for energy efficiency, including reducing carbon footprint and waste, recycling as well as regular monitoring of environmental, health and safety performance;
- Code of Conduct and Business Ethics to ensure that the Group's business is conducted in a consistently legal and ethical manner and to promote compliance with applicable governmental laws, rules and regulations; in particular, it establishes a framework for ensuring diversity and zero tolerance to discrimination, commitment to act in accordance with international human and labour rights and ensuring that the information in relation to the Group in public communications is complete, fair, accurate, timely and comprehensive;
- Anti-Bribery and Anti-Corruption Policy to ensure that the Group's personnel comply with all applicable anti-corruption laws, rules and regulations; pursuant to, and in line with this policy, the Group has committed to conduct business in an ethical manner and has developed and maintains procedures to mitigate bribery and corruption risks;
- Anti-Money Laundering Policy to ensure that the Group has systems and procedures to prevent money laundering, including by setting relevant guidelines to raise awareness internally, implementing transaction monitoring programmes and promoting the culture of zero tolerance to illegal actions;
- Modern Slavery and Human Trafficking Policy aimed at monitoring that slavery, including forced and child labour, and human trafficking are excluded from the Group's operations and supply chain, including by requiring suppliers to comply with this policy and periodic evaluation of such compliance, as well as by ensuring that suppliers do not engage in any manufacturing, marketing or selling counterfeit products to the Group;
- Sanctions Policy to ensure that the Group complies with all applicable economic and financial sanctions laws and regulations that impose trade and financial restrictions on activities with certain territories, entities and individuals;
- Antitrust and Competition Compliance Policy to ensure that the Group complies with all applicable competition laws, rules and regulations and regulations to provide consumers with the best combination of price and quality;
- Data Protection Policy to ensure that the Group complies with all applicable data protection laws, rules and regulations; and

- Internal Personal Data Protection Policy to ensure that the Group duly protects personal data of its personnel.

As the Group is strongly focused on providing its customers with reliable quality products, the Group has a rigorous quality management system based on a set of internal quality assurance procedures and policies. See "*—Operations—Quality Control and Customer Satisfaction*". As part of the overall governance framework, the Group has also established risk management framework as discussed under "*—Risk Management and Controls*".

Personnel

The following table sets out the number of personnel by function as at 31 December 2020, 2019 and 2018.

	31 December		
	2020	2019	2018
	(in thousands)		
In-store personnel	28.1	21.8	18.0
Distribution	2.5	2.3	1.9
Administrative/Headquarters	1.4	0.9	0.7
Total	**32.0**	**25.1**	**20.6**

Note:

Personnel numbers in this table include personnel outsourced by the Group for its operations in Russia.

In order to increase efficiency of its in-house HR function, the Group outsources some of its in-store and distribution operations personnel, as well as cleaning and security services, in Russia, the costs of which are accounted for in selling, general and administrative expenses.

The Group believes it has a diverse personnel base across gender and age profile.

The Group's personnel are not members of trade unions, and there are no collective bargaining agreements between the Group and its personnel. The Group has not experienced any industrial action by its personnel. The Group considers its relationship with its personnel to be satisfactory.

Personnel Compensation

The Group's personnel salaries generally feature both a fixed component and a variable component. The variable component is performance-based. For store-level staff, possible performance-based pay is linked to key indicators for the relevant store, such as budgeted sales, performance in line with store standards and store shrinkage. For the headquarters-level personnel, the Group uses various bonus systems depending on relevant personnel's key performance indicators and the Group's business performance. For the Group's management and senior management, the bonus system is linked to key performance indicators relative to annual budget, including Adjusted EBITDA and net profit. While there is no statutory or corporate obligation to index salaries to account for inflation, the Group monitors wages across the market on a regular basis to ensure it maintains a competitive level of pay.

Before the end of 2021, the Group expects to adopt a long-term motivation and retention programme for certain key executives and senior level employees.

Personnel Training

The labour-intensive nature of the retail industry and the high number of personnel involved in customer contact makes it important to have a suitably trained and motivated personnel. Consequently, the Group seeks to hire customer- and service-oriented personnel and to offer competitive compensation and training programmes. The Group is also committed to creating a strong, friendly and collegiate corporate culture, with team building functions held within each store, and organises various corporate events for its personnel through its 'soft benefits' programme (see "*—Corporate Social Responsibility and Environment*"). The Group also aims to provide career growth and development opportunities in order to maintain high retention levels and focuses on promotion of store managers from within the organisation. Promoting high-performing personnel from within by assigning them with new responsibilities and possibly transferring them to new stores or cities both helps retain ambitious personnel and ensure the Group's expansion is carried out by trained personnel. The Group requires all new staff to undergo introductory training, including safety training. The Group also provides extensive training for particular technical functions, technologies and processes, to develop key competencies and to upgrade or maintain professional qualifications. The Group also actively uses a mentorship programme, with mentors receiving additional benefits for efficient training of new personnel. Moreover, the Group uses external training programmes, such as trainings for relevant functions, career enhancement and specific skills. The Group believes that such training and development reduces staff turnover, increases productivity, places focus on low-cost service and provides an internal pipeline of skilled staff for promotion.

Legal Proceedings

From time to time, the Group is involved in legal proceedings in the ordinary course of its business activities. There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this Registration Document which may have, or have had in the recent past, a significant effects on the Company and/or the Group's financial position or profitability.

SELECTED FINANCIAL AND OPERATING INFORMATION

The following tables set out certain financial and operational information as at and for the years ended 31 December 2020, 2019 and 2018 for the Group and must be read in conjunction with "*Operating and Financial Review*" and the Financial Statements (including the notes thereto) included in this Registration Document and beginning on page F-1. For a description of the Financial Statements, see "*Presentation of Financial and Other Information—Presentation of Certain Financial Information*".

Consolidated Statement of Comprehensive Income

	Year ended 31 December		
	2020	**2019**	**2018***
	(in millions of Russian Roubles)		
Revenue	**190,059**	**142,880**	**108,724**
Cost of sales	(128,544)	(96,919)	(74,838)
Gross profit	**61,515**	**45,961**	**33,886**
Selling, general and administrative expenses	(34,932)	(27,879)	(21,501)
Other operating income	291	334	259
Share of profit of associates, net	49	39	86
Operating profit	**26,923**	**18,455**	**12,730**
Interest income	376	194	87
Interest expense	(1,125)	(1,040)	(205)
Foreign exchange gain/(loss), net	136	(74)	(343)
Profit before tax	**26,310**	**17,535**	**12,269**
Income tax expense	(8,735)	(4,362)	(3,141)
Profit for the year(1)	**17,575**	**13,173**	**9,128**
Other comprehensive income			
Items that may be reclassified			
Currency translation differences	7	—	—
Other comprehensive income for the year	7	—	—
Total comprehensive income for the year	**17,582**	**13,173**	**9,128**
Basic and diluted earnings per share	0.35	0.26	0.18

Notes:

(1) The line item was called "Profit for the year and total comprehensive income for the year" in the 2019 Financial Statements and 2018 Financial Statements as other comprehensive income for the year was zero for the years ended 31 December 2019 and 2018.

* Certain line items were impacted by immaterial reclassifications made in the comparative financial information in the 2019 Financial Statements; in such instances the relevant financial information is extracted from the 2019 Financial Statements.

Consolidated Statement of Financial Position

	As at 31 December		
	2020	2019	2018
	(in millions of Russian Roubles)		
Assets			
Non-current assets			
Property, plant and equipment	13,308	10,882	9,108
Goodwill	205	178	—
Other intangible assets	873	510	1,577
Capital advances	2,284	1,055	662
Right-of-use assets	8,554	6,220	—
Operating lease deposits	—	—	594
Investments in associates	73	85	130
Total non-current assets	**25,297**	**18,930**	**12,071**
Current assets			
Inventories	26,991	19,365	15,085
Right-of-use assets	1,724	1,943	—
Receivables and other financial assets	902	1,036	1,033
Prepayments	303	247	158
Value added tax receivable	515	166	1,049
Loans receivable	—	92	—
Cash and cash equivalents	26,375	11,881	5,882
Total current assets	**56,810**	**34,730**	**23,207**
Total assets	**82,107**	**53,660**	**35,278**
Equity and liabilities			
Equity			
Share capital	1	1	1
Additional paid-in capital	154	154	154
(Deficit)/Retained earnings	(3,771)	11,298	13,082
Currency translation reserve	7	—	—
Total (deficit)/equity	**(3,609)**	**11,453**	**13,237**
Non-current liabilities			
Lease liabilities	3,713	2,496	—
Deferred tax liabilities	385	346	583
Total non-current liabilities	**4,098**	**2,842**	**583**
Current liabilities			
Loans and borrowings	15,680	5,006	501
Lease liabilities	6,339	5,306	—
Payables and other financial liabilities	26,751	19,827	17,901
Advances received	582	453	292
Income tax payable	5,423	2,415	1,410
Tax liability, other than income taxes	2,068	532	840
Dividends payable	23,658	5,030	—
Accrued expenses	1,117	796	514
Total current liabilities	**81,618**	**39,365**	**21,458**
Total liabilities	**85,716**	**42,207**	**22,041**
Total equity and liabilities	**82,107**	**53,660**	**35,278**

Selected Consolidated Statement of Cash Flows Information

	Year ended 31 December		
	2020	2019	2018
	(in millions of Russian Roubles)		
Cash flows from operating activities			
Profit before tax	**26,310**	**17,535**	**12,269**
Adjustments for:			
Depreciation and amortisation	9,865	8,695	1,464
Shrinkage and inventory obsolescence expenses	1,595	1,118	1,037
Changes in allowance for trade and other receivables	4	(13)	—
Share of profit of associates, net	(49)	(39)	(86)
Interest income	(376)	(194)	(87)
Interest expense	1,125	1,040	205
Foreign exchange (gain)/loss, net	(136)	74	343
Operating cash flows before changes in working capital	**38,338**	**28,216**	**15,152**
Increase in inventories	(9,134)	(5,335)	(4,595)
Decrease/(Increase) in receivables and other financial assets	29	(4)	1,034
Increase in prepayments	(46)	(89)	—
(Increase)/Decrease in VAT receivable	(358)	883	(86)
Increase in operating lease deposits	—	—	(80)
Increase in payables and other financial liabilities	5,872	1,938	4,261
Increase in advances received	128	161	112
Increase/(Decrease) in tax liabilities, other than income tax	1,547	(308)	(66)
Increase in accrued expenses	414	326	152
Net cash flows generated from operations	**36,790**	**25,788**	**15,884**
Interest paid	(1,207)	(1,099)	(240)
Interest received	374	194	—
Income tax paid	(5,687)	(3,459)	(2,015)
Net cash flows from operating activities	**30,270**	**21,424**	**13,629**
Cash flows from investing activities			
Purchase of property, plant and equipment and capital advances	(5,674)	(3,831)	(3,129)
Purchase of intangible assets	(493)	(365)	(1,088)
Proceeds from sale of property, plant and equipment	5	39	32
Acquisition of business, net of cash acquired	—	(195)	—
Dividends received from associates	58	84	46
Loans issued	—	(248)	(3,985)
Proceeds from repayment of loans issued	79	150	358
Net cash flows used in investing activities	**(6,025)**	**(4,366)**	**(7,766)**
Cash flows from financing activities			
Proceeds from loans and borrowings	18,445	12,600	3,831
Repayment of loans and borrowings	(7,792)	(8,100)	(6,830)
Lease payments	(7,518)	(6,689)	—
Dividends paid	(14,214)	(8,039)	(3,248)
Net cash flows used in financing activities	**(11,079)**	**(10,228)**	**(6,247)**
Total cash (used in)/from operating, investing and financing activities	13,166	6,830	(384)
Effect of exchange rate fluctuations on cash and cash equivalents	1,328	(831)	164
Net increase/(decrease) in cash and cash equivalents	**14,494**	**5,999**	**(220)**
Cash and cash equivalents at the beginning of the year	**11,881**	**5,882**	**6,102**
Cash and cash equivalents at the end of the year	**26,375**	**11,881**	**5,882**

Non-IFRS Measures

	As at or for the year ended 31 December		
	2020	2019	2018
EBITDA (in RUB millions)(1)	36,924	27,076	13,851
Adjusted EBITDA (in RUB millions)(2)	36,788	27,150	14,194
IAS 17-Based Adjusted EBITDA (in RUB millions)(3)	28,632	19,777	n/a
Adjusted EBITDA Margin (%)(4)	19.4	19.0	13.1
IAS 17-Based Adjusted EBITDA Margin (%)(5)	15.1	13.8	n/a
IAS 17-Based Net Income (in RUB millions)(6)	17,588	13,151	n/a
Net Debt/(Cash) (in RUB millions)(7)	(643)	927	(5,381)
Adjusted Net Debt/(Cash) (in RUB millions)(8)	23,015	5,957	(5,381)
IAS 17-Based Adjusted Net Debt/(Cash) (in RUB millions)(9)	12,963	(1,845)	n/a
Adjusted Net Debt/(Cash) to Adjusted EBITDA(10)	0.6	0.2	(0.4)
IAS 17-Based Adjusted Net Debt/(Cash) to IAS 17-Based Adjusted EBITDA(11)	0.5	(0.1)	n/a
Capital Expenditure (in RUB millions)(12)	6,167	4,196	4,217
Invested Capital (in RUB millions)(13)	19,406	17,410	n/a
ROIC (%)(14)	98.8	n/a	n/a
IAS 17-Based SG&A Expenses (in RUB millions)(15)	35,741	28,497	n/a
IAS 17-Based Operating Lease Expenses (in RUB millions)(16)	9,641	8,381	n/a

(1) EBITDA for a given year is calculated as profit for the respective year adjusted for income tax expense, interest expense, interest income, depreciation and amortisation expense.

(2) Adjusted EBITDA for a given year is calculated as profit for the respective year adjusted for income tax expense, interest expense, interest income, depreciation and amortisation expense, and foreign exchange gain/(loss) (net).

(3) IAS 17-Based Adjusted EBITDA for a given year is calculated as profit for the respective year adjusted for income tax expense, interest expense, interest income, depreciation and amortisation expense, and foreign exchange gain/(loss) (net) further adjusted for the removal of IFRS 16 adoption impacts by deducting rent expense and associated non-lease components net of variable lease costs and costs of leases of low-value items.

(4) Adjusted EBITDA Margin is calculated as Adjusted EBITDA for a given year divided by revenue for such year expressed as a percentage.

(5) IAS 17-Based Adjusted EBITDA Margin is calculated as IAS 17-Based Adjusted EBITDA for a given year divided by revenue for such year expressed as a percentage.

The following table sets forth a reconciliation of the Group's EBITDA, Adjusted EBITDA and IAS 17-Based Adjusted EBITDA to its profit for the years indicated:

	Year ended 31 December		
	2020	2019	2018
	(in millions of Russian Roubles, except %)		
Profit for the year	17,575	13,173	9,128
Adjusted for:			
Income tax expense	8,735	4,362	3,141
Interest expense	1,125	1,040	205
Interest income	(376)	(194)	(87)
Depreciation and amortisation expense	9,865	8,695	1,464
EBITDA	**36,924**	**27,076**	**13,851**
Foreign exchange (gain)/loss, net	(136)	74	343
Adjusted EBITDA	**36,788**	**27,150**	**14,194**
Rent expense and associated non-lease components net of variable lease costs and costs of leases of low-value items	(8,156)	(7,373)	n/a
IAS 17-Based Adjusted EBITDA	**28,632**	**19,777**	**n/a**

The following table sets forth a calculation of Adjusted EBITDA Margin and IAS 17-Based Adjusted EBITDA Margin for the years indicated:

	Year ended 31 December		
	2020	2019	2018
	(in millions of Russian Roubles, except %)		
Adjusted EBITDA	**36,788**	**27,150**	**14,194**
Divided by:			
Revenue	190,059	142,880	108,724
Adjusted EBITDA Margin (%)	**19.4**	**19.0**	**13.1**
IAS 17-Based Adjusted EBITDA	**28,632**	**19,777**	n/a
Divided by:			
Revenue	190,059	142,880	n/a
IAS 17-Based Adjusted EBITDA Margin (%)	**15.1**	**13.8**	n/a

(6) IAS 17-Based Net Income is calculated as profit for the relevant year adjusted for the removal of IFRS 16 adoption impacts by adding back interest expense on lease liabilities and amortisation of right-of-use assets; deducting rent expense and associated non-lease components net of variable lease costs and costs of leases of low-value items, amortisation of lease rights recognised before adoption of IFRS 16; and adjusting for foreign exchange gains and losses, net, arising on revaluation of foreign currency-denominated lease liabilities following the adoption of IFRS 16 and impact of IFRS 16 adoption on deferred and current income tax expense/(benefit) for the relevant year.

The following table sets forth a reconciliation of the Group's IAS 17-Based Net Income to its profit for the years indicated:

	Year ended 31 December		
	2020	2019	2018
	(in millions of Russian Roubles)		
Profit for the year	**17,575**	**13,173**	**9,128**
Interest expense on lease liabilities	656	698	n/a
Amortisation of right-of-use assets	7,618	6,921	n/a
Rent expense and associated non-lease components net of variable lease costs and costs of leases of low-value items	(8,156)	(7,373)	n/a
Amortisation of lease rights recognised before adoption of IFRS 16	(271)	(166)	n/a
Foreign exchange loss, net, arising on revaluation of foreign currency-denominated lease liabilities following the adoption of IFRS 16	113	—	n/a
Impact of IFRS 16 adoption on deferred and current income tax expense/ (benefit)	53	(102)	n/a
IAS 17-Based Net Income	**17,588**	**13,151**	**n/a**

(7) Net Debt/(Cash) is calculated as the total current and non-current loans and borrowings plus total current and non-current lease liabilities less cash and cash equivalents.

(8) Adjusted Net Debt/(Cash) is calculated as Net Debt/(Cash) adjusted for dividends payable to shareholders.

(9) Adjusted IAS 17-Based Adjusted Net Debt/(Cash) is calculated as Adjusted Net Debt/(Cash) adjusted for the removal of IFRS 16 adoption impacts by excluding total current and non-current lease liabilities.

(10) Adjusted Net Debt/(Cash) to Adjusted EBITDA is Adjusted Net Debt/(Cash) at the end of the year divided by Adjusted EBITDA for respective year.

(11) IAS 17-Based Adjusted Net Debt/(Cash) to IAS 17-Based Adjusted EBITDA is IAS 17-Based Adjusted Net Debt/(Cash) at the end of the year divided by IAS 17-Based Adjusted EBITDA for respective year.

The following table sets forth a calculation of the Group's Net Debt/(Cash), Adjusted Net Debt/(Cash) and IAS 17-Based Adjusted Net Debt/(Cash) as at respective dates for the years indicated:

	As at 31 December		
	2020	2019	2018
	(in millions of Russian Roubles)		
Current loans and borrowings	15,680	5,006	501
Non-current loans and borrowings	—	—	—
Current lease liabilities	6,339	5,306	—
Non-current lease liabilities	3,713	2,496	—
Cash and cash equivalents	(26,375)	(11,881)	(5,882)
Net Debt/(Cash)	**(643)**	**927**	**(5,381)**
Dividends payable	23,658	5,030	—
Adjusted Net Debt/(Cash)	**23,015**	**5,957**	**(5,381)**
Current lease liabilities	(6,339)	(5,306)	n/a
Non-current lease liabilities	(3,713)	(2,496)	n/a
IAS 17-Based Adjusted Net Debt/(Cash)	**12,963**	**(1,845)**	n/a

The following table sets forth a calculation of Adjusted Net Debt/(Cash) to Adjusted EBITDA and IAS 17-Based Adjusted Net Debt/(Cash) to IAS 17-Based Adjusted EBITDA ratios for the years indicated:

	As at or for the year ended 31 December		
	2020	2019	2018
	(in millions of Russian Roubles, except for ratios)		
Adjusted Net Debt/(Cash)	**23,015**	**5,957**	**(5,381)**
Divided by:			
Adjusted EBITDA	36,788	27,150	14,194
Adjusted Net Debt/(Cash) to Adjusted EBITDA	**0.6**	**0.2**	**(0.4)**
IAS 17-Based Adjusted Net Debt/(Cash)	**12,963**	**(1,845)**	**n/a**
Divided by:			
IAS 17-Based Adjusted EBITDA	28,632	19,777	n/a
IAS 17-Based Adjusted Net Debt/(Cash) to IAS 17-Based Adjusted EBITDA	**0.5**	**(0.1)**	n/a

(12) Capital Expenditure is calculated as cash flow related to the acquisition of property, plant and equipment and capital advances and the acquisition of intangible assets for the relevant year.

The following table sets forth a calculation of the Group's Capital Expenditure for the years indicated:

	Year ended 31 December		
	2020	2019	2018
	(in millions of Russian Roubles)		
Purchase of property, plant and equipment and capital advances	5,674	3,831	3,129
Purchase of intangible assets	493	365	1,088
Capital Expenditure	**6,167**	**4,196**	**4,217**

(13) Invested Capital is calculated as total (deficit)/equity plus total current and non-current loans and borrowings plus total current and non-current lease liabilities plus dividends payable less cash and cash equivalents at the respective dates.

(14) ROIC is calculated as Operating Profit less Income Tax Expense for the relevant year divided by Average Invested Capital for a given period. Average Invested Capital for a given period is calculated by adding the Invested Capital at the beginning of a year to Invested Capital at year's end and dividing the result by two. In this Registration Document, the Group has presented ROIC only for the year ended 31 December 2020 as it believes that ROIC for the years ended 31 December 2019 and 2018 is not comparable with ROIC for the year ended 31 December 2020 due to the adoption of IFRS 16 as of 1 January 2019, and presentation of ROIC for the years ended 31 December 2019 and 2018, is therefore, not meaningful.

The following table sets forth a calculation of the Group's Invested Capital as at 31 December 2020 and 2019:

	As at 31 December	
	2020	2019
	(in millions of Russian Roubles)	
Total (deficit) / equity	**(3,609)**	**11,453**
Current loans and borrowings	15,680	5,006
Non-current loans and borrowings	—	—
Current lease liabilities	6,339	5,306
Non-current lease liabilities	3,713	2,496
Dividends payable	23,658	5,030
Cash and cash equivalents	(26,375)	(11,881)
Invested Capital	**19,406**	**17,410**

The following table sets forth a calculation of the Group's Average Invested Capital for the year ended 31 December 2020:

	Year ended 31 December 2020
	(in millions of Russian Roubles)
Invested Capital as at 31 December 2020	19,406
Invested Capital as at 31 December 2019	17,410
Divided by 2:	
Average Invested Capital	**18,408**

The following table sets forth a calculation of the Group's ROIC for the year ended 31 December 2020:

	Year ended 31 December 2020
	(in millions of Russian Roubles)
Profit for the year	17,575
Income tax expense	(8,735)
Foreign exchange gain/(loss), net	136
Interest expense	(1,125)
Interest income	376
Operating profit	26,923
Income tax expense	(8,735)
Operating Profit less Income Tax Expense	**18,188**
Divided by:	
Average Invested Capital	18,408
ROIC (%)	**98.8**

(15) IAS 17-Based SG&A Expenses is calculated as the selling, general and administrative expenses for a given year adjusted for the removal of IFRS 16 adoption impacts by adding in rent expense and associated non-lease components net of variable lease costs and costs of leases of low-value items, amortisation of lease rights recognised before adoption of IFRS 16 and deducting amortisation of right-of-use assets.

The following table sets forth a calculation of the Group's IAS 17-Based SG&A Expenses for the years indicated:

	Year ended 31 December		
	2020	**2019**	**2018**
	(in millions of Russian Roubles)		
Selling, general and administrative expenses	**34,932**	**27,879**	**21,501**
Rent expense and associated non-lease components net of variable lease costs and costs of leases of low-value items	8,156	7,373	n/a
Amortisation of lease rights recognised before adoption of IFRS 16	271	166	n/a
Amortisation of right-of-use assets	(7,618)	(6,921)	n/a
IAS 17-Based SG&A Expenses	**35,741**	**28,497**	n/a

(16) IAS 17-Based Operating Lease Expenses is calculated as the operating lease expenses for a given year adjusted for the removal of IFRS 16 adoption impacts by adding in rent expense net of variable lease costs and costs of leases of low-value items recognised before adoption of IFRS 16.

The following table sets forth a calculation of the Group's IAS 17-Based Operating Lease Expenses for the years indicated:

	Year ended 31 December		
	2020	**2019**	**2018**
	(in millions of Russian Roubles)		
Operating lease expenses	**1,642**	**1,160**	**7,291**
Rent expense net of variable lease costs and costs of leases of low-value items	7,998	7,221	n/a
IAS 17-Based Operating Lease Expenses	**9,641**	**8,381**	n/a

Selected Operating Data

	Year ended 31 December		
	2020	2019	2018
Total number of stores (as of year-end), including:	4,167	3,512	2,941
Stores operated by the Group	3,742	3,072	2,642
Franchise stores	425	440	299
Total selling space of stores operated by the Group and franchise stores (th. sq. m.) (as of year-end)	890	743	616
Total selling space of stores operated by the Group (th. sq. m.) (as of year-end)	797	647	552
Average selling space (th. sq. m.) of stores operated by the Group (average for the year)	722	599	499
Net store openings of stores operated by the Group (as of year-end)	670	430	501
Net store openings of stores operated by the Group and franchise stores (as of year-end)	655	571	464
Gross store openings of stores operated by the Group (as of year-end)	721	488	426
Average sales density of stores operated by the Group (RUB th./sq. m.)	230	206	189
Like-for-like sales (% change, year-on-year)[(1)]	15.8	15.4	18.6
Like-for-like average ticket (% change, year-on-year)[(1)]	17.8	7.3	7.1
Like-for-like traffic (% change, year-on-year)[(1)]	(1.7)	7.6	10.7

Notes: For the definition of operating metrics in this table, see "*Presentation of Financial and Other Information*"

(1) Like-for-like sales, like-for-like average ticket and like-for-like traffic growth are presented with respect to the stores operated by the Group.

The following table sets forth the Group's like-for-like sales, like-for-like average ticket and like-for-like traffic growth for each of the quarters indicated:

	2017				2018				2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	(% change, year-on-year)															
Like-for-like sales	20.3	27.1	30.1	26.6	18.5	16.3	18.8	20.3	19.0	18.3	13.6	12.7	16.2	10.8	20.6	15.7
Like-for-like traffic	18.4	21.1	19.8	18.1	9.8	11.5	11.3	10.3	10.8	9.9	4.9	5.7	7.8	(15.3)	4.1	(1.9)
Like-for-like average ticket	1.6	4.9	8.7	7.2	7.9	4.3	6.8	9.1	7.4	7.7	8.2	6.6	7.7	30.8	15.9	17.9

Note:

For the definition of like-for-like metrics in this table, see "*Presentation of Financial and Other Information*".

OPERATING AND FINANCIAL REVIEW

The following overview of the Group's financial condition and results of operations as at and for the years ended 31 December 2020, 2019 and 2018 should be read in conjunction with the Financial Statements and related notes included elsewhere in this Registration Document. Reliance should not be placed solely on the information contained in this section, but the following discussion should be read together with the whole of this Registration Document.

The following discussion and analysis of financial position and results of operations includes forward-looking statements that reflect the current views of the Group's management and involve inherent risks and uncertainties. The actual results of the Group's operations could differ materially from those contained in such forward-looking statements due to the factors discussed below and elsewhere in this Registration Document, particularly in the section entitled "Risk Factors".

The selected consolidated financial information in this section has been extracted, or recalculated based on the information derived, from the Financial Statements, in each case without material adjustment, unless otherwise stated, as well as from internal data concerning the Group contained in the Company's management financial reports. The Financial Statements have been prepared in accordance with IFRS. See "Presentation of Financial and Other Information".

In January 2016, the IASB issued IFRS 16 standard "Leases", which sets out a new model for lease accounting, replacing IAS 17 and, in particular, introducing significant changes by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. The Group adopted IFRS 16 beginning on 1 January 2019 using a modified retrospective approach, without restatement of the comparative period.

Therefore, as a result of the adoption of IFRS 16, the Group's financial statements for the years ended 31 December 2020 and 2019 are not directly comparable with the Group's financial statements for the year ended 31 December 2018.

Overview

The Group is one of the leading variety value retailers globally and the largest variety value retailer in Russia operating under the trade mark "Fix Price", with over 4,000 stores and RUB 190,059 million in revenue as of and for the year ended 31 December 2020, respectively. Fix Price provides an affordable shopping destination, offering a broad range of essential and unique products at several fixed price points. In the Russian variety value retail market, Fix Price is the leader both by number of stores and revenue. According to the Oliver Wyman Report, Fix Price was estimated to account for 93% of the variety value retail revenue in Russia in 2019, making it 13 times larger than other players on the Russian variety value retail market combined, and had, by far, the largest number of stores among Russian variety value retailers. Based on publicly available information, the Group believes it enjoys leading revenue growth, profitability and return on capital levels among publicly traded variety value retailers globally. Fix Price has been able to successfully capitalise on the ongoing structural shift in Russian customer spending towards value offering, which is also observed in other geographies worldwide. The Group believes that this shift is being driven by customers with lower income levels as well as the more affluent customers, who are finding Fix Price's assortment and value proposition increasingly appealing.

As of 31 December 2020, the Fix Price retail chain comprised 4,167 stores across 1,330 cities (in Russia and neighbouring counties) encompassing a total selling space of approximately 890 thousand sq. m. In Russia, Fix Price's largest market, the Group operated in 78 out of 85 of Russian regions covering 1,250 localities, as of 31 December 2020. As of the same date, the Group's stores were present in 38 Russian cities with a population of more than 500 thousand people (representing a 100% presence in such cities), 261 Russian cities with a population of 50 to 500 thousand people (representing a 92% presence in such cities) and 524 Russian cities with a population of less than 50 thousand people (representing a 66% presence in such cities). Overall in Russia, Fix Price stores operated in 823 out of 1,117 cities (representing a 74% overall presence in Russia), as of the same date.[6] A typical store has an average sales area of approximately 210 sq. m. The stores are primarily located in convenient and high-traffic locations in high-density areas and shopping centres. In addition to operating stores in large and densely populated cities, the Group successfully operates in smaller localities (with population of at least 5,000 people). The Group also has presence outside of Russia with 276 stores in the Fix Price retail chain as of 31 December 2020, including 152 stores in Belarus, 89 stores in

6 Presence data is based on Rosstat.

Kazakhstan, 15 stores in Uzbekistan, 2 stores in Kyrgyzstan, 14 stores in Latvia and 4 stores in Georgia. While most of Fix Price's store base is operated by the Group, 425 out of 4,167 Fix Price stores were franchised, representing 12.6% of the Group's total revenue in the year ended 31 December 2020. Fix Price has been using the franchise model to test remote markets and regions where it had limited or no presence and/or which were not a priority for the Group at the relevant time, with the view to increase geographical presence and store network in those markets and regions.

The Group has exhibited strong revenue growth of 33.0% and 31.4% for the years ended 31 December 2020 and 2019, respectively. The Group's recent revenue growth reflects both a strong like-for-like sales performance and rapid expansion of selling space. The Group enjoyed double-digit like-for-like sales growth over the last sixteen consecutive quarters ended 31 December 2020.

In 2020, the Group enjoyed like-for-like sales growth of 15.8% compared to 15.4% in 2019 and 18.6% in 2018. In 2020, the Group had 655 net store openings, including stores operated by the Group and franchise stores, the most it has opened in one calendar year in its history. The Group believes there is further ample potential to expand its operations in Russia as well as in neighbouring countries. As discussed in "*Business—Overview*", as of November 2020, the total store potential for the Russian variety value retail market was estimated to be approximately 11,700 stores (including Fix Price stores operating in the market at that time), which is nearly three times higher than the Group's current store network in Russia. Looking outside of Russia, in the neighbouring countries where the Group has a presence with stores operated by the Group, the total store potential for the respective variety value retail market was estimated to be approximately 3,800 stores in Belarus, Kazakhstan and Uzbekistan as of November 2020 (including Fix Price stores operating in the market at that time).

The key pillars of Fix Price's distinctive customer proposition are deep value of its product offering and continuously refreshed and unique assortment providing the "treasure hunt" experience that customers can enjoy during their essential trips to the Group's stores. The Group's offering includes its own private brands as well as third-party branded and non-branded products, comprising approximately 1,800 SKUs across approximately 20 categories, including non-food, drogerie and food products. Aiming to achieve constant newness, the Group launches 40 to 60 products every week, with approximately 60% of product assortment refreshed up to six times per year. In offering its product proposition, the Group is focused on encouraging a "WOW" reaction from customers by striving to surprise them with new and exciting products at incredibly low prices. The Group aims to be the price leader across its product categories and SKUs. The Group's multiple price points policy (as of 31 December 2020, including six anchor price points: RUB 50 (US$ 0.66), RUB 55 (US$ 0.72), RUB 77 (US$ 1.01), RUB 99 (US$ 1.30), RUB 149 (US$ 1.95) and RUB 199 (US$ 2.61)) allows the Group to provide an extensive range of products while maintaining the variety value retail attractiveness. This policy also provides the Group with additional flexibility to address market environment and external factors, primarily foreign exchange rate volatility as well as inflation. The Group's continuous efforts to maintain its unique customer proposition have allowed the Group to reach a 87% unaided brand awareness in Russia, according to the Vector Study, as well as attract and develop a substantial loyal customer base of approximately 12 million registered card holders as of 31 December 2020. Approximately 36% of the Group's retail sales in 2020 was generated from sales of products to Fix Price's loyalty programme card holders, whose average ticket was 1.7 times higher than that of non-card holders. Analysis of the data on customers and their spending habits accumulated from the loyalty card programme allows the Group to make efficient merchandising, procurement and marketing decisions, which, in turn, contributes to the Group's growth, further increases customer loyalty and drives sales.

The Group's low-price business model is underpinned by the following key pillars: data-driven procurement supplemented by streamlined centralised logistics, efficient store management model, and a highly experienced management team. State-of-the art IT solutions enabling the Group to achieve a high degree of automation across its operations serve as the foundation of the Group's key efficiency pillars.

Significant Factors Affecting Results of Operations

The Group believes that the following key factors have affected the Group's results of operations in the years ended 31 December 2020, 2019 and 2018 and will continue to affect the Group's results of operations in the future:

- Russian macroeconomic conditions and trends, in particular, the evolution of disposable incomes and consumer spending;
- the Group's ongoing expansion of its retail chain of stores, including through franchising;
- like-for-like sales growth;

- product mix;
- staff costs;
- lease terms;
- efficiency of operation;
- adoption of IFRS 16 "Leases"; and
- taxation.

Russian macroeconomic conditions and trends, in particular, the evolution of disposable incomes and consumer spending

General

Since the Group primarily operates in Russia, changes in Russian macroeconomic conditions, and, in particular, how the economy impacts the level of disposable incomes and consumer spending, directly affect its financial performance.

The Russian economy has recently faced significant challenges, primarily due to its dependence on fluctuating prices for oil and other commodities, which are Russia's principal exports and important drivers of Russia's economy, and international economic sanctions imposed against certain Russian individuals and entities by the United States and European Union in connection with the Ukrainian crisis which unfolded in 2014. These factors have contributed to the contraction of the Russian economy, a significant decrease in real disposable income and the population's purchasing power and consumer confidence, as well as high levels of inflation. Most of these factors have also contributed to the weakening of the Russian Rouble, restricted access to financing for Russian borrowers and capital flight.

After showing initial signs of recovery in 2016, the Russian economy continued to stabilise, recording real GDP growth in 2017 and 2018, of 1.8% and 2.5%, respectively, according to Rosstat. In 2019, Russia exhibited a real GDP growth rate of 1.3%. Inflation stood at 4.3% and 3.0% in 2018 and 2019, respectively. As the Russian economy improved, average unemployment rates have also stabilised, reaching 4.8% in 2018 and 4.6% in 2019 (a decrease from 5.2% in 2017). In 2018 and 2019, real disposable income grew by 0.1% and 1.0%, respectively, and real household consumption increased by 4.1% and 9.5%, respectively.

Although the Russian economy saw some level of stabilisation in 2017-2019, the outbreak of COVID-19 has negatively affected consumer spending and business activity and significantly contributed to deteriorating macroeconomic conditions and higher unemployment in Russia.

The following table sets out key Russian economic indicators for the years ended 31 December 2020, 2019 and 2018:

	As of 31 December		
Key macroeconomic factors	**2020**	**2019**	**2018**
Population, million (year-end)	146.2(1)	146.7	146.8
Real GDP growth year-on-year (%)	(3.1)(1)	1.3	2.5
Nominal GDP growth year-on-year in RUB terms (%)	(2.4)(1)	5.2	13.9
Inflation (CPI) year-on-year (%)	4.9	3.0	4.3
Average unemployment rate (%)	5.9	4.6	4.8
Average monthly income per capita (RUB)	n/a(2)	35,249	33,178
Average monthly gross disposable income per number of a household (RUB)	33,072(3)	28,995	26,918
Real disposable income growth (period-on-period) (%)	n/a(2)	1.0	0.1
Real household consumption growth (period-on-period) (%)	n/a(2)	9.5	4.1
Average exchange rate (RUB per U.S. Dollar)	72.2	64.6	62.9
Average exchange rate (RUB per CNY)	10.5	9.4	9.5
Average exchange rate (RUB per Euro)	82.8	72.3	74.1

Sources: Rosstat, CBR

Notes:

(1) Preliminary figure.

(2) Not available.

(3) Average for each of the three quarters ended 30 September 2020.

While retail spending is generally driven by disposable income levels, poor economic conditions have historically attracted Russian consumers to the variety value retail sector, leading to greater footfall across the Group's stores. During economic downturns and recessions, consumers tend to reduce spending by reducing the volume of their purchases or by shifting their purchasing pattern towards cheaper products. The Russian variety value retail market has demonstrated a sustainable growth rate since 2014 primarily driven by a structural shift in consumer behaviour towards value (see "*Industry Overview*").

However, the Group also believes that any improvements in the general economic conditions in Russia, the Group's principal market, and any growth in consumer spending generally have a positive impact on the Group's performance by encouraging higher average transaction values. The Group has observed similar trend in other geographies worldwide (including, for example, in the United States).

The Group believes that its business model, focused on attractive value proposition underpinned by its efficient pricing and product assortment policy, has allowed it to generally benefit both, in the recessionary economic environment during 2020 primarily resulting from the impact of COVID-19 (see "*—COVID-19 pandemic*"), as well as during times when the Russian economy saw some level of stabilisation in 2018-2019, contributing to the Group's overall growth during periods under review. During the periods under review, the Group's network grew at a CAGR of 19.0% and its revenue increased at a CAGR of 32.2%.

The Group believes that it has been successful in responding to market trends, including in consumer purchasing patterns, as a result of its ability to predict customer demands and preferences and translate them into saleable merchandise offerings. This success is largely based on a thorough analysis of historical data and sophisticated forecasting tools as a result of a high degree of digitalisation and standardisation across the Group's operations. Utilising its integrated state-of-the art IT infrastructure, the Group collects and analyses a significant amount of data, such as purchase history, stores visits, impact of marketing campaigns, personal data, reaction to changes in product assortment and pricing, including new initiatives, and other data points that it uses to make data-driven category management, pricing and marketing decisions in order to address market trends and developments.

The state of the Russian economy will continue to have a significant impact on the Group's results of operations, as well as on its ability to implement its expansion strategy.

Exchange rate volatility

Currency exchange rate fluctuations affect the Group's results of operations (i) by having a transactional impact on the products sourced outside of Russia, (ii) on a translational basis given that the Group's sales are primarily priced in Russian Roubles, and some of the Group's sales are priced in Tenge, Belorussian Roubles and Uzbekistani Soms, and (iii) by impacting consumers' disposable incomes.

For the year ended 31 December 2020, approximately a quarter of the Group's merchandise purchases were sourced from suppliers located outside of Russia and denominated in foreign currency, primarily Chinese Yuan. When the Russian Rouble depreciates against the Chinese Yuan or any other currencies in which the Group's purchases may be priced and the Group is unable to find substitute products from Russian suppliers, the Group's costs generally increase. The Group believes that its flexible business model, including multiple price points pricing policy, provides it with a natural hedge against foreign exchange rate volatility to a certain extent. This business model allows the Group to quickly respond to exchange rate changes by modifying parameters or characteristics of its products, packaging and suppliers or developing another product in order to adapt to the prevailing exchange rate ratio. In addition, the Group's pricing policy allows the Group to selectively move products between price categories in order to address exchange rate volatility pressures (see "*Business—Operations—Pricing*"). In addition, the Group's policy is to manage some of its currency exposure, as the Group considers appropriate, through the use of hedging instruments, such as forward foreign exchange contracts. In connection with the volatility in the Russian Rouble exchange rate in recent years, since 2014, the Group has increased the use of hedging by establishing a hedging policy, whereas in the past it undertook occasional hedging activities. Nevertheless, if the Russian Rouble further depreciates against the Chinese Yuan or other relevant foreign currencies that the Group is exposed to in order to source its merchandise and the Group is unable to effectively manage its currency exposure the Group's costs will increase.

The Group's revenues are primarily in Russian Roubles, and it sources some of its products in foreign currency, primarily Chinese Yuan. From time to time, the Group also maintains a portion of its cash balances in U.S. Dollars and Euros for the purposes of dividend distribution. The Russian Rouble is also the Group's reporting currency. As a result, changes in the relevant foreign exchange rates result in foreign exchange gains or losses, which the Group records in its consolidated statement of profit or loss. Foreign exchange gains or losses reflect movements in exchange rates that arise between the date when an amount is recorded as payable and the date of the actual purchase in respect of a transaction. This impact is particularly relevant due to the fact that amounts owed by the Group to its suppliers in foreign currency have maturity of up to 120 days. In addition, exchange rate fluctuations result in fair value revaluations of cash and cash equivalents balances maintained by the Group in foreign currencies. Foreign exchange gains/(losses) also include gains and losses recognised for the changes in fair value of forward currency contracts that the Group is using from time to time to reduce its foreign currency exposure.

The spending habits of Russian consumers are particularly sensitive to significant volatility in exchange rates of the Russian Rouble against the U.S. Dollar and Euro. During periods of instability in the value of the Russian Rouble, consumers generally curtail spending, although the Group believes that its variety value business model allows it to generally benefit in a volatile environment.

The exchange rates between each, the U.S. Dollar, Euro and Chinese Yuan, and the Russian Rouble have fluctuated in recent years, most recently, due to the COVID-19 impact. See Presentation of "*Presentation of Financial and Other Information—Currencies and Exchange Rates*". Despite the significant fluctuations, the Group has demonstrated strong gross margins throughout the periods under review.

The value of the Russian Rouble against foreign currencies is expected to continue to be volatile and may decline. See "*Risk Factors—Risks Relating to the Group's Business and Industry—Risks Relating to the Group's Financial Condition—Fluctuations in the value of the Russian Rouble against foreign currencies and hedging risks could adversely affect the Group's business*".

COVID-19 pandemic

On 11 March 2020, the WHO declared COVID-19 a pandemic. The outbreak has reached most countries and has led governments and other authorities around the world, including federal, regional and local authorities in Russia, to impose measures intended to control its spread, including restrictions on freedom of movement and business operations such as travel bans, border closings, business closures, quarantines, cancellation of public events, social distancing, mandatory use of personal safety equipment, such as facial masks and gloves, among others. On 25 March 2020, the Russian Government introduced a number of recommendations and restrictions, including declaring a "period of non-working days", which limited business activity, from 30 March 2020 to 3 April 2020 and were subsequently extended to 11 May 2020, as well as other restrictions on the movement of citizens and a limitation on most commercial activities.

The overwhelming majority of the Group's stores and all of its distribution centres have continued to operate as an essential business during the COVID-19 pandemic and the Group committed to maintaining a safe work and shopping environment. At the outset of the COVID-19 outbreak, the Group implemented increased cleaning protocols (see "*Business—COVID-19 Impact*").

The Group believes that its variety value business model has allowed it generally to benefit in the COVID-19 environment, which has been characterised by a slowdown in the business and consumer spending activity, with customers shifting their shopping patterns towards value retail. The Group believes that the fact that it has been able to operate its business continuously during this time has also provided opportunities to capture market share from weaker non-food competitors or those non-food competitors that were shut down throughout the pandemic.

During the pandemic, the Group temporarily closed 28 stores in Russia, representing less than 1% of the total store count, which reopened within three months from their closing. These were mostly the stores located in shopping malls and shopping markets, which suspended operations either to meet regulatory requirements aimed at limiting the spread of COVID-19 or because the operation at that time was not economically viable for them. While some of the Group's Chinese suppliers suspended operations for a short period of time (which also overlapped with the Chinese New Year period when supplies from China generally stop coming), the Group did not experience any significant supply chain disruptions or product availability issues. This was primarily the result of having most of its product deliveries for the first and, to some extent, the second quarters of 2020 from its Chinese suppliers satisfied prior to the outbreak of COVID-19 in China and the ability of the Group's suppliers, including domestic supplies, to continue deliveries in April-May 2020 after the most disruptive stage of COVID-19 infections to date.

The Group experienced volatility in sales during March-April of 2020 as store traffic and consumer demand significantly decreased as a result of consumers' initial reaction to the COVID-19 pandemic in connection with the implementation of social distancing measures, while the average ticket increased as customers stocked up on products in light of the COVID-19 related restrictions. To address the reduction in traffic, the Group worked quickly to reassure customers that its stores remained open and that the Group carried essential products at the lowest prices and advertised its heightened store safety protocols in response to the pandemic. The Group also expanded its existing SKU range by approximately 60 COVID-19 related SKUs in approximately two weeks from the start of the lockdown in Moscow and secured on-shelf availability of essential goods, including face masks, sanitisers and other necessities, all supported by promptly adjusted marketing campaigns focused on promotion of this type of merchandise. While the Group saw a temporary decrease in like-for-like sales growth in April 2020 as a result of the decrease in traffic at the initial stages of the COVID-19 related restrictive measures, the Group's like-for-like sales demonstrated an overall growth in each quarter of 2020 as the Group responded to changing consumer needs and benefited from increased consumer spending, despite the fact that like-for-like traffic performance remained subdued for most part of 2020.

The Group incurred additional selling, general and administrative expenses during the year ended 31 December 2020 relating to the cost of operating the Group's stores and distribution centres, including the costs associated with enhanced cleaning protocols and personal protection equipment, as well as additional bonuses and COVID-19 related financial assistance. This increase, however, was offset by a positive impact on margins that the Group achieved as a result of a slight shift in demand during the second quarter of 2020 towards more marginal non-food products and optimisation of certain operating expenses. In addition, the Group believes that the adverse impact of COVID-19 on the commercial real estate market has provided the Group with additional negotiation leverage to secure better lease terms from landlords. As a result, the Group was able to renegotiate more favourable rental rates for approximately 85% of its leases, which contributed to a decrease in the IAS 17-Based Operating Lease Expenses and amortisation of right-of-use assets, each, as a percentage of revenue, in the year ended 31 December 2020, as compared to the year ended 31 December 2019. These factors contributed to the decrease in the overall selling, general and administrative expenses of the Group as a percentage of its revenue. In addition, while in the second quarter of 2020 the Group took a more selective approach to new store development, the Group continued opening new stores despite COVID-19 and accelerated store roll-out in the second half of 2020 as new opportunities emerged on the commercial real estate market. The Group had a total of 655 net store openings of stores operated by the Group and franchise stores in 2020 as compared to 571 net store openings of stores operated by the Group and franchise stores in 2019.

Although the Group has not experienced any material adverse effect on its business as a result of the COVID-19 pandemic to date, with the overall impact of the COVID-19 outbreak on the Group resulting in a net positive effect on its results, COVID-19 has had and continues to have adverse repercussions across regional and global economies and financial markets that adversely affect the geographies in which the Group operates, including Russia. See "*Risk Factors—Risks Relating to the Group's Business and Industry—Risks Relating to Demand and Competition—There is no assurance that the COVID-19 pandemic will continue to have the same overall net positive effect on the Group's results in the future or that the measures implemented to contain or mitigate the spread of the virus would not have a material adverse impact on the operations and financial results of the Group*".

The Group's ongoing expansion of its retail chain, including through franchising

New store openings have been a primary component of the Group's revenue growth, along with like-for-like sales growth. During the years ended 31 December 2020, 2019 and 2018, the Group significantly expanded its chain of stores. The number of the Group's stores, including stores operated by franchisees, increased from 2,477 as at 31 December 2017 to 4,167 as at 31 December 2020. The total selling space of the stores operated by the Group and franchise stores increased from 516 thousand sq. m. as at 31 December 2017 to approximately 890 as at 31 December 2020.

The following table sets out certain information on the total number of stores, total and average selling space and net store openings with respect to the stores operated by the Group and franchise stores (as applicable) as at, and for the years ended, 31 December 2020, 2019 and 2018:

	As at 31 December		
	2020	2019	2018
Total number of stores (as of year-end), including:	4,167	3,512	2,941
Stores operated by the Group	3,742	3,072	2,642
Franchise stores	425	440	299
Total selling space of stores operated by the Group and franchise stores (th. sq. m.) (as of year-end)	890	743	616
Total selling space of stores operated by the Group (th. sq. m.) (as of year-end)	797	647	552
Average selling space of stores operated by the Group (th. of sq. m.) (average for the year)	722	599	499
Average selling space growth for stores operated by the Group (%, year-on-year)	20.5	20.0	16.7
Net store openings of stores operated by the Group (as of year-end)	670	430	501
Net store openings of stores operated by the Group and franchise stores (as of year-end)	655	571	464

Note:

For the definition of operating metrics in this table, see "*Presentation of Financial and Other Information*".

The Group's expansion during the periods under review strengthened its position as the leading variety value retailer in the Russian market. The Group has a compelling track record of store openings, with on average 563 net store openings per annum (including stores operated by the Group and franchise stores) and 534 net store openings of stores operated by the Group per annum, in each case, during the periods under review. The increase in the total number of the Group's stores and in the total selling space (including, in each case, stores operated by the Group and franchise stores) as well as like-for-like sales growth contributed to significant increases in its volume of sales and revenue. The opening of new stores resulted in additional associated selling, general and administrative expenses to support such expansion.

The Group's revenue growth in the periods under review was primarily attributed to contributions from retail store base expansion and like-for-like sales growth responsible for approximately 90% of the total revenue growth with the balance resulting from a combination of wholesale revenue increase and effects of stores closures. A 1,100 net increase in stores operated by the Group, both in Russia and internationally, during the period from 31 December 2018 to 31 December 2020 contributed approximately 50% to the overall revenue growth over the period. Like-for-like sales growth of stores was 15.4% for the year ended 31 December 2019 and 15.8% for the year ended 31 December 2020, contributing approximately 40% to revenue growth over the period. Wholesale segment and other revenue drivers, including an impact from store closures, contributed approximately 10% to revenue growth over the period driven predominantly by an increase of 126 in net store openings of franchise stores during the period from 31 December 2018 to 31 December 2020.

The Group believes that similar to historical periods its growth in the medium term will continue to be predominantly driven by expansion of its store network, along with like-for-like sales growth.

In expanding its network the Group has followed a comprehensive and efficient process to evaluate proposed new store openings supported by advanced IT solutions enabling high automation of the store roll-out process as well as streamlined store monitoring processes. The Group utilises a regularly updated in-house real estate database which allows for a quick automatic collection and processing of information on potential new store sites based on search criteria tailored to the Group's roll-out strategy. See "*Business—Operations—Premises—New Store Development and Site Selection*". The Group monitors the performance of the stores operated by it on the basis of a number of performance metrics, including IAS 17-based store Adjusted EBITDA and payback period. It has also established internal benchmarks for each performance metric and utilises these metrics and performance comparisons as a means of determining the success and direction of its growth strategy. The Group has an active store management programme and proactively negotiates with landlords to reduce lease payments. See "*—Lease terms*". In cases where the Group is not able to negotiate favourable terms, it prefers to close stores (even if they are profitable) with the aim of ultimately opening a new store in the neighbourhood to minimise operational lease costs. In selecting sites for new stores, the Group adheres strictly to these performance metrics and evaluates the business case for each new site with a focus on profitability and payback time on investment. New stores are generally opened and fully operational within one month following lease signing, and stores operated by the Group opened in 2019 had an average payback period of approximately 9 months.

The Group's current strategy is to continue its expansion in Russia through new store openings. The Group believes that there remains a significant opportunity to continue the roll-out of new Fix Price stores across Russia. Based on consistent Adjusted EBITDA margin for stores operated by the Group across all federal districts in Russia as well as consistent growth in sales densities across cohorts of the Group's mature stores in 2020, the Group believes it is well positioned to continue to pursue expansion and drive margins in both, large and densely populated cities, as well as less affluent and smaller locations with lower footfall. The Group also expects to pursue international growth in the mid-term, initially focusing on the former Soviet Union neighbouring countries, given similarities in customer behaviour, culture, taste, language and proximity enabling the Group to leverage its distribution network. In 2020, the sales densities and Adjusted EBITDA margin for stores operated by the Group outside of Russia were generally higher than for stores operated by the Group in Russia. As described in "*Industry Overview*", as of November 2020, the total store potential for the Russian variety value retail market was estimated to be approximately 11,700 stores (including Fix Price stores operating in the market at that time), which is nearly three times higher than the Group's current store network in Russia. Looking outside of Russia, in the neighbouring countries where the Group has a presence with stores operated by the Group, the total store potential for the respective variety value retail market was estimated to be approximately 3,800 stores in Belarus, Kazakhstan and Uzbekistan as of November 2020 (including Fix Price stores operating in the market at that time). While the Group believes that there is significant potential to expand its store portfolio, considering both, the market penetration and saturation levels in the countries where it currently operates, it will continue to review its roll-out strategy and consider any acceleration of its store roll-out programme if and when required. See "*Business—Operations—Premises—New Store Roll-Out*".

As part of the business development strategy, the Group will focus on continuing to increase the number of stores operated by the Group. However, the Group's franchising operations also contribute to its revenue. In the past, the Group typically entered into franchising arrangements on the basis of the Fix Price store format with third party retailers to test the market in the remote regions and/or countries which were not a priority for the Group at the relevant time, with the view to increase geographical presence and store network in those regions and countries. Franchise stores operate in a similar manner to the stores operated by the Group. As of 31 December 2020, 2019 and 2018, the Group had 425, 440 and 299 stores, respectively, operating on the basis of franchising arrangements, in Russia, as well as in Belarus, Latvia, Kazakhstan, Georgia and Kyrgyzstan. The Group receives franchise fees from franchisees and sells its products to its franchisees on a wholesale basis. The wholesale revenue from franchise stores comprised 12.6%, 13.8% and 13.5% of the Group's revenue in 2020, 2019 and 2018, respectively. See "*Business—Operations—Franchisees*". While the Group expects that its franchising network will expand generally in line with the expansion of its overall store portfolio, the share of franchise stores in the total number of stores may slightly decrease in the mid-term.

Like-for-like sales growth

The Group's like-for-like sales growth is a critical factor in its financial performance and revenue growth, along with its ability to expand its business by opening additional stores. The Group only measures like-for-like performance of its operated stores and does not include stores operated by franchisees for these purposes. In the last 16 quarters, the Group's mature stores have demonstrated double-digit like-for-like sales growth, driven primarily by both like-for-like traffic and like-for-like average ticket growth. In the periods under review, the Group's mature stores demonstrated consistent performance across a range of maturities.

The following table sets out the Group's like-for-like sales growth in relation to the stores operated by the Group on a quarterly basis since the beginning of 2017:

	2017				2018				2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	(% change, year-on-year)															
Like-for-like sales	20.3	27.1	30.1	26.6	18.5	16.3	18.8	20.3	19.0	18.3	13.6	12.7	16.2	10.8	20.6	15.7

In the years ended 31 December 2020, 2019 and 2018, the Group's revenue growth was positively affected by like-for-like sales growth mainly due to the introduction of new price points, development of the loyalty programme, service quality improvements as well as structural shift in consumer behaviour towards value. In 2020, 2019 and 2018, like-for-like sales grew by 15.8%, 15.4% and 18.6%, respectively, with the overall revenue growing by 33.0%, 31.4% and 34.9%, respectively. Changes in the Group's like-for-like traffic and like-for-like average ticket impact the Group's like-for-like sales growth.

The tables below set out the like-for-like performance of the stores operated by the Group for the periods under review:

Like-for-like performance	Year ended 31 December 2020	2019	2018
Like-for-like sales growth	15.8%	15.4%	18.6%
Like-for-like traffic growth	(1.7)%	7.6%	10.7%
Like-for-like average ticket growth	17.8%	7.3%	7.1%

Note:

The Group distinguishes between sales, average ticket and traffic attributable to new stores and sales, average ticket and traffic attributable to existing stores. The Group considers the sales, average ticket and traffic attributable to stores operating less than 12 full calendar months to be sales, average ticket and traffic attributable to new stores. Like-for-like sales growth is a measure of growth in retail sales (including VAT) from the stores operated by the Group that have been in operation for at least 12 full calendar months, but excludes prior year sales of stores closed during the 12-month period and excludes store sales for those months in which respective stores were not operating for seven days or more. Like-for-like average ticket and like-for-like traffic are calculated using the same methodology as like-for-like sales. Like-for-like performance does not include stores operated by franchisees.

During the periods under review, the Group has consistently generated positive like-for-like sales growth driven by like-for-like average ticket and like-for-like traffic changes. While the Group's traffic decreased by 1.7% in the year ended 31 December 2020 as compared to the previous year primarily as a result of COVID-19 related restrictions affecting Russia and the other markets in which the Group operates, the Group nevertheless achieved like-for-like sales growth driven by both the increase in the number of articles per ticket and the increase in the average price of an article in an average ticket due to changes in consumer behaviour.

The Group's pricing, assortment and marketing strategies as well as a structural shift in consumer behaviour towards value have contributed to the Group's like-for-like traffic and like-for-like sales. Like-for-like traffic is impacted by a number of factors, including the overall consumer demand, location of stores, assortment, pricing strategy, marketing efforts of the Group and the state and the level of service the Group offers to customers. Like-for-like average ticket is impacted by both the number of products per customer transaction and the average price of the products purchased in each basket. Based on historical experience in the variety value retail market generally, and its own experience specifically, the Group believes that in challenging economic times it typically sees that appeal of a variety value retail concept to customers generally increases as consumers seek better value, and in better economic times the average ticket size typically increases as consumers have increased disposable income. The Group's product offering based on a frequent rotation of merchandise at several fixed and low price points is at the centre of the Group's value proposition that drives the like-for-like traffic and like-for-like average ticket growth. This approach is aimed at constantly surprising customers and encouraging repeat visits, keeping Fix Price stores fresh and exciting and offering customers the "treasure hunt" experience, where customers are encouraged to discover new and unique products on each visit. The Group also routinely assesses new initiatives for further improvement of like-for-like sales growth.

The Group currently targets like-for-like sales growth approximately in the 10% area in 2021-2022, which the Group believes will primarily be driven by the factors set out above.

Product mix

The Group's product mix is critically important for the Group's gross margin evolution.

The Group generates revenue from sales of relevant and unique products at several fixed and low price points that resonate with its target demographic. The Group offers its customers a broad range of products priced at, as of 31 December 2020, RUB 50 (US$ 0.66), RUB 55 (US$ 0.72), RUB 77 (US$ 1.01), RUB 99 (US$ 1.30), RUB 149 (US$ 1.95) and RUB 199 (US$ 2.61) as well as fractions of RUB 50 (US$ 0.66) and RUB 55 (US$ 0.72) marketed under the "divide the price" category. The Group offers third-party branded, its own private brands and non-branded (no-name) products collectively comprising approximately 1,800 SKUs across approximately 20 categories, including non-food, drogerie and food products. The product range offered by the Group comprises, among other things, household goods, cosmetics and hygiene, stationery and books, clothes, toys, household chemicals, shelf-stable food and drinks, as well as merchandise for various holidays and products dedicated to seasonal trends. The Group's assortment proposition is based on a frequent rotation of merchandise, offering approximately 40 to 60 new products every week, calculated on an average per year basis. The Group nevertheless strives to maintain a disciplined SKU count intended to satisfy customer demand while at the same time optimising inventory turnover and minimising the stock of slow-moving SKUs. In terms of the Group's retail sales mix by rotation type, for the year ended 31 December 2020, approximately 35% of the Group's retail sales comprised products in the consumables/regular category and approximately 65% of the

Group's retail sales comprised products in general merchandise/changing category (see "*Business—Operations—Product Offering—Product Categories*").

The Group primarily offers non-perishable food products, which are products that do not require refrigeration and, hence, have a longer shelf life. This approach has enabled the Group to operate one temperature zone at all of its distribution centres, which has allowed the Group to achieve relatively low capital expenditure on opening distribution centres and stores in the periods under review. Perishable food products, such as ice cream which is delivered by suppliers directly to stores, comprise an insignificant portion of the Group's product offering.

The Group's gross margin is impacted by the cost of goods sold, which, in turn, is affected by the Group's product mix (including with respect to different product categories, third-party branded vs no-name vs own private brands and domestically-sourced vs imported goods). In the year ended 31 December 2020, the Group's private brands, third-party branded products and non-branded (no-name) products accounted for approximately 35%, 31% and 35% of the Group's retail sales, respectively. The Group actively manages its own private brand and third-party branded product mix with the aim of providing a balanced offering that maximises appeal to its customers and profitability.

The Group develops its private brands in-house by reference to products of other retailers that the Group believes are successful and by making them less expensive. In particular, the Group believes it can achieve exceptional pricing proposition on its private brands as a result of an efficient management of the supply chain, the cost of packaging and a thorough monitoring of the quality of materials used to manufacture private brand products. The Group believes that by offering private brands it can also significantly speed up inventory turnover. Continuous focus on offering a broad range of private brands has enabled the Group to deliver an extensive product offering in each consumer category. With their lower cost, the Group's private brands typically enhance the Group's margins and contribute towards improving profitability per square meter. The Group intends to continue to develop its private brand offering going forward.

With respect to third-party branded products, the Group believes that its market position and scale allow it to negotiate customised features of products with suppliers, including packaging, taste, design, weight and other characteristics, aimed at maximising their profitability. The Group also benefits from exclusive arrangements with some of its suppliers as regards customisation of products sourced by the Group. The Group has also benefited by leveraging the scale of its buying and lean decision making process to achieve lower costs. Due to this scale and pace of expansion, its knowledge of customer behaviour and its well-developed supply chain, the Group has been in a position to offer its suppliers the potential for greater market share, which, in turn, has enabled the Group to negotiate improved purchasing conditions, thereby increasing its gross margins and competitiveness. This customisation and scale contribute to the Group' unique product offering, and result in more attractive pricing for Group's customers and, hence, higher traffic generation.

In the periods under review, all categories of products sold at the Group's stores were profitable. Products in the consumables/regular category have historically been the Group's traffic drivers, given that these comprise products that people tend to need on a regular basis, while products in the general merchandise/changing category have been the key margin drivers. Margin-driving products are typically non-food categories with higher unit prices and higher gross margins across all of the Group's product categories.

The Group's product mix and related profound impact on margins is underpinned by its efficient category management and sourcing policies.

The Group's product mix is regularly revised and updated based on market developments, customer behaviour, information from suppliers, the Group's understanding of evolving customer needs (based on its analysis of actual purchase behaviour and input from market analysts) and relevance to the Group's proposition and anticipated impact on margins. The Group's success in non-food category management and product assortment decisions is largely based on a thorough analysis of historical data and sophisticated forecasting tools as a result of a high degree of digitalisation and standardisation across its operations. This allows the Group to receive and analyse online data on consumer preferences and demand for various goods.

The Group sources products in a manner that is designed to achieve low cost, fast response and frequent product rotation and sell-through. In addition to the factors discussed above, the Group believes that it has been able to achieve all of these as a result of the Group's long-standing, direct, dynamic and collaborative relationship with its suppliers and agents that provide the Group with favourable access to quality merchandise at attractive prices. The Group has a diversified and predominantly domestic supplier base of over 600 suppliers (see "*Business—Supply Chain*"). In the year ended 31 December 2020, approximately three quarters of the Group's products, in terms of cost of goods sold, comprised products sourced from domestic suppliers, with the remaining portion supplied from other countries. When it comes to Chinese supplies, the Group sources goods exclusively through agents, which allow for easier coordination with individual suppliers (because, for example, one agent can work directly with around 1,000 manufacturers), granting exclusivity (these agents cannot work with any other Russian retailer) and helping the Group search for new products and have greater visibility on the latest product trends globally.

The abovementioned efforts to efficiently manage and enhance its product mix have contributed to the improvement of the Group's gross margin (calculated as the difference between the Group's revenue and cost of sales divided by revenue, expressed as a percentage) during the periods under review reaching 32.4% in the year ended 31 December 2020, up from 32.2% and 31.2% in the years ended 31 December 2019 and 2018, respectively.

Staff costs

The Group's staff costs are one of the key components of its selling, general and administrative expenses. As the Group outsources a portion of its in-store and distribution centres personnel in Russia, in addition to labour costs of the personnel employed by the Group, staff costs also include service fees payable to personnel outsourcing companies.

During the periods under review, the Group's expansion as well as the measures that the Group has implemented to reflect market trends in wage rates have contributed to an increase in the Group's staff costs in absolute terms. The Group's staff costs increased by RUB 3,968 million, or 29.7%, from RUB 13,361 million in 2019 to RUB 17,329 million in 2020, and by RUB 4,276 million, or 47.1%, from RUB 9,085 million in 2018 to RUB 13,361 million in 2019. As a proportion of the Group's revenue, staff costs increased to 9.4% in 2019 from 8.4% in 2018. The increase in 2019 was primarily attributable to the expansion of the Group's retail chain and higher in-store personnel's wages as a percentage of revenue, aimed at enhancing overall customer service level. In 2020, Group's staff costs decreased as a percentage of revenue to 9.1% in 2020 from 9.4% in 2019 primarily due to the increase of efficiency of its in-store personnel.

See also "*Risk Factors—Risks Relating to the Group's Business and Industry—Risks Relating to the Group's Financial Condition—Increases in staff costs may adversely affect the Group's results of operations*".

Lease terms

The Group leases all of the real estate for stores operated by the Group. The Group's results of operations are, therefore, impacted by terms of its leases, including rental rates. In the years ended 31 December 2020 and 2019, the Group's IAS 17-Based Operating Lease Expenses amounted to RUB 9,641 million and RUB 8,381 million, or 5.1% and 5.9% of revenue, respectively. In the year ended 31 December 2020, 2019 and 2018, the Group's operating lease expenses were RUB 1,642 million, RUB 1,160 million and RUB 7,291 million, accounting for 0.9%, 0.8% and 6.7% of the Group's revenue for the same year, respectively. The change in the Group's operating lease expenses in the year ended December 2019 as compared with the year ended 31 December 2018 was driven by the transition to IFRS 16 on 1 January 2019 (see "*—Adoption of IFRS 16 "Leases"*").

As of 31 December 2020, the Group leased approximately 62% of its stores on the basis of short-term lease agreements with a duration of up to 12 months, approximately 38% of its stores on the basis of 1 to 5 year lease agreements and less than 0.1% of its stores on the basis of longer-term leases of over 5 years. The majority of the Group's store lease agreements allow for automatic extensions or provide that the Group has renewal rights exercisable subject to compliance with the lease terms and upon a written notice to the lessor. As of 31 December 2020, 100% of the Group's lease agreements for stores located in Russia were denominated in Russian Rouble and approximately 49% of lease agreements had rental rates linked to sales generated by store (including lease agreements with rates linked to the store's sales, often with a certain fixed minimum and/or maximum rate component). See also "*Business—Property Overview*".

The Group's short-term focused leasing policy offers the Group additional flexibility in responding to changing market environment by engaging in negotiations with landlords on an annual basis and taking advantage of the expiring lease term. The Group pursues a proactive negotiation strategy and readily closes existing stores if continuing negotiations with landlords fail. In cases where the Group is not able to negotiate favourable terms, it prefers to close stores (even if they are profitable) with the aim of ultimately opening a new store in the neighbourhood to minimise operational lease costs. The Group has historically been successful in renegotiating its lease terms. In addition, the Group believes it has significant negotiation power due to limited competition from federal retail chains that require larger properties for their operations than the Group's approximately 290 sq. m. average store size (of which approximately 210 sq. m. is average sales area) needs for a typical store.

While the Group has been successful in negotiating favourable lease terms, and a number of leases have rental rates linked to sales generated by store, the Group's financial results are also dependent on market rental rates and rates of inflation. The Group expects that its rental rates and, therefore, IAS 17-Based Operating Lease Expenses will continue to increase in absolute terms as a result of further expansion of its retail chain and impact of inflation but expects further improvement in IAS 17-Based Operating Lease Expenses as a percentage of retail revenue, due to increased scale and operating leverage. The Group expects that its operating leases expenses, however, will depend on the balance between fixed rental rates and rental rates linked to sales, as well as the proportion and size of the fixed minimum and/or maximum rate component for leases with rates linked to sales.

In carrying out its expansion programme, the Group will continue to focus on securing premises on the basis of short-term lease agreements. The success of the Group's expansion programme is, therefore, largely based on its ability to identify suitable sites, and negotiate acceptable lease terms, both in cities where it currently has operations and in new cities, based on its store roll-out policy. See "*Business—Operations—Premises—New Store Roll-Out*".

Operating efficiency

The Group has a strong focus on cost optimisation, which contributes to its ability to maintain its deep value proposition. The Group's high degree of standardisation and automation allows the Group to control costs at all levels of its organisation and to maximise cost efficiency.

The Group operates a "one store" format using a consistent and standardised concept across the entire Fix Price chain in terms of an average store size, product assortment, pricing policies, product layout, equipment, marketing and promotional activities. All stores have consistent prices, assortment, in-store equipment with 75 product shelves (for the vast majority of stores), similar floor plan, average sales area of approximately 210 sq. m., 4-5 staff members per shift and 2-3 cash registers per store. The Group believes that this standardisation has enabled it to ensure the consistency and scalability of its business, as well as to improve efficiency.

The Group's efficient operational and IT infrastructure is at the core of this high degree of tech-enabled standardisation and automation. Its state-of-the-art, SAP-powered technology platform was developed in-house and tailored specifically for the Group's use. It has the ability to provide highly customised IT solutions to further improve functionality and control costs. The Group's IT infrastructure enables the Group to operate its internal controls, risk management and reporting systems online. One-point access to all business statistics, including financial KPIs, allows for full automation of processes and systems at store level as well as precise planning and forecasting. This also allows for an efficient budgeting system with strong cost control.

The Group believes it is also able to optimise cost as a result of a strong culture of continuous improvement of systems and processes to increase efficiency. This mentality allows the Group to focus on business growth whilst driving strong cost control allowing for a high degree of operating leverage.

The Group's selling, general and administrative expenses increased by RUB 7,053 million, or 25.3% to RUB 34,932 million in the year ended 31 December 2020 from RUB 27,879 million in the preceding year. The Group's selling, general and administrative expenses increased by RUB 6,378 million, or 29.7% to RUB 27,879 million in the year ended 31 December 2019 from RUB 21,501 million in the year ended 31 December 2018. As a proportion of the Group's revenue, selling, general and administrative expenses decreased to 18.4% in 2020 from 19.5% in 2019 and 19.8% in 2018. In the years ended 31 December 2020, 2019 and 2018, the Group exhibited gross margin of 32.4%, 32.2% and 31.2%. In the years ended 31 December 2020 and 2019, the Group had IAS 17-Based Adjusted EBITDA Margin of 15.1% and 13.8%, respectively. In the years ended 31 December 2020, 2019 and 2018, the Group had Adjusted EBITDA Margin of 19.4%, 19.0% and 13.1%, respectively.

The Group's centralised logistics infrastructure has also been critical to ensuring operating efficiency. Nearly 100% of the Group's merchandise is delivered directly from suppliers to the Group's distribution centres for onward transportation to the Group's stores. The Group believes that this centralisation has resulted in efficient stock management. Almost 100% of the Group's transportation needs are outsourced, allowing for high flexibility in obtaining most attractive market rates for transportation services.

The Group believes that its operating efficiency and cost control measures will continue in the short and medium term to be driven by the factors set out above.

Adoption of IFRS 16 "Leases"

In January 2016, the International Accounting Standards Board issued IFRS 16, "Leases", which sets out a new model for lease accounting replacing IAS 17. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lease accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. IFRS 16 is effective for accounting periods beginning on or after 1 January 2019, and is to be applied retrospectively.

The Group has adopted and implemented the new standard, including selecting a lease accounting system beginning on 1 January 2019 and has applied IFRS 16 using a modified retrospective approach under which the comparative information has not been restated. By applying IFRS 16, the Group:

- Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g., free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

At the date of transition to IFRS 16, the Group recognised lease liabilities (short-term and long-term) in the amount of RUB 8,487 million and right-of-use assets in the amount of RUB 9,062 million and derecognised lease rights of RUB 1,357 million (included previously in intangible assets). As at 1 January 2019, operating lease deposits of RUB 575 million related to previous operating leases were derecognised. Deferred tax assets increased by RUB 140 million because of the deferred tax impact of the changes in assets and liabilities. The net impact of these adjustments had been adjusted to retained earnings of RUB 1,217 million. The 2018 Financial Statements do not reflect the changes from the application of IFRS 16. Those financial statements applied IAS 17, which was the account standard in effect at the time of the respective period and under which the Group did not recognise any lease liabilities or right-of-use assets because all lease contracts entered by the Group were classified as operating leases.

As a result of the adoption of IFRS 16, the historical financial information for the years ended 31 December 2020 and 2019 is not directly comparable with historical financial information for the year ended 31 December 2018. The adoption of IFRS 16 had a significant impact on each of selling, general and administrative expenses and profit for the year, line items reported within the Group's consolidated statement of comprehensive income, as well as the Non-IFRS measures of Adjusted EBITDA and Net Debt/(Cash). Several of the Group's Non-IFRS Measures, namely, IAS 17-Based Adjusted EBITDA, IAS 17-Based Net Income, IAS 17-Based Adjusted Net Debt/(Cash), IAS 17-Based SG&A Expenses and IAS 17-Based Operating Leases, collectively referred to in this Registration Document as the IAS 17-Based Non-IFRS Measures) are, therefore, presented in this Registration Document on the basis of IFRS provisions existing prior to the adoption of IFRS 16 "Leases" on 1 January 2019, i.e. as if IAS 17 "Leases"—a leases accounting standard that was superseded by IFRS 16—was still applied. The Group has presented IAS 17-Based Non-IFRS Measures as it believes that this enables investors to better compare between periods following the adoption of IFRS 16 on 1 January 2019. However, investors should be aware that such IAS 17-Based Non-IFRS Measures are not prepared in accordance with current IFRS requirements and have additional limitations as set out below. See "*Presentation of Financial and Other Information—Presentation of Non-IFRS Financial Information*" for a description of IAS 17-Based Non-IFRS Measures and their limitations as analytical tools, and "*Selected Financial and Operating Information—Non-IFRS Measures*" for details of such measures and reconciliation of these measure to the nearest available IFRS measures.

Taxation

As the Group operates in various jurisdictions, including Russia, Belarus, Kazakhstan, Uzbekistan, Cyprus and the BVI, its tax position is subject to tax regulations of the respective jurisdictions. Therefore, the Group's results are subject to changes in these tax regulations as well as varying interpretations thereof by tax authorities.

Recent Developments

As of 31 January 2021, Fix Price retail chain comprised 4,224 stores, including 3,790 stores operated by the Group. Since the beginning of 2021, the Group had 57 net store openings (including stores operated by the Group and franchise stores) and 48 net store openings of stores operated by the Group.

In January 2021, while the Group's like-for-like traffic decreased by 2.5%, the Group nevertheless continued to generate positive like-for-like sales growth and like-for-like average ticket growth, reaching 17.0% and 20.0% in the same month, respectively. The Group's revenue growth for January of 2021 was more than 35% as compared with January of 2020.

In January 2021, the Group launched a new price point of RUB 249 (US$ 3.27) for a limited range of products to test customer reaction. The Group will consider expanding its product range offered at this new price point as and if necessary.

In January 2021, the Group entered into a revolving credit facility with PJSC Sberbank, allowing borrowings of up to RUB 1 billion. The credit facility was entered into for a period until 20 January 2024. As of the date of this Registration Document, the total amount outstanding under this facility was RUB 1 billion.

Results of Operations

The following table sets out selected financial information for the years ended 31 December 2020, 2019 and 2018 derived from the Financial Statements (included elsewhere in the Registration Document):

	Year ended 31 December		
	2020	**2019**	**2018***
	(in millions of Russian Roubles)		
Revenue	190,059	142,880	108,724
Cost of sales	(128,544)	(96,919)	(74,838)
Gross profit	**61,515**	**45,961**	**33,886**
Selling, general and administrative expenses	(34,932)	(27,879)	(21,501)
Other operating income	291	334	259
Share of profit of associates, net	49	39	86
Operating profit	**26,923**	**18,455**	**12,730**
Interest income	376	194	87
Interest expense	(1,125)	(1,040)	(205)
Foreign exchange gain/(loss), net	136	(74)	(343)
Profit before tax	**26,310**	**17,535**	**12,269**
Income tax expense	(8,735)	(4,362)	(3,141)
Profit for the year(1)	**17,575**	**13,173**	**9,128**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences	7	—	—
Other comprehensive income for the year	7	—	—
Total comprehensive income for the year	**17,582**	**13,173**	**9,128**

Notes:

(1) The line item was called "Profit for the year and total comprehensive income for the year" in the 2019 Financial Statements and the 2018 Financial Statements as other comprehensive income for the year was zero for the years ended 31 December 2019 and 2018.

* Certain line items were impacted by immaterial reclassifications made in the comparative financial information in the 2019 Financial Statements; in such instances the relevant financial information is extracted from the 2019 Financial Statements.

The following table sets forth certain operating information regarding the Group's store network:

	Year ended 31 December		
	2020	2019	2018
Total number of stores (as of year-end), including:	4,167	3,512	2,941
Stores operated by the Group	3,742	3,072	2,642
Franchise stores	425	440	299
Total selling space of stores operated by the Group and franchise stores (th. sq. m.) (as of year-end)	890	743	616
Total selling space of stores operated by the Group (th. sq. m.) (as of year-end)	797	647	552
Average selling space (th. sq. m.) of stores operated by the Group (average for the year)	722	599	499
Net store openings of stores operated by the Group (as of year-end)	670	430	501
Net store openings of stores operated by the Group and franchise stores (as of year-end)	655	571	464
Gross store openings of stores operated by the Group (as of year-end)	721	488	426
Average sales density of stores operated by the Group (RUB th./sq. m.)	230	206	189
Like-for-like sales (% change, year-on-year)(1)	15.8	15.4	18.6
Like-for-like average ticket (% change, year-on-year)(1)	17.8	7.3	7.1
Like-for-like traffic (% change, year-on-year)(1)	(1.7)	7.6	10.7

Notes: For the definition of operating metrics in this table, see "*Presentation of Financial and Other Information*".

(1) Like-for-like sales, like-for-like average ticket and like-for-like traffic growth are presented with respect to the stores operated by the Group.

Explanation of Key Income Statement Items

Revenue

The Group's sources of revenue are:

(i) the retail sale of goods at its stores; and

(ii) wholesale revenue, which includes:

- revenue from sales of goods to franchisees, which is recognised at the moment of transfer of goods to franchisees at the warehouse; and
- revenue, stemming from franchise agreements, such as sales-based royalties. Revenue from sales-based royalties is earned when a franchisee sells goods in its retail stores and is recognised as and when those sales occur.

Revenue is net of VAT and customer returns.

Cost of Sales and Gross Profit

Cost of sales includes:

- cost of goods sold, which is the actual cost of products purchased from suppliers, less any volume discounts and promotional bonuses;
- transportation and handling costs, which include expenses related to delivering goods to the Group's stores; and
- inventory write-down due shrinkages and write off to net realisable value, which are losses resulting from products being lost, stolen, damaged or otherwise defective reduced by compensation for damage, as well as allowance for slow-moving and old inventory.

Gross profit is equal to revenue less cost of sales.

Selling, general and administrative expenses

Selling, general and administrative expenses contain all costs of running the business, except those relating to inventory (which are expensed through cost of sales), tax, interest, foreign exchange gain/(loss), share of profit/(loss) in associates and other operating income. Warehouse costs are included in this category.

The Group's selling, general and administrative expenses in the periods under review consisted of the following:

- staff costs (including statutory security and pension contributions to the Russian state pension fund), including labour costs for in-store, distribution centres' and the headquarters' personnel that are not included in cost of sales or in pre-opening costs, as well as staff outsourcing costs;
- amortisation of rights-of-use assets;
- other depreciation and amortisation;
- bank charges;
- operating lease expenses, which in the years ended 31 December 2020 and 2019 mainly related to leases of low-value items for which recognition exemption is applied and variable leases costs that are expended as incurred;
- security services;
- advertising costs;
- repair and maintenance costs;
- utilities; and
- other expense.

Other Operating Income

Other operating income includes sale of used materials, such as cardboard, film for packaging and other, rental income and other income not related to principal activities of the Group.

Share of Profit of Associates, Net

Share of profit of associates comprises changes resulting from the profit or loss generated by associates. Associates are those entities over which the Group has significant influence but which are neither subsidiaries nor interests in joint ventures. During the periods of review, the Group's associates were its franchisees, in which it does not have a controlling interest.

Interest Income

Interest income includes interest income on bank deposits.

Interest Expense

Interest expense includes interest expense on borrowings and lease liabilities.

Foreign Exchange Gains/(Losses)

Foreign exchange gains or losses result from the impact of movements primarily in the Chinese Yuan/Rouble and the U.S. Dollar/Rouble exchange rates on the Group's Chinese Yuan-denominated and U.S. Dollar-denominated transactions with certain suppliers and on the value of certain other expenses that are denominated in U.S. Dollars. Foreign exchange gains or losses reflect movements in exchange rates that arise between the date when an amount is recorded as payable and the date of the actual purchase in respect of a transaction. In addition, exchange rate fluctuations result in fair value revaluations of cash and cash equivalents balances maintained by the Group in foreign currencies. Foreign exchange gains/(losses) also include gains and losses recognised for the changes in fair value of forward currency contracts that the Group is using from time to time to reduce its foreign currency exposure.

Profit Before Tax

Profit before tax during the periods under review was equal to the sum of operating profit, interest income and any foreign exchange gains less interest expense and any foreign exchange loss.

Income Tax Expense

Income tax expense comprises current tax expense and deferred tax expense/(benefit). The Group's principal tax liability is income tax. The Group pays income taxes in accordance with Russian laws and the laws of other jurisdictions where it operates. During the periods under review, the statutory corporate income tax rate in Russia, the Group's principal country of operation, was 20%. Income generated in other jurisdictions where the Group operates was subject to a different tax rate. Deferred tax is provided using the liability method on tax loss carry forwards and temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. See Note 9 to the 2020 Financial Statements.

Withholding tax applied to intra-group dividends distributed by the Group's Russian subsidiaries is recognised within the Group's income tax expense; such tax is withheld at source by the respective subsidiary and is paid to the Russian tax authorities at the same time when the payment of dividend is effected.

Profit for the Year and Total Comprehensive Income for the Year

Profit for the year is equal to profit before tax less income tax expense. Total comprehensive income for the year is profit for the year plus other comprehensive income for the year.

Year Ended 31 December 2020 Compared with the Year Ended 31 December 2019

The following table sets out selected financial information for the years ended 31 December 2020 and 2019 derived from the Financial Statements (included elsewhere in the Registration Document), year-on-year change between corresponding line items and the percentage of revenue for the relevant year represented by each line item:

	Year ended 31 December		Change		Proportion of revenue for the year ended 31 December	
	2020	**2019**	**RUB**	**Percentage**	**2020**	**2019**
	(in millions of Russian Roubles)				(%)	
Revenue	190,059	142,880	47,179	33.0	100.0	100.0
Cost of sales	(128,544)	(96,919)	(31,625)	32.7	(67.6)	(67.8)
Gross profit	**61,515**	**45,961**	**15,554**	**33.8**	**32.4**	**32.2**
Selling, general and administrative expenses	(34,932)	(27,879)	(7,053)	25.3	(18.4)	(19.5)
Other operating income	291	334	(43)	(12.9)	0.2	0.2
Share of profit of associates, net	49	39	10	25.6	0.0	0.0
Operating profit	**26,923**	**18,455**	**8,468**	**45.9**	**14.2**	**12.9**
Interest income	376	194	182	93.8	0.2	0.1
Interest expense	(1,125)	(1,040)	(85)	8.2	(0.6)	(0.7)
Foreign exchange gain/(loss), net	136	(74)	210	(283.8)	0.1	(0.1)
Profit before tax	**26,310**	**17,535**	**8,775**	**50.0**	**13.8**	**12.3**
Income tax expense	(8,735)	(4,362)	(4,373)	100.3	(4.6)	(3.1)
Profit for the year(1)	**17,575**	**13,173**	**4,402**	**33.4**	**9.2**	**9.2**
***Items that may be reclassified subsequently to profit or loss*:**						
Currency translation differences	7	—	7	—	0.0	—
Other comprehensive income for the year	7	—	7	—	0.0	—
Total comprehensive income for the year	**17,582**	**13,173**	**4,409**	**33.5**	**9.3**	**9.2**

Notes:

(1) The line item was called "Profit for the year and total comprehensive income for the year" in the 2019 Financial Statements and 2018 Financial Statements as other comprehensive income for the year was zero for the years ended 31 December 2019 and 2018

Revenue

The Group's total revenue increased by RUB 47,179 million, or 33.0%, to RUB 190,059 million in the year ended 31 December 2020 from RUB 142,880 million in the year ended 31 December 2019.

The following table sets out a breakdown of the Group's revenue by source for the years ended 31 December 2020 and 2019:

	Year ended 31 December		Change		Proportion of revenue for the year ended 31 December	
	2020	2019	RUB	Percentage	2020	2019
	(in millions of Russian Roubles)				(%)	
Retail revenue	166,025	123,194	42,831	34.8	87.4	86.2
Wholesale revenue	24,034	19,686	4,348	22.1	12.6	13.8
Total revenue	**190,059**	**142,880**	**47,179**	**33.0**	**100.0**	**100.0**

Retail and wholesale revenue of the Group increased by 34.8% and 22.1%, respectively, in the year ended 31 December 2020, as compared to the previous year, to RUB 166,025 million and RUB 24,034 million, respectively.

The increase in the Group's retail revenue for the year ended 31 December 2020 resulted from a 15.8% increase in like-for-like sales and a 20.5% year-on-year increase in the average selling space of stores operated by the Group.

The 15.8% like-for-like sales growth in the year ended 31 December 2020 was attributable to a 17.8% increase in like-for-like average ticket and was partially offset by a 1.7% decrease in like-for-like traffic compared to the year ended 31 December 2019. The increase in like-for-like average ticket was driven by both the increase in the number of articles per ticket and the increase in the average price of an article in an average ticket due to the shift in consumer behaviour during the COVID-19 pandemic towards stock-up and more active search for value. The decrease in like-for-like traffic was mainly caused by COVID-19 related restrictions affecting Russia and the other markets in which the Group operates during the year ended 31 December 2020. See "—S*ignificant Factors Affecting Results of Operations—Russian macroeconomic conditions and trends, in particular, the evolution of disposable incomes and consumer spending—COVID-19 pandemic*".

The 20.5% year-on-year increase in the average selling space of stores operated by the Group was attributable to 670 net store openings of stores operated by the Group in the year ended 31 December 2020.

The increase in the Group's wholesale revenue in the year ended 31 December 2020 was primarily attributable to a 17.1% increase in the average number of franchise stores during the year ended 31 December 2020 as compared to the year ended 31 December 2019.

Cost of Sales and Gross Profit

The following table sets out cost of sales, gross profit and gross margin in the years ended 31 December 2020 and 2019, as well as the percentage change in sales, total cost of sales and gross profit:

	Year ended 31 December		Change	
	2020	2019	RUB	Percentage
	(in millions of Russian Roubles)			(%)
Cost of sales	128,544	96,919	31,625	32.6
Gross profit	61,515	45,961	15,554	33.8
Gross margin(1)	32.4	32.2	n/a	0.6(2)

Notes:

(1) Gross margin is calculated as gross profit for the year divided by revenue for respective year, expressed as a percentage.

(2) Represents a change of 0.2 percentage points

Cost of sales increased by RUB 31,625 million, or 32.6%, to RUB 128,544 million in the year ended 31 December 2020 from RUB 96,919 million in the preceding year. The Group's revenue growth (at 33.0%) slightly outpaced the growth of cost of sales (at 32.6%) in the year ended 31 December 2020, resulting in an increase in gross margin to 32.4% in the year ended 31 December 2020 compared to 32.2% in the previous year.

The following table sets out a breakdown of the Group's cost of sales for the years ended 31 December 2020 and 2019:

	Year ended 31 December		Change		Proportion of revenue for the year ended 31 December	
	2020	2019	RUB	Percentage	2020	2019
	(in millions of Russian Roubles)				(%)	
Cost of goods sold	123,809	93,557	30,252	32.3	65.1	65.5
Transportation and handling costs	3,140	2,244	896	39.9	1.7	1.6
Inventory write-down due to shrinkages and write off to net realisable value	1,595	1,118	477	42.7	0.9	0.8
Total cost of sales	**128,544**	**96,919**	**31,625**	**32.6**	**67.6**	**67.8**

The increase in cost of sales in the year ended 31 December 2020 compared to the previous year was generally in line with the 33.0% increase in revenue in the same year, which in turn resulted in an increase in all components of the Group's total cost of sales. Measured as a proportion of the Group's revenue, all components remained stable during the years ended 31 December 2020 and 2019.

Cost of goods sold increased by RUB 30,252 million, or 32.3%, to RUB 123,809 million in the year ended 31 December 2020 from RUB 93,557 million in the previous year primarily in line with the increase in revenue driven by new store openings and an increase in like-for-like sales.

Transportation and handling costs increased by RUB 896 million, or 39.9%, to RUB 3,140 million in the year ended 31 December 2020 from RUB 2,244 million in the previous year as a result of increased volumes of purchases primarily driven by the increase in the Group's sales.

Inventory write-down due to shrinkages and write off to net realisable value increased by RUB 477 million, or 42.7%, to RUB 1,595 million in the year ended 31 December 2020 from RUB 1,118 million in the previous year due to the expansion of the Group's retail network and related increase in stock levels.

Gross Profit

For the reasons stated above, the Group's gross profit increased by RUB 15,554 million, or 33.8%, to RUB 61,515 million in the year ended 31 December 2020 from RUB 45,961 million in the previous year.

Selling, General and Administrative Expenses

The Group's selling, general and administrative expenses increased by RUB 7,053 million, or 25.3%, to RUB 34,932 million in the year ended 31 December 2020 from RUB 27,879 million in the preceding year. As a proportion of the Group's revenue, selling, general and administrative expenses decreased to 18.4% in the year ended 31 December 2020 from 19.5% in the year ended 31 December 2019.

The following table sets out components of the Group's selling, general and administrative expenses in the years ended 31 December 2020 and 2019:

	Year ended 31 December		Change		Proportion of revenue for the year ended 31 December	
	2020	2019	RUB	Percentage	2020	2019
	(in millions of Russian Roubles)				(%)	
Staff costs	17,329	13,361	3,968	29.7	9.1	9.4
Amortisation of right-of-use assets	7,618	6,921	697	10.1	4.0	4.8
Other depreciation and amortisation	2,247	1,772	475	26.8	1.2	1.2
Bank charges	2,009	1,258	751	59.7	1.1	0.9
Operating lease expenses	1,642	1,160	482	41.6	0.9	0.8
Security services	1,343	1,107	236	21.3	0.7	0.8
Repair and maintenance costs	757	625	132	21.1	0.4	0.4
Advertising costs	659	645	14	2.2	0.3	0.5
Utilities	570	501	69	13.8	0.3	0.4
Other expenses	758	529	229	43.3	0.4	0.4
Total selling, general and administrative expenses	**34,932**	**27,879**	**7,053**	**25.3**	**18.4**	**19.5**

The Group's selling, general and administrative expenses increased by 25.3% in the year ended 31 December 2020, as described above, primarily due to a (i) RUB 3,968 million, or 29.7%, increase in staff costs to RUB 17,329 million from RUB 13,361 million in the preceding year, which resulted primarily from expansion of its retail chain (as a percentage of revenue, staff costs slightly decreased from 9.4% in 2019 to 9.1% in 2020, primarily due to the increase of efficiency of its in-store personnel), (ii) RUB 751 million, or 59.7%, increase in bank charges to RUB 2,009 million from RUB 1,258 million in the preceding year, which related to an increase in acquiring commissions as a result of an increased proportion of non-cash payments in the payment mix, (iii) RUB 482 million, or 41.6%, increase in operating lease expenses to RUB 1,642 million from RUB 1,160 million in the previous year, primarily due to the increase of variable component of lease expenses following renegotiation of lease agreements during the financial year ended 31 December 2020, (iv) RUB 475 million, or 26.8%, increase in other depreciation and amortisation to RUB 2,247 million from RUB 1,772 million in the preceding year, which primarily related to the expansion of retail chain with the resulting increase in its asset base, (v) RUB 697 million, or 10.1%, increase in amortisation of right-of-use asset to RUB 7,618 million from RUB 6,921 million in the preceding year primarily as a result of the Group's retail network expansion and the increase in its net store openings, as well as renegotiations of lease agreements during the financial year ended 31 December 2020.

Other Operating Income

The Group's other operating income decreased by RUB 43 million, or 12.9%, to RUB 291 million in the year ended 31 December 2020 from RUB 334 million in the preceding year. Other operating income includes sale of used materials, such as cardboard, film for packaging and other.

Operating Profit

For the reasons set forth above, operating profit increased by RUB 8,468 million, or 45.9%, to RUB 26,923 million in the year ended 31 December 2020 from RUB 18,455 million in the preceding year.

Interest Income

Interest income increased by RUB 182 million, or 93.8%, to RUB 376 million in the year ended 31 December 2020 from RUB 194 million in the preceding year largely as a result of an increase in the Group's deposits and other cash and cash equivalents, as well as other interest-earning assets on the Company's consolidated statement of financial position.

Interest Expense

Interest expense increased by RUB 85 million, or 8.2%, to RUB 1,125 million in the year ended 31 December 2020 from RUB 1,040 million in the preceding year. This decrease was primarily due to an increase in the Group's total loans and borrowings and, which was partially offset by a RUB 42 million decrease in interest expense on lease liabilities. The decrease in interest expense on lease liabilities resulted from a decrease in the weighted average incremental borrowing rate from 7.06% as of 31 December 2019 to 5.83% as of 31 December 2020.

Foreign Exchange Gain, Net

The Group had a foreign exchange gain, net of RUB 136 million in the year ended 31 December 2020, as compared to a foreign exchange loss, net of RUB 74 million in the year ended 31 December 2019, primarily resulting from the foreign exchange rate dynamics prevailing in 2020 and the gain of RUB 989 million on the Group's forward foreign exchange contracts in the year ended 31 December 2020.

Profit Before Tax

For the reasons set forth above, profit before tax increased by RUB 8,775 million, or 50.0%, to RUB 26,310 million in the year ended 31 December 2020 from RUB 17,535 million in the preceding year.

Income Tax Expense

The Group's total income tax expense increased by RUB 4,373 million, or 100.3%, to RUB 8,735 million in the year ended 31 December 2020 from RUB 4,362 million in the preceding year.

The following table sets out a breakdown of the Group's income tax expense for the years ended 31 December 2020 and 2019:

	Year ended 31 December		Change		Proportion of revenue for the year ended 31 December	
	2020	2019	RUB	Percentage	2020	2019
	(in millions of Russian Roubles)				(%)	
Current tax expense	8,696	4,457	4,239	95.1	4.6	3.1
Deferred tax expense/(benefit)	39	(95)	134	n/a	0.0	(0.1)
Total income tax expense	**8,735**	**4,362**	**4,373**	**100.3**	**4.6**	**3.1**

Current tax expense increased by RUB 4,239 million, or 95.1%, to RUB 8,696 million for the year ended 31 December 2020 as compared to current tax expense of RUB 4,457 million for the preceding year, reflecting a 50.0% increase in the Group's increased profit before tax in the year ended 31 December 2020 and the additional tax that the Group incurred when upstreaming cash from its operating subsidiaries to the Group's Cypriot holding company.

The Group's effective tax rate (calculated as income tax expense divided by profit before tax, expressed as a percentage) for the years ended 31 December 2020 and 2019 was 33.2% and 24.9%, respectively, as compared to the Russian statutory corporate income tax rate of 20% applicable during both periods. This difference was primarily due to an incremental tax arising when upstreaming cash from its operating subsidiaries to the Group's Cypriot holding company, as well as different statutory rates in jurisdictions other than Russia, where the Group operates the majority of its stores.

Profit for the Year

For the reasons set forth above, profit for the year increased by RUB 4,402 million, or 33.4%, to RUB 17,575 million in the year ended 31 December 2020 from RUB 13,173 million in the preceding year and total comprehensive income for the year increased by RUB 4,409 million, or 33.5%, to RUB 17,582 million in the year ended 31 December 2020 from RUB 13,173 million in the preceding year.

Year Ended 31 December 2019 Compared with the Year Ended 31 December 2018

The following table sets out selected financial information for the years ended 31 December 2019 and 2018 derived from the 2019 Financial Statements (included elsewhere in the Registration Document), year-on-year change between corresponding line items and the percentage of revenue for the relevant year represented by each line item:

	Year ended 31 December		Change		Proportion of revenue for the year ended 31 December	
	2019	2018	RUB	Percentage	2019	2018
	(in millions of Russian Roubles)				(%)	
Revenue	142,880	108,724	34,156	31.4	100.0	100.0
Cost of sales	(96,919)	(74,838)	(22,081)	29.5	(67.8)	(68.8)
Gross profit	**45,961**	**33,886**	**12,075**	**35.6**	**32.2**	**31.2**
Selling, general and administrative expenses	(27,879)	(21,501)	(6,378)	29.7	(19.5)	(19.8)
Other operating income	334	259	75	29.0	0.2	0.2
Share of profit of associates, net	39	86	(47)	(54.7)	0.0	0.1
Operating profit	**18,455**	**12,730**	**5,725**	**45.0**	**12.9**	**11.7**
Interest income	194	87	107	123.0	0.1	0.1
Interest expense	(1,040)	(205)	(835)	407.3	(0.7)	(0.2)
Foreign exchange loss, net	(74)	(343)	269	(78.4)	(0.1)	(0.3)
Profit before tax	**17,535**	**12,269**	**5,266**	**42.9**	**12.3**	**11.3**
Income tax expense	(4,362)	(3,141)	(1,221)	38.9	(3.1)	(2.9)
Profit for the year and total comprehensive income for the year	**13,173**	**9,128**	**4,045**	**44.3**	**9.2**	**8.4**

Revenue

The Group's total revenue increased by RUB 34,156 million, or 31.4%, to RUB 142,880 million in the year ended 31 December 2019 from RUB 108,724 million in the year ended 31 December 2018.

The following table sets out a breakdown of the Group's revenue by source for the years ended 31 December 2018 and 2019:

	Year ended 31 December		Change		Proportion of revenue for the year ended 31 December	
	2019	2018*	RUB	Percentage	2019	2018
	(in millions of Russian Roubles)				(%)	
Retail revenue	123,194	94,092	29,102	30.9	86.2	86.5
Wholesale revenue	19,686	14,632	5,054	34.5	13.8	13.5
Total revenue	**142,880**	**108,724**	**34,156**	**31.4**	**100.0**	**100.0**

* Certain line items were impacted by immaterial reclassifications made in the comparative financial information in the 2019 Financial Statements; in such instances the relevant financial information is extracted from the 2019 Financial Statements.

Retail revenue and wholesale revenue of the Group increased at a comparable pace during the year ended 31 December 2019, by 30.9% and 34.5%, respectively, to RUB 123,194 million and RUB 19,686 million, respectively.

The increase in the Group's retail revenue for the year ended 31 December 2019 was driven by a 15.4% increase in like-for-like sales and a 20.0% year-on-year increase in the average selling space of stores operated by the Group.

The 15.4% like-for-like sales growth in the year ended 31 December 2019 was attributable to a 7.3% increase in like-for-like average ticket and a 7.6% increase in like-for-like traffic compared to the previous year. The increase in like-for-like average ticket was driven by higher average price of item, as well as higher average number of items in a basket. The increase in like-for-like traffic was mainly attributable to a combination of better store operational management, a structural shift in consumer behaviour towards value, and the Group's promotional and marketing initiatives. See "*—Business—Operations—Marketing*".

The 20.0% year-on-year increase in the average selling space of stores operated by the Group was attributable to 571 net store openings of stores operated by the Group in 2019.

The increase in the Group's wholesale revenue for the year ended 31 December 2019 was primarily attributable to a 16.3% increase in the average number of franchise stores during the year ended 31 December 2019 as compared to the year ended 31 December 2018.

Cost of Sales and Gross Profit

The following table sets out cost of sales, gross profit and gross margin in the years ended 31 December 2018 and 2019, as well as the percentage change in sales, total cost of sales and gross profit:

	Year ended 31 December		Change	
	2019	2018	RUB	Percentage
	(in millions of Russian Roubles)			(%)
Cost of sales	96,919	74,838	22,081	29.5
Gross profit	45,961	33,886	12,075	35.6
Gross margin(1)	32.2	31.2	n/a	3.2(2)

Notes:

(1) Gross margin is calculated as gross profit for the year divided by revenue for respective year, expressed as a percentage.

(2) Represents a change of 1.0 percentage points

Cost of sales increased by RUB 22,081 million, or 29.5%, to RUB 96,919 million in the year ended 31 December 2019 from RUB 74,838 million in the preceding year. The Group's revenue growth (at 31.4%) outpaced the growth of cost of sales (at 29.5%) in the year ended 31 December 2019, resulting in an increase in gross margin to 32.2% in the year ended 31 December 2019 compared to 31.2% in the previous year. The improvement in gross margin was mostly driven by more efficient sourcing, leading to improvement in the front margin on sale of products, as well as reduction of shrinkages as a percentage of sales.

The following table sets out a breakdown of the Group's cost of sales for the years ended 31 December 2018 and 2019:

	Year ended 31 December		Change		Proportion of revenue for the year ended 31 December	
	2019	2018	RUB	Percentage	2019	2018
	(in millions	of Russian	Roubles)		(%)	
Cost of goods sold	93,557	72,092	21,465	29.8	65.5	66.3
Transportation and handling costs	2,244	1,709	535	31.3	1.6	1.6
Inventory write-down due to shrinkages and write off to net realisable value	1,118	1,037	81	7.8	0.8	1.0
Total cost of sales	**96,919**	**74,838**	**22,081**	**29.5**	**67.8**	**68.8**

The increase in cost of sales in the year ended 31 December 2019 compared to the previous year was mainly driven by a 31.4% increase in revenue which in turn resulted in an increase in all components of the Group's total cost of sales. Measured as a proportion of the Group's revenue, all components remained stable during the years ended 31 December 2019 and 2018.

Cost of goods sold increased by RUB 21,465 million, or 29.8%, to RUB 93,557 million in the year ended 31 December 2019 from RUB 72,092 million in the previous year primarily in line with the increase in revenue driven by new store openings and an increase in like-for-like sales.

Transportation and handling costs increased by RUB 535 million, or 31.3%, to RUB 2,244 million in the year ended 31 December 2019 from RUB 1,709 million in the previous year as a result of increased volumes of purchases primarily driven by the increase in the Group's sales.

Inventory write-down due to shrinkages and write off to net realisable value increased by RUB 81 million, or 7.8%, to RUB 1,118 million in the year ended 31 December 2019 from RUB 1,037 million in the previous year due to the expansion of the Group's retail network and related increase in stock levels, partially offset by the Group's ongoing initiatives to keep shrinkages levels under control.

Gross Profit

For the reasons stated above, the Group's gross profit increased by RUB 12,075 million, or 35.6%, to RUB 45,961 million in the year ended 31 December 2019 from RUB 33,886 million in the previous year.

Selling, General and Administrative Expenses

The Group's selling, general and administrative expenses increased by RUB 6,378 million, or 29.7%, to RUB 27,879 million in the year ended 31 December 2019 from RUB 21,501 million in the preceding year. As a proportion of the Group's revenue, selling, general and administrative expenses remained relatively stable, at 19.8% and 19.5% in the years ended 31 December 2018 and 2019, respectively.

The following table sets out components of the Group's selling, general and administrative expenses in the years ended 31 December 2018 and 2019:

	Year ended 31 December		Change		Proportion of revenue for the year ended 31 December	
	2019	2018*	RUB	Percentage	2019	2018
	(in millions	of Russian	Roubles)		(%)	
Staff costs	13,361	9,085	4,276	47.1	9.4	8.4
Amortisation of right-of-use assets	6,921	—	6,921	n/a	4.8	n/a
Other depreciation and amortisation	1,772	1,476	296	20.1	1.2	1.4
Bank charges	1,258	790	468	59.2	0.9	0.7
Operating lease expenses	1,160	7,291	(6,131)	(84.1)	0.8	6.7
Security services	1,107	901	206	22.9	0.8	0.8
Advertising costs	645	453	192	42.4	0.5	0.4
Repair and maintenance costs	625	503	122	24.3	0.4	0.5
Utilities	501	522	(21)	(4.0)	0.4	0.5
Other expenses	529	480	49	10.2	0.4	0.4
Total selling, general and administrative expenses	**27,879**	**21,501**	**6,378**	**29.7**	**19.5**	**19.8**

* Certain line items were impacted by immaterial reclassifications made in the comparative financial information in the 2019 Financial Statements; in such instances the relevant financial information is extracted from the 2019 Financial Statements.

The Group's selling, general and administrative expenses increased by 29.7% in the year ended 31 December 2019, as described above, primarily due to a (i) RUB 4,276 million, or 47.1%, increase in staff costs to RUB 13,361 million from RUB 9,085 million in the preceding year, which resulted primarily from expansion of its retail chain and higher in-store personnel's wages as a percentage of revenue, aimed at enhancing overall customer service level, (ii) RUB 468 million, or 59.2% increase in bank charges to RUB 1,258 million from RUB 790 million in the preceding year, which related to a rising share of acquiring commissions as a result of increasing use of non-cash payments in the payment mix, (iii) RUB 296 million, or 20.1%, increase in other depreciation and amortisation to RUB 1,772 million from RUB 1,476 million in the preceding year, such increase primarily related to the growth in the stores' base, and (iv) a RUB 192 million, or 42.4%, increase in advertising costs, which primarily related to expansion of the Group's retail chain, increased spending on TV and Internet advertising as well as increased spending related to the Group's loyalty programme.

In addition, in the year ended 31 December 2019, the Group recorded a RUB 6,921 million charge relating to amortisation of right-of-use-assets (with no comparable charge during the preceding year), which was to a significant extent offset by a RUB 6,131 million, or 84.1% decrease in operating lease expenses, to RUB 1,160 million in the year ended 31 December 2019 from RUB 7,291 million in the preceding year. These changes were driven by the transition to IFRS 16 on 1 January 2019. See also "*—Significant Factors Affecting Results of Operations—Adoption of IFRS 16 "Leases"*".

Other Operating Income

The Group's other operating income increased by RUB 75 million, or 29.0%, to RUB 334 million in the year ended 31 December 2019 from RUB 259 million in the preceding year primarily as a result of an increase in the sale of used materials, such as cardboard, film for packaging and other.

Operating Profit

For the reasons set forth above, operating profit increased by RUB 5,725 million, or 45.0%, to RUB 18,455 million in the year ended 31 December 2019 from RUB 12,730 million in the preceding year.

Interest Income

Interest income increased by RUB 107 million, or 123%, to RUB 194 million in the year ended 31 December 2019 from RUB 87 million in the preceding year largely as a result of a significant increase in Group's deposits and other cash and cash equivalents.

Interest Expense

Interest expense increased by RUB 835 million, or 407%, to RUB 1,040 million in the year ended 31 December 2019 from RUB 205 million in the preceding year. This increase was primarily due to the recognition of RUB 698 million of interest expense on lease liabilities in the year ended 31 December 2019 in connection with the Group's transition to IFRS 16. The remaining interest expense of RUB 342 million related to interest expense on unsecured bank loan financings. See "*—Liquidity and Capital Resources—Loans and Borrowings*".

Foreign Exchange Loss, Net

Foreign exchange loss, net decreased by RUB 269 million, or 78.4%, to RUB 74 million in the year ended 31 December 2019 from RUB 343 million in the preceding year largely as a result of the foreign exchange rate dynamics prevailing in 2019. Foreign exchange loss, net for the year ended 31 December 2019 also included a RUB 688 million loss from the Group's forward foreign exchange contracts during the year ended 31 December 2019, as compared to a gain of RUB 39 million in the preceding year. This loss from forward foreign exchange contracts was driven primarily by appreciation of the Rouble against the Chinese Yuan and losses recorded on the respective hedges.

Profit Before Tax

For the reasons set forth above, profit before tax increased by RUB 5,266 million, or 42.9%, to RUB 17,535 million in the year ended 31 December 2019 from RUB 12,269 million in the preceding year.

Income Tax Expense

The Group's total income tax expense increased by RUB 1,221 million, or 38.9%, to RUB 4,362 million in the year ended 31 December 2019 from RUB 3,141 million in the preceding year.

The following table sets out a breakdown of the Group's income tax expense for the years ended 31 December 2018 and 2019:

	Year ended 31 December		Change		Proportion of revenue for the year ended 31 December	
	2019	**2018**	**RUB**	**Percentage**	**2019**	**2018**
	(in millions of Russian Roubles)				**(%)**	
Current tax expense	4,457	2,968	1,489	50.2	3.1	2.7
Deferred tax (benefit)/expense	(95)	173	(268)	n/a	(0.1)	0.2
Total income tax expense	**4,362**	**3,141**	**1,221**	**38.9**	**3.1**	**2.9**

Current tax expense increased by RUB 1,489 million, or 50.2%, to RUB 4,457 million for the year ended 31 December 2019 as compared to current tax expense of RUB 2,968 million for the preceding year, reflecting a 42.9% increase in the Group's increased profit before tax in the year ended 31 December 2019. Deferred tax expense decreased by RUB 268 million to a benefit of RUB 95 million in the year ended 31 December 2019, as compared to a deferred tax expense of RUB 173 million for the preceding year, mainly due to derecognition of deferred tax liability related to lease rights previously accounted for under IAS 17. See also "*—Significant Factors Affecting Results of Operations—Adoption of IFRS 16 "Leases"*".

The Group's effective tax rate (calculated as income tax expense divided by profit before tax) for the years ended 31 December 2018 and 2019 was 25.6% and 24.9%, respectively, as compared to the Russian statutory corporate income tax rate of 20% applicable during both periods. This difference was primarily due to an incremental tax arising when upstreaming cash from Russian operating subsidiaries to the Group's Cypriot holding company.

Profit for the Year and Total Comprehensive Income for the Year

For the reasons set forth above, profit for the year and total comprehensive income for the year increased by RUB 4,045 million, or 44.3%, to RUB 13,173 million in the year ended 31 December 2019 from RUB 9,128 million in the preceding year.

Adjusted EBITDA and IAS 17-Based Adjusted EBITDA

The Group's Adjusted EBITDA was RUB 36,788 million, RUB 27,150 million and RUB 14,194 million in the years ended 31 December 2020, 2019 and 2018, respectively. The Group's Adjusted EBITDA Margin increased to 19.4% in the year ended 31 December 2020 from 19.0% in the year ended 31 December 2019 and 13.1% in the year ended 31 December 2018.

The Group's IAS 17-Based Adjusted EBITDA was RUB 28,632 million and RUB 19,777 million in the years ended 31 December 2020 and 2019, respectively. The Group's IAS 17-Based Adjusted EBITDA Margin increased to 15.1% in the year ended 31 December 2020 from 13.8% in the year ended 31 December 2019.

The Group currently expects that its Adjusted EBITDA Margin in the mid-term will be consistent with its latest historical performance with possible potential for improvement.

See "*Presentation of Financial and Other Information—Presentation of Non-IFRS Financial Information*" for a description and limitations of Adjusted EBITDA, IAS 17-Based Adjusted EBITDA, Adjusted EBITDA Margin and IAS 17-Based Adjusted EBITDA Margin and "*Selected Financial and Operating Information*" for a discussion of the calculation of these measures and reconciliation to the nearest available IFRS measures.

Liquidity and Capital Resources

In addition to financing existing operations, the Group requires liquidity to finance the roll-out of new stores, the purchase of equipment necessary to support the Group's operations and the further enhancement of the Group's supply chain, including the expansion of its distribution centre network. During the periods under review, the Group has met a majority of its liquidity needs with net cash flows generated from operations and, from time to time, the balance through long- and short-term bank borrowings. The Group expects that, going forward, its principal source of cash will be cash generated from operations together with bank borrowings, potentially supplemented by bond issuances. The Group expects that its overall level of financial indebtedness to increase in absolute terms in line with its overall growth. At the same time, the Group expects to borrow prudently, only taking on Rouble-denominated indebtedness, and within the limits set by its financial covenants. As of 31 December 2020, the Group had in aggregate RUB 8.9 billion available to be drawn under existing credit lines.

Cash Flows

The following table sets out cash flow information for the years ended 31 December 2018, 2019 and 2020:

	Year ended 31 December		
	2020	**2019**	**2018**
Net cash flows from operating activities	30,270	21,424	13,629
Net cash flows used in investing activities	(6,025)	(4,366)	(7,766)
Net cash flows used in financing activities	(11,079)	(10,228)	(6,247)
Effect of exchange rate fluctuations on cash and cash equivalents	1,328	(831)	164
Net increase/(decrease) in cash and cash equivalents	**14,494**	**5,999**	**(220)**

Net Cash Flows from Operating Activities

Year ended 31 December 2020 compared to the year ended 31 December 2019

Net cash flows from operating activities increased by RUB 8,846 million, or 41.3%, to RUB 30,270 million in the year ended 31 December 2020 from RUB 21,424 million over the preceding year. This increase resulted primarily from:

- a RUB 8,775 million, or 50.0%, increase in profit before income tax to RUB 26,310 million in the year ended 31 December 2020 for the reasons described in "*—Results of Operations—Year ended 31 December 2020 Compared with the Year Ended 31 December 2019"*;
- a RUB 3,934 million, or 203%, upswing in increase in payables and other financial liabilities to RUB 5,872 million in the year ended 31 December 2020, as compared to RUB 1,938 million in the previous year, which reflect, as increase in payables and other financial liabilities normalised during the year ended 31 December 2020 and generally followed the increase in the Group's revenue.

However, these increases were offset by:

- a RUB 3,799 million, or 71.2%, increase in inventories to RUB 9,134 million in the year ended 31 December 2020, as compared to RUB 5,335 million in the previous year, reflecting the increase in the number of net store openings of stores operated by the Group to 670 during the year ended 31 December 2020 from 430 in the previous year, all of which required additional inventories; and
- a RUB 2,228 million, or 64.4%, increase in income tax paid, to RUB 5,687 million in the year ended 31 December 2020 mainly attributable to the overall growth in the Group's business activity, resulting in the increase in profit before tax by 50.0%, as well as incremental tax incurred on intra-group dividends.

The largest movements in working capital in the year ended 31 December 2020 were:

- the changes described above;
- a RUB 358 million increase in the year ended 31 December 2020, as compared to a RUB 883 million decrease in the previous year, in VAT receivable in the previous year, primarily resulting from different timing of claims for VAT refunds; and
- a RUB 1,547 million increase in the year ended 31 December 2020, as compared to a RUB 308 million decrease in the previous year, in tax liabilities, other than income tax, primarily resulting from different timing of claims for VAT refunds.

Year ended 31 December 2019 compared to the year ended 31 December 2018

Net cash flows from operating activities increased by RUB 7,795 million, or 57.2%, to RUB 21,424 million in the year ended 31 December 2019 from RUB 13,629 million in the preceding year. This increase resulted primarily from:

- a RUB 5,266 million, or 42.9%, increase in profit before tax to RUB 17,535 million in the year ended 31 December 2019 for the reasons described in "*—Results of Operations—Year Ended 31 December 2019 Compared with the Year Ended 31 December 2018*"; and
- a RUB 7,231 million, or 494%, increase in adjustment for depreciation and amortisation to RUB 8,695 million in the year ended 31 December 2019 in connection with the Group's transition to IFRS 16 since 1 January 2019, which resulted in RUB 6,921 million amortisation of right-of-use assets, in line with such standard.

However, these increases were slightly offset by:

- a RUB 2,323 million, or 54.5%, decline in increase in payables and other financial liabilities, to RUB 1,938 million in the year ended 31 December 2019 due to earlier payments to suppliers;
- a RUB 1,038 million decline in cash received from receivables and other financial assets, from cash inflow of RUB 1,034 million in the year ended 31 December 2018 to cash outflow of RUB 4 million in the year ended 31 December 2019, which reflected the fact that receivables and other financial assets stayed in line with average levels during the year ended 31 December 2019;
- a RUB 859 million, 358%, increase in interest paid, to RUB 1,099 million in the year ended 31 December 2019 in connection with the Group's transition to IFRS 16 since 1 January 2019, which resulted in RUB 698 million interest expense on right-of-use liabilities recorded pursuant to this standard; and
- a RUB 1,444 million, 72%, increase in income tax paid, to RUB 3,459 million in the year ended 31 December 2019 attributable to (i) the overall growth in the Group's business activity, resulting in the increase in profit before tax by 43%; and (ii) the change in the income tax liability balance during 2017 through to 2019.

The largest movements in working capital in the year ended 31 December 2019 were:

- the declines described in the two immediately preceding bullet items; and
- a RUB 740 million, or 16.1%, upswing in increase in inventories, reflecting the increase in the number of the Group's operated stores by 430 during the year ended 31 December 2019, all of which required additional inventories.

Net Cash Flows Used in Investing Activities

Year ended 31 December 2020 compared to the year ended 31 December 2019

Net cash flows used in investing activities increased by RUB 1,659 million, or 38.0%, to RUB 6,025 million in the year ended 31 December 2020 from RUB 4,366 million over the previous year, in line with the overall business growth.

Year ended 31 December 2019 compared to the year ended 31 December 2018

Net cash flows used in investing activities decreased by RUB 3,400 million, or 43.8%, to RUB 4,366 million in the year ended 31 December 2019 from RUB 7,766 million in the preceding year. This decrease resulted primarily from:

- a RUB 3,737 million, or 93.8%, decrease in loans issued, reflecting the RUB 3,985 million loan made to Company's shareholders and related parties in the year ended 31 December 2018, and RUB 248 million loans issued in the year ended 31 December 2019. Out of the amount of the RUB 3,985 million loan issued in 2018 RUB 358 million were subsequently repaid to the Group in cash. In June 2018, the Group, its debtors and shareholders entered into a series of agreements under which the outstanding loans receivable in the total amount of RUB 3,911 million were settled against dividends payable by the Group at that date to its shareholders; and
- a RUB 723 million, or 66.5%, decrease in purchase of intangible assets, which in 2018 arose primarily from an acquisition of lease rights from one of the Group's franchisees.

However, these decreases were slightly offset by a RUB 702 million, or 22.4%, increase in purchase of property, plant and equipment and capital advances, due to the increase in store openings, as well as capital expenditures related to the Group's distribution centres in the year ended 31 December 2019.

Net Cash Flows Used in Financing Activities

Year ended 31 December 2020 compared to the year ended 31 December 2019

Net cash flows used in financing activities increased by RUB 851 million, or 8.3%, to RUB 11,079 million in the year ended 31 December 2020 from RUB 10,228 million in the preceding year. This increase resulted primarily from:

- RUB 14,214 million of dividends paid in the year ended 31 December 2020, as compared to RUB 8,039 million in the previous year; and
- a RUB 5,845 million, or 46.4%, increase in proceeds from loans and borrowings from RUB 12,600 million in the year ended 31 December 2019 to RUB 18,445 million in the year ended 31 December 2020.

Year ended 31 December 2019 compared to the year ended 31 December 2018

Net cash flows used in financing activities increased by RUB 3,981 million, or 63.7%, to RUB 10,228 million in the year ended 31 December 2019 from RUB 6,247 million in the preceding year. This increase resulted primarily from:

- a RUB 6,689 million increase in lease payments, from nil in the preceding year, in connection with the adoption by the Group of IFRS 16 "Leases" with effect from 1 January 2019 and the related impact on classification of leases-related payments in consolidated statement of cashflows. Starting 1 January 2019 principal repayments of lease liabilities are classified within cash flows from financing activities whereas previously all lease-related payments were classified within cash flows from operating activities. See also "*—Significant Factors Affecting Results of Operations—Adoption of IFRS 16 "Leases"*";
- a RUB 4,791 million, or 148%, increase in dividends paid, reflecting the increased cash dividend payment in the year ended 31 December 2019; and
- a RUB 1,270 million, or 18.6%, increase in repayment of loans and borrowings as a result of maturities of loan agreements that occurred during the year ended 31 December 2019, as described in "*—Loans and Borrowings*".

However, these factors were partially offset by a RUB 8,769 million, or 229%, increase in proceeds from loans and borrowings as a result of the entry by the Group into new loans during the year ended 31 December 2019, as described in "*—Loans and Borrowings*".

Working Capital

The Group's primary sources of liquidity are cash flows from operating activities and, from time to time, debt financings. As of 31 December 2020, 2019 and 2018, the Group's net trade working capital (defined as inventories plus receivables and other financial assets less payables and other financial liabilities) was RUB 1,142 million, RUB 574 million and negative RUB 1,783 million, representing 0.6%, 0.4% and (1.6)% of the Group's revenue for the years ended 31 December 2020, 2019 and 2018, respectively. The Group believes that its net trade working capital levels are reflective of achieved operational efficiencies. As of 31 December 2020, 2019 and 2018, the Group's inventory days (calculated as inventories at the beginning of the respective year plus inventories at the end of the respective year divided by two divided by cost of sales for the respective year and multiplied by 365 days) were 66, 65 and 65 and its days payable (calculated as payables and other financial liabilities at the beginning of the respective year plus payables and other financial liabilities at the end of the respective year divided by two divided by cost of sales for the respective year multiplied by 365 days) were 66, 71 and 75, respectively. The Group believes its inventory days and days payable levels are among industry-leading due to its agile sourcing model and algorithms used to forecast demand. The Group expects these levels to remain broadly in line with 2020 levels in the near term.

Loans and Borrowings

The average maturity of the Group's loans and borrowings was approximately six months as of as of 31 December 2020, approximately five months as of 31 December 2019, and two weeks as of 31 December 2018. The weighted average incremental borrowing rate on the Group's loans and borrowings was 5.83% per annum, 7.06% per annum and 9.9% per annum as of 31 December 2020, 2019 and 2018, respectively. Average maturity of loans and borrowings is calculated on the basis of the weighted average (weighted by the principal amount of such loans and borrowings) of days from the date specified to the specified maturity of the loans and borrowings. Weighted average interest rate on loans and borrowings is calculated on the basis of the weighted interest rates applying to the specified loans and borrowings (weighted by the principal amount of such loans and borrowings) as of the date specified. As of 31 December 2020, the Group had available-for-draw under its financings in aggregate RUB 8.9 billion. The Group expects to continue to follow a conservative financing policy with targeted Adjusted Net Debt/(Cash) to Adjusted EBITDA ratio below 1x in the mid-term.

The following table sets out the Group's total loans and borrowings as of the dates indicated. As of 31 December 2020, 2019 and 2018, all of the Group's loans was denominated in Roubles:

	As of 31 December		
	2020	**2019**	**2018**
	(in millions of Russian Roubles)		
Bank loans (unsecured) in RUB	15,114	5,006	—
Bank loans (secured) in RUB[1]	—	—	501
Bank loans (unsecured) in CNY[2]	566	—	—
Total loans and borrowings	**15,680**	**5,006**	**501**

Notes:

(1) Bank loan issued by VTB Bank (PJSC) was secured by the pledge of land and buildings.

(2) The loan in Chinese Yuans is provided under the Group's credit facility with VTB Bank (PJSC).

As of 31 December 2020, 100% of the Group's total loans and borrowings consisted of current loans and borrowings, and 96.4% and 3.6% of the Group's total loans and borrowings had fixed and floating rates, respectively.

The total amount of the Group's lease liabilities outstanding as of 31 December 2020 was RUB 10,052 million. See "—*Lease Liabilities*".

The Group considers Adjusted Net Debt/(Cash), IAS 17-Based Adjusted Net Debt/(Cash) and certain leverage ratios as the principal measures for evaluating the impact of the total size of its debt on its operations. The following table sets out Adjusted Net Debt, IAS 17-Based Adjusted Net Debt and respective leverage ratios as of the dates indicated:

	As of 31 December		
	2020	**2019**	**2018**
	(in millions of Russian Roubles)		
Other financial data			
Adjusted Net Debt/(Cash) (RUB millions)[1]	23,015	5,957	(5,381)
IAS 17-Based Adjusted Net Debt/(Cash) (RUB millions)[2]	12,963	(1,845)	n/a
Adjusted Net Debt/(Cash) to Adjusted EBITDA ratio[3]	0.6	0.2	(0.4)
IAS 17-Based Adjusted Net Debt/(Cash) to IAS 17-Based Adjusted EBITDA ratio[4]	0.5	(0.1)	n/a

Notes:

(1) Adjusted Net Debt/(Cash) is calculated as Net Debt/(Cash) adjusted for dividends payable to shareholders.

(2) Adjusted IAS 17-Based Adjusted Net Debt/(Cash) is calculated as Adjusted Net Debt/(Cash) adjusted for the removal of IFRS 16 adoption impacts by excluding total current and non-current lease liabilities.

(3) Adjusted Net Debt/(Cash) to Adjusted EBITDA is Adjusted Net Debt/(Cash) at the end of the year divided by Adjusted EBITDA for respective year.

(4) IAS 17-Based Adjusted Net Debt/(Cash) to IAS 17-Based Adjusted EBITDA is IAS 17-Based Adjusted Net Debt/(Cash) at the end of the year divided by IAS 17-Based Adjusted EBITDA for respective year.

Adjusted Net Debt/(Cash), IAS 17-Based Adjusted Net Debt/(Cash), Adjusted Net Debt/(Cash) to Adjusted EBITDA and IAS 17-Based Adjusted Net Debt/(Cash) to IAS 17-Based Adjusted EBITDA are Non-IFRS Measures and may not be comparable to similarly titled measures disclosed by other companies, and investors should not use these non-IFRS measures as a substitute for figures provided in the Financial Statements. See "*Presentation of Financial and Other Information—Presentation of Non-IFRS Financial Information*" for a description and limitations of these measures and "*Selected Financial and Operating Information*" for a discussion of the calculation of these measures and reconciliation to the nearest available IFRS measures.

Description of Material Financings

Set out below is a description of the Group's most significant financings as of 31 December 2020:

Facility Agreement arranged by VTB Bank (PJSC)

In January 2017, LLC Best Price entered into a revolving credit facility with VTB Bank (PJSC), allowing borrowings of up to RUB 15 billion in Roubles, Euros and Chinese Yuans. The credit facility was entered into for a period until 31 December 2022. As of 31 December 2020, the total amount outstanding under this facility was RUB 13.4 billion.

Framework Agreement with PJSC Rosbank

In August 2020, LLC Best Price entered into a framework agreement with PJSC Rosbank, allowing borrowings in Roubles, Dollars, Euros and Chinese Yuans. The framework agreement was entered into for a period until 24 August 2022. As of 31 December 2020, the Group had no outstanding borrowings issued under this framework agreement.

Credit Facility with JSC Alfa-Bank

In October 2018, the Group entered into a revolving credit facility with JSC Alfa-Bank, allowing borrowings of up to RUB 6 billion. The credit facility was entered into for a period until 31 December 2021. As of 31 December 2020, the total amount outstanding under this facility was RUB 1.3 billion.

Credit Facility with PJSC Sberbank

In May 2020, the Group entered into a revolving credit facility with PJSC Sberbank, allowing borrowings of up to RUB 1 billion. The credit facility was entered into for a period until 20 May 2023. As of 31 December 2020, the total amount outstanding under this facility was RUB 1 billion.

All of the above agreements contain a number of covenants, including requirements to comply with certain financial ratios.

Capital Expenditures

In the years ended 31 December 2020, 2019 and 2018, the Group incurred Capital Expenditure, which consist primarily of growth capital expenditure, of RUB 6,167 million, RUB 4,196 million and RUB 4,217 million, comprising 3.2%, 2.9% and 3.9% of revenue, respectively. The Group funded its Capital Expenditure in the years ended 31 December 2020, 2019 and 2018 primarily from cash flows from operations.

The Group's Capital Expenditure in the years ended 31 December 2020, 2019 and 2018 have mainly resulted from the expansion of its operations and, in particular, roll-out of new stores with associated re-fittings and investment in its supply chain including construction for expansion of space at its distribution centres.

In the mid-term, the Group expects continuous optimisation of its Capital Expenditure reflecting store opening dynamics and operating leverage in the expansion of its distribution centres space depending on market conditions, cash flows from operations and available financing at the time of the proposed expenditures.

Lease Liabilities

As at 31 December of 2020 and 2019 lease liabilities comprised the following:

	31 December 2020	31 December 2019
Minimum lease payments, including:		
Current portion (less than 1 year)	6,772	5,811
More than 1 to 5 years	3,912	2,729
Over 5 years	26	—
Total minimum lease payments	**10,710**	**8,540**
Less amount representing interest	(658)	(738)
Present value of net minimum lease payments, including:		
Current portion (less than 1 year)	6,339	5,306
More than 1 to 5 years	3,687	2,496
Over 5 years	26	—
Total present value of net minimum lease payments	**10,052**	**7,802**
Less current portion of lease obligations	(6,339)	(5,306)
Non-current portion of lease obligations	**3,713**	**2,496**

The following table summarises the changes in the lease liabilities:

Balance as at beginning of year	7,802	8,487
Interest expense on lease liabilities	656	698
Lease payments	(8,174)	(7,390)
New lease contracts and modification of existing lease contracts	9,692	5,926
Acquisition of a subsidiary (Note 5 to the 2019 Financial Statements)	—	81
Foreign exchange loss	113	—
Currency translation reserve	(37)	—
Balance as at year end	**10,052**	**7,802**

Contractual Obligations and Commercial Commitments

The following table sets forth the Group's aggregate minimum contractual obligations as of 31 December 2020 and the payments due by period under such obligations:

	As of 31 December 2020				
	Carrying amount	Total contractual cashflows	On demand or less than 1 year	1-5 years	More than 5 years
	(in millions of Russian Roubles)				
Loans and borrowings[1]	15,680	16,158	16,158	—	—
Lease liabilities	10,052	10,710	6,772	3,912	26
Payables and other liabilities	26,531	26,531	26,531	—	—
Total[2]	**52,263**	**53,399**	**49,461**	**3,912**	**26**

Notes:

(1) Amounts related to loans and borrowings and lease liabilities include future interest.

(2) This contractual obligations table does not reflect purchase orders entered into in the normal course of business or long-term commitments for normal purchases and sales.

Capital expenditure commitments

The Group had contractual capital commitments not provided within the Group's consolidated financial statements as of 31 December 2020 in the amount of RUB 1,937 million (RUB 158 million, as of 31 December 2019). The commitment relates to the construction of warehouse premises. These commitments are expected to be settled in 2021.

Off-Balance Sheet Arrangements

Group does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Group's financial condition, sales, expenses, results of operations, liquidity, capital expenditures, or capital resources.

Dividends

In the years ended 31 December 2020, 2019 and 2018, the Group declared dividends in the amount of RUB 32,644 million, RUB 13,740 million and RUB 6,633 million.

See Note 18 to the Group's 2019 Financial Statements for a discussion of a one-off non-cash redemption of dividends in 2018.

See "*Dividend Policy*" for a description of the Company's dividend policy.

Critical Accounting Policies

The Financial Statements have been prepared in accordance with IFRS. The preparation of the Financial Statements requires the Group to make various estimates and assumptions that affect the reported results. Such estimates or assumptions are based on the Group's historical experience and currently available information, including expectations of future events that it believes are reasonable under the circumstances. Actual results may differ significantly from such estimates and assumptions in light of the uncertainty surrounding the conditions upon which they are based. There are certain significant accounting policies determined on the basis of such estimates and assumptions for which changes during a financial period could involve a significant risk of material change in the carrying amount of assets and liabilities. A list of critical accounting judgments and key sources of estimate uncertainty is included in Note 3 to the 2020 Financial Statements.

Disclosures about Market Risks

The Group uses various financial instruments, including bank loans, cash, derivatives and various items, such as trade receivables and trade payables that arise directly from its operations. The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. The Group reviews and agrees policies for managing each of these risks and they are summarised below. The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below.

Market risk

Market risk encompasses three types of risk, being currency risk, interest rate risk and commodity price risk. Commodity price risk is not considered material to the business as the Group's sensitivity to commodity prices is insignificant.

Currency risk

The Group is exposed to transaction foreign exchange risk arising from exchange rate fluctuation on its purchases from overseas suppliers. In relation to currency transaction risk, approximately a quarter of the cost of goods sold is sourced from overseas suppliers with relevant trade accounts payable being owed in foreign currency and having maturity of up to 120 days. A proportion of the Group's purchases are priced in Chinese Yuans and in order to manage the Group's exposure to currency risk, the Group enters into forward foreign currency contracts. No transactions in derivatives are undertaken of a speculative nature.

As at 31 December 2020 the fair value of assets and liabilities related to forward foreign exchange contracts aimed at currency risk management purposes amounted to RUB 30 million and RUB 35 million, respectively. Respective assets were recognised within receivables and other financial assets and respective liabilities were recognised within payables and other financial liabilities (respective liabilities as at 31 December 2019 amounted to RUB 142 million were recognised within payables and other financial liabilities). In the year ended 31 December 2020 the gain from forward foreign exchange contracts amounted to RUB 989 million (2019: RUB 688 million loss), and was included in the "Foreign exchange (gain)/loss, net" line item in the consolidated statement of comprehensive income.

96% of the Group's sales to retail and wholesale customers are priced in Russian Roubles, therefore there is immaterial currency exposure in this respect. Other sales are retail sales of LLP Best Price Kazakhstan, LLC Fix Price Zapad and FE LLC FIXPRICEASIA (Note 5 to the 2020 Financial Statements) are priced in local currencies.

Foreign currency sensitivity

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities as at 31 December 2020, 2019 and 2018 is as follows:

	Assets Year ended 31 December			Liabilities Year ended 31 December		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**
U.S. Dollar	358	6,264	—	—	5,030	—
Chinese Yuan	1	1	—	6,599	4,692	4,573
Euro	179	2,167	1,312	2	—	—
Norwegian krone	174	—	—	—	—	—

The impact on the Group's profit before tax is largely due to changes in the fair value revaluation of creditors held on account with the Group's Chinese Yuan suppliers.

The following table demonstrates the sensitivity on profit (net of tax) and equity to a reasonably possible change in the Chinese Yuan period end exchange rates with all other variables held constant.

		Year ended 31 December	
		2020	**2019**
Change in RUB/CNY	+10%	(660)	(469)
Change in RUB/CNY	–10%	660	469

		Year ended 31 December	
		2019	**2018**
Change in RUB/CNY	+10%	(469)	(457)
Change in RUB/CNY	–10%	469	457

The following table demonstrates the sensitivity on profit (net of tax) and equity to a reasonably possible change in the U.S. Dollar period end exchange rates with all other variables held constant.

		Year ended 31 December	
		2020	**2019**
Change in RUB/USD	+10%	36	123
Change in RUB/USD	–10%	(36)	(123)

		Year ended 31 December	
		2019	**2018**
Change in RUB/USD	+10%	123	—
Change in RUB/USD	–10%	(123)	—

The following table demonstrates the sensitivity on profit (net of tax) and equity to a reasonably possible change in the Euro period end exchange rates with all other variables held constant.

		Year ended 31 December	
		2020	**2019**
Change in RUB/EUR	+10%	18	217
Change in RUB/EUR	–10%	(18)	(217)

		Year ended 31 December	
		2019	**2018**
Change in RUB/EUR	+10%	217	131
Change in RUB/EUR	–10%	(217)	(131)

The following table demonstrates the sensitivity on profit (net of tax) and equity to a reasonably possible change in the Norwegian krone period end exchange rates with all other variables held constant.

		Year ended 31 December	
		2020	**2019**
Change in RUB/NOK	+10%	17	—
Change in RUB/NOK	–10%	(17)	—

These calculations have been performed by taking the year end translation rate used on the accounts and applying the change noted above. The balance sheet valuations are then directly calculated.

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 interest rate risk arising from market interest rate fluctuations is insignificant. As at 31 December 2020, the Group had floating rate interest-bearing short-term liabilities amounting to RUB 1,000 million. As at 31 December 2019, the Group had no floating rate interest-bearing liabilities.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's principal financial assets are cash and cash equivalents, loans receivable and trade receivables. Credit risk is further limited by the fact that all of sales retail transactions are made through the store registers, direct from the customer at the point of purchase, leading to a zero trade receivables balance from retail sales.

Therefore, the principal credit risk arises from the Group's trade receivables. In order to manage credit risk, the Group sets limits for wholesale customers (franchisees) based on their payment history. New wholesale customers typically pay in advance. Credit limits are reviewed by franchisees managers on a regular basis in conjunction with debt ageing and collection history. Provisions against bad debts are made where appropriate.

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

The table below shows the balances that the Group has with its major banks as at the balance sheet date:

Bank	Country of incorporation	Carrying amount as at 31 December 2020	Carrying amount as at 31 December 2019	Carrying amount as at 31 December 2018
RCB	Cyprus	14,204	1,832	—
LGT	Switzerland	10,353	6,768	771
Sberbank of Russia	Russia	128	—	1,137
Alfa Bank	Russia	—	1,398	—
VTB Bank	Russia	172	292	1,048
Gazprombank	Russia	—	—	1,331
Other	Kazakhstan	19	48	—
Total		**24,876**	**10,338**	**4,287**

Liquidity risk

Any impact on available cash and therefore the liquidity of the Group could have a material effect on the business as a result.

The Group's borrowings are subject to quarterly banking covenants against which the Group has had significant headroom to date with no anticipated issues based upon forecasts made. Short-term flexibility is achieved via the Group's rolling credit facility. The following table shows the maturity of financial liabilities grouping based on their remaining period at the balance sheet date. The amounts disclosed are the contractual undiscounted cash flows.

	On demand or less than 1 year	1 to 5 years	Over 5 years	Total[(1)]	Carrying amount
As of 31 December 2020					
Loans and borrowings	16,158	—	—	16,158	15,680
Payables and other liabilities	26,531	—	—	26,531	26,531
Lease liabilities	6,772	3,912	26	10,710	10,052
	49,461	**3,912**	**26**	**53,399**	**52,263**
As of 31 December 2019					
Loans and borrowings	5,154	—	—	5,154	5,006
Loans and borrowings	19,702	—	—	19,702	19,702
Trade and other payables	5,811	2,729	—	8,540	7,802
	30,667	**2,729**	**—**	**33,396**	**32,510**

	On demand or less than 1 year	1 to 5 years	Over 5 years	Total
As of 31 December 2018				
Loans and borrowings	501	—	—	501
Trade and other payables	17,820	—	—	17,820
	18,321	**—**	**—**	**18,321**

Note:

(1) Amounts related to loans and borrowings and lease liabilities include future interest.

Fair value

The fair values of the financial assets and liabilities of the Group are not materially different from their carrying values. The fair values of cash and cash equivalents, loans issued trade and other receivables and trade and other payables approximate their carrying amounts due to their short maturity. Foreign exchange contracts are recognised at fair value and classified as Level 2 instruments. The fair value data is provided by banks, based on the updated quotations source (e.g. Bloomberg).

CERTAIN REGULATORY MATTERS IN RUSSIA

Set out below is a summary of material information concerning the regulation of the Group's business. This description does not purport to be a complete description of all laws and regulations applicable to the Group's business and should not be read as such.

Regulation of Retail

The retail industry in the Russian Federation is regulated by general civil and administrative legislation and specialised legislation covering quality standards, health and safety, sanitary rules and consumer protection. A number of permits and consents, including those relating to health and safety, are required in order to open a new store. Regulatory authorities exercise considerable discretion in matters of enforcement and interpretation of applicable laws, regulations and rules, as well as in matters of issuance and renewal of permits and monitoring compliance with the terms thereof. Compliance with requirements imposed by regulatory authorities may be costly and time-consuming, and may, in certain cases, result in delays in the commencement or continuation of the Group's operations.

State and Local Bodies Involved

The key state and local bodies are:

- The Ministry of Industry and Trade, which, among other things, is the principal federal body authorised to develop the governmental policy for, and the regulatory regime of, trade.
- The Federal Service for Supervision in the Area of Protection of Consumer Rights and Human Welfare, which is the principal federal body authorised to monitor compliance with sanitary and epidemiological laws and regulations and to exercise control over the protection of consumer rights.
- The Ministry of Health Protection, which, among other things, is the principal federal body authorised to develop the governmental policy for, and the regulatory regime of, health protection.
- The Ministry of Civil Defence, Emergencies and Elimination of Consequences of Natural Disasters, which, among other things, supervises compliance with fire safety regulations.
- The Federal Labour and Employment Service, which supervises labour relations and the social protection of employees under the Russian Labour Code dated 30 December 2001, as amended (the "**Labour Code**"), and certain other social and labour regulations.
- The Federal Service for Intellectual Property (the "**Rospatent**"), which registers intellectual property rights, including rights to trademarks, and certain agreements relating to intellectual property rights, including licence agreements for the use of a trademark, agreements for the transfer of the right to a trademark and franchising agreements.
- The Federal Antimonopoly Service (the "**FAS**"), which promotes the development of the commodity markets and competition by exercising state control over the observance of anti-monopoly legislation and prevents and terminates monopolistic activity, unfair competition and other actions restricting competition. The FAS, among other matters, oversees the acquisition of controlling stakes in companies and dominant market position by business enterprises.
- The Federal Customs Service, which develops governmental policy and the regulatory regime for custom operations and exercises control over the transfer of goods across the borders of the Russian Federation.
- Regional and local municipal authorities, which control compliance by the companies operating in their respective regions and municipalities with various regional and local rules.
- State courts, which resolve civil and administrative disputes, such as invalidating provisions of consumer contracts that violate consumer rights, as well as consider criminal cases relating to the retail industry, such as manufacturing and sale of goods not in compliance with the applicable standards.

Applicable Legislation

The key pieces of Russian legislation regulating the retail market are:

- Federal Law No. 381 "On Fundamentals of the State Regulation of Trade in the Russian Federation", dated 25 December 2018, as amended (the "**Trade Law**"). See "*—The Trade Law*" below.

- Federal Law No. 2300-1 “On Protection of Consumers’ Rights” dated 7 February 1992, as amended (the “**Consumer Protection Law**”), establishes a general legal framework of the relationships between retailers, manufacturers and service providers, on the one hand, and customers, on the other hand, in connection with the sale of goods, performance of works and rendering of services. The Consumer Protection Law sets out the right of customers to purchase goods of satisfactory quality and to receive information on goods and their manufacturers and retailers. As a general rule, the Consumer Protection Law provides for fourteen days of “cooling” period during which consumers have the right to exchange non-food goods of satisfactory quality. If the goods were purchased remotely, consumers have the right to refuse the goods at any time before their transfer, and after the transfer of the goods within seven days. If the information on the procedure and terms of return of goods of satisfactory quality was not provided in writing at the time of delivery of the goods, the consumer has the right to refuse the goods within three months from the date of transfer of the goods. The Consumer Protection Law provides for liability of retailers, manufacturers and service providers for violating consumers’ rights. The Consumer Protection Law also invalidates any provisions in consumer contracts limiting consumer rights provided by law.
- Federal Law No. 29-FZ “On Quality and Safety of Food Products” dated 2 January 2000, as amended (the “**Law on Quality and Safety**”), establishes the general framework for safeguarding the quality and safety of food products. The Law on Quality and Safety sets out general quality and safety requirements for manufacturing, packaging, storage, transportation and sale of food products as well as disposal or destruction of poor-quality and unsafe food products.
- Federal Law No. 52-FZ “On Sanitary and Epidemiological Welfare of the Population” dated 30 March 1999, as amended (the “**Law on Sanitary and Epidemiological Welfare**”), requires food products to meet certain sanitary standards. According to this law, food products that do not conform to established sanitary standards and represent a danger to customers must be withdrawn immediately from production and sale. The Law on Sanitary and Epidemiological Welfare also establishes the framework for the supervision of companies’ compliance with sanitary and epidemiological regulations.
- Federal Law No. 184-FZ “On Technical Regulation” dated 27 December 2002, as amended, establishes the legal framework for the development and enactment of state standards, as well as voluntary technical requirements, relating to manufacturing, use, storage, transportation, sale and utilisation of goods and for compliance with these standards and requirements, including mandatory certification procedures. Food products and non-food products sold by retailers are subject to either mandatory certification (e.g., children’s clothes, domestic radio-electronic equipment) or quality declaration (e.g., most food products and clothing).
- The Federal Law No. 135-FZ “On Protection of Competition” dated 26 July 2006, as amended (the “**Competition Law**”). See “*—Antimonopoly Regulation*” below.
- Federal Law No. 38-FZ “On Advertising”, dated 13 March 2006, as amended (the “**Advertising Law**”), imposes certain requirements for advertising of goods and services and prohibits unfair and misleading advertising.
- Federal Law No. 69-FZ “On Fire Safety” dated 21 December 1994, as amended, establishes the general legal framework of fire safety measures and provides for the general powers of state authorities to perform audits and check compliance by organisations with fire safety regulations.
- Federal Law No. 89-FZ “On Production and Consumption Waste” dated 24 June 1998, as amended, sets general rules for handling waste.

Import operations are subject to the provisions of the Customs Code of the Eurasian Economic Union adopted on 11 April 2017, which became effective on 1 January 2018 and relating to, among other matters, transportation of goods across the unified territory of the customs union of the Eurasian Economic Union, which is currently comprised of the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic and the Russian Federation (the “**Customs Union**”). The Customs Union also adopts technical regulations that include the requirements to the quality of imported goods, for example, the Technical Regulation of the Customs Union “On Safety of Packaging”, as amended, approved by Decision of the Customs Union Commission No. 769 dated 16 August 2011, the Technical Regulation of the Customs Union “On Safety of Perfume and Beauty Products”, as amended, approved by Decision of the Customs Union Commission No. 799 dated 23 September 2011, the Technical Regulation of the Customs Union “On Safety of Light Industry Products”, as amended, approved by Decision of the Customs Union Commission No. 876 dated

9 December 2011, the Technical Regulation of the Customs Union "On Safety of Food Products", as amended, approved by Decision of the Customs Union Commission No. 880 dated 9 December 2011 and the Technical Regulation of the Customs Union "On Safety of Products, Purposed for Children and Teenagers", as amended, and the Technical Regulation of the Customs Union "On Safety of Toys", as amended, both approved by Decision of the Customs Union Commission No. 797 dated 23 September 2011. The relevant products must undergo the necessary conformity check by the customs authorities, which is to be evidenced by the relevant mark.

Violation of any of the above laws could result in civil and administrative sanctions for non-complying companies and/or their managers. Criminal sanctions could also be imposed on non-complying managers for certain violations, including, violation of safety rules or the manufacture and sale of goods not in compliance with the appropriate labelling standards.

The Trade Law

The provisions of the Trade Law primarily relate to retail trade and trade of food products, and mainly aim to limit the ability of major food retail chains from taking advantage of their market position and exercise pressure on suppliers and small retailers. The Trade Law also regulates the use of a regional trade register for the purposes of public disclosure of information on suppliers and retailers and requires retailers to disclose their supply/purchase policies on their websites. The Trade Law does not apply to (i) foreign trade activities; (ii) trade at commodity exchanges; (iii) activities in connection with the sale of goods to end customers on retail markets; and (iv) trade in securities, real estate and production assets, including electric and heat power and other energy resources.

The Trade Law contains a set of general restrictions applying to all supplies of food products. For example, one aspect of the Trade Law is to cap the volume-based bonuses from suppliers to retailers at 5% of the original price agreed between the supplier and the retailer for food supplies while also providing that certain staples cannot be subject to such arrangements. In addition, the Trade Law limits the time for payment by retailers to suppliers for deliveries to 8, 25 or 40 days from the date of delivery (depending on the shelf life of the relevant food products).

Furthermore, the agreements for the supply of food products must not regulate promotional activities carried out by traders. Promotional activities of any kind (advertising, marketing, merchandising) may only be documented in a separate services agreement between the supplier and the retail chain. In addition, the purchase of food products under supply agreements may not be subject to such services agreements.

The Trade Law also sets out specific rules applicable to agreements for the supply of food products by retail chains. In this context, a retail chain means more than one retail store managed or franchised by the same entity or group. The Trade Law prohibits retail chains and their suppliers from (i) discriminatory actions; (ii) creating barriers to entry or exit in respect of a given market; (iii) violation of any applicable pricing rules; (iv) entering into commission-based contracts or other agreements containing commission fees elements for the purposes of sale of goods; (v) imposing on counterparties certain unfavourable conditions mainly related to pricing and exclusivity.

Moreover, the Trade Law also prohibits practices whereby a retailer would demand (i) a fee from a supplier to be an eligible supplier for the retailer, (ii) a fee for the right of a supplier to substitute supply with comparable food products or (iii) a supplier to compensate retailer expenses other than expenses arising from the supply agreements or associated with loss/damage of goods incurred following the transfer of rights thereto to the retail chain.

Furthermore, the Trade Law prohibits a retail company holding a market share exceeding 25% of the aggregate amount measured by cost of food products sold during the preceding financial year within a particular region, municipal area or city district in Russia from acquiring or leasing additional retail space within such territory.

Under the Trade Law, the Government is empowered to impose maximum retail prices for "socially important food products" for a period of up to 90 days when retail prices have increased over 30% within a 30-day period in the relevant Russian region. The list of these food products and the formula for determining maximum retail prices are set by the Russian Government. Such list contains 24 items and includes several products that the Group offers.

Recent amendments to the Trade Law provide that certain consumer goods sold in the Russian Federation must be marked with special identification marks containing individual information relating to the goods, and authorise the Russian Government to adopt lists of goods which are subject to special marking. Under the amendments, the Russian Government adopted Order No. 792-r, dated 28 April 2018, providing the list of goods which are subject to special marking which includes, among others, the product categories the Group offers: cigarettes, clothes, shoes and dairy products.

Technical Requirements

Russian legislation establishes technical requirements for the retail of goods. The key regulations are as follows:

- Sanitary and epidemiological rules and regulations No. 2.4.7/1.1.1286-03 "Hygienic requirements for clothing of children, teenagers and adults, children's goods and materials for the products contacting human skin", approved by Chief sanitary officer on 17 April 2003, as amended, establishes requirements to wear, clothing, linen, bags, toys and various other goods.
- Rules on Sale of Certain Categories of Goods (Russian Government Regulation No. 55 dated 19 January 1998, as amended) set out the requirements as to marking and labelling of certain goods that the Group offers, including food products, textile, cosmetics and parfum and household chemicals.

Regulation of Intellectual Property

The Civil Code of the Russian Federation, as amended (the "**Civil Code**"), generally provides for the legal protection of trademarks registered with Rospatent. In addition, in accordance with the Agreement Concerning the International Registration of Marks (Madrid, 1891) and protocols thereto, the Russian Federation protects trademarks registered with the Worldwide Intellectual Property Organisation if international registration of such trademarks extends to the Russian Federation. Upon the registration of a trademark, Rospatent issues a certificate of registration of the trademark, which is valid for ten years from the date on which the application for registration was filed. This term may be extended for another ten years an unlimited number of times. In the absence of registration (i) the entity using the designation may be not able to protect its trademark against unauthorised use by a third party; (ii) if a third party has previously registered a trademark similar to the designation in question, then the entity may be held liable for unauthorised use of such trademark. Transfer of intellectual property rights under the agreements for assignment of rights to a trademark, franchising agreements, licence agreements and pledge agreements are subject to registration with Rospatent. If the agreement is not registered, then, the transfer of intellectual property rights under the agreement is not valid.

Regulation of Real Estate

Set out below is the legal framework relating to land and other real estates in the Russian Federation.

State Bodies

In addition to the state bodies and their subdivisions having authority over general matters, a number of state bodies specifically regulate turnover and construction of real estate in the Russian Federation, including:

- The Federal Service for State Registration, Cadastre and Cartography (the "**Rosreestr**"), which maintains a Unified State Register of Immovable Property (the "**Real Estate Register**").
- The Ministry of Construction, Housing and Utilities of the Russian Federation, which is authorised to develop and implement state policy and regulations in the construction industry.
- Local authorities, which are authorised to issue the construction, reconstruction, replanning and operation permits.

Applicable Legislation

Russian legislation regulating the ownership and leasehold rights to real estate and real estate construction includes the following:

- the Civil Code;
- the Land Code of the Russian Federation, as amended (the "**Land Code**");
- the Town-Planning Code of the Russian Federation, as amended;
- Federal Law No. 218-FZ "On State Registration of Real Estate" dated 13 July 2015, as amended (the "**Real Estate Registration Law**");
- Federal Law No. 221-FZ "On Cadastral Activities" dated 24 July 2007, as amended; and

- certain other federal and regional laws and regulations

General Provisions

Starting from 1 January 2017 the Real Estate Register includes a cadastre, which contains the details of real estate, such as measurements, boundaries and other detailed characteristics, are recorded, and a register for the registration of title to real estate and transactions in relation to the registered real estate. As a general rule, only land plots with a state cadastre number may be subject to real estate transactions.

Land must be used in accordance with its categorised purpose and type of permitted use. All land is categorised as, for example, agricultural land, land for use by industrial enterprises, power companies and communication companies, land for military purposes, forestry land and reserved land (i.e., land which is owned by the state or municipalities and may be used only upon being transferred to other categories). In addition, land plots have a type of permitted use established in accordance with the local town-planning regulations. If there are no local town-planning regulations, types of permitted use are established by a resolution of government authorities, a lease agreement and a development plan for a land plot. Under the Land Code, land plots owned by the state or the municipalities generally may be sold or leased to Russian and foreign persons or legal entities. However, certain land plots owned by the state may not be sold or leased to the private sector and are referred to as "withdrawn from commerce" (for example, national parks and reserves and land used for military purposes are typically withdrawn from commerce).

Under Russian law, a land plot and any buildings constructed upon it may be owned by different persons, in which case the owner of the buildings may request that the owner of the land underneath the buildings creates a set of legal rights so that the owner of the buildings may access the land.

In addition, Russian law provides that real estate may be expropriated for "state or municipal needs". From 1 April 2015, a new law providing for the amendments to the Russian Land Code which simplify the procedure of expropriation came into force. The law sets forth a detailed outline of the expropriation procedure and provides, in particular, that the real estate rights holders (which includes landowners, users and tenants) are entitled to receive a copy of a decision on expropriation within 10 days after its adoption by the respective authority and full compensation upon execution of the agreement on expropriation of real estate. Such compensation for the expropriated real estate shall comprise the market value of the real estate or the rights related to the real estate, and any damages caused by expropriation, including the loss of profit. Registration of transfer of the ownership title to real estate is permitted only after full payment of the said compensation.

State Registration of Rights and Transactions Involving Real Estate

Rights and transactions that are subject to state registration in the Real Estate Register generally include, but are not limited to, the following: ownership rights to land plots, buildings, structures (including newly-built ones) and premises, transfers of title to real estate, certain encumbrances over real estate (including mortgages), and lease agreements regarding real estate for the term of at least one year. Rights to real estate and transactions therewith are registered by the Rosreestr. Rights to real estate that are subject to registration legally exist upon the relevant registration with the Real Estate Register. In absence of the state registration where such state registration is required, transactions with real estate have no legal effect for third parties and rights to real estate are not deemed to be valid. The only legal confirmation of registered title is an entry in the Real Estate Register, and such entry may be challenged in court only.

The Real Estate Register contains information about the registered real estate, including, among other things, a description of real estate, the owner's name and registered encumbrances on real estate. State registration with the Real Estate Register is evidenced by an extract from the Real Estate Register issued by the Rosreestr. Information from the Real Estate Register is publicly available for a small fee, and anyone may request general information on real estate in the form provided by law. In addition, certain information regarding real estate is available on the website of the Rosreestr. However, certain information on real estate (in particular, aggregated information on real estate owned by a certain entity or individual, or copies of the documents filed with the Rosreestr) may only be provided to the owner of such real estate and other persons provided by law.

Regulation of Real Estate Sales and Leases

Under the Civil Code, agreements with respect to the sale or leasing of real estate must expressly set out the details of the real estate sold/leased and the price of the sale or rent under the lease. The transfer of ownership under a real estate sale agreement is subject to state registration, whereas the sale agreement itself is not subject to state registration.

Lease agreements are subject to state registration, except for short-term lease agreements (i.e., leases for a term of less than one year) and preliminary lease agreements. Under the Civil Code, unregistered lease agreements are binding on the parties (provided that the lessor and the tenant agreed on all material terms of the lease and started performing the lease agreement), but cannot be enforced against any third parties.

As a general rule, the tenant has a pre-emptive right to renew a lease upon its expiry on the terms and conditions to be agreed upon between the parties. Under the Civil Code, both a landlord and a tenant may terminate an agreement unilaterally, either in a limited number of situations provided by the Civil Code (via a court procedure) or by the lease agreement itself (via court and out-of-court procedures).

Obligations of Land Plot Owners and Leaseholders

Persons holding rights to land plots and buildings are required to comply with federal, regional and local legislation, which includes, among others, environmental, public health, fire, construction and town-planning rules and regulations. Regional and municipal laws and regulations and agreements entered into with local and municipal authorities may provide for additional financial and other obligations, such as financing of local transportation and social infrastructure. The owner of a building will usually bear all liabilities that may arise in connection with the building, including ongoing maintenance and major repairs.

Antimonopoly Regulation

The Competition Law governs matters relating to promotion of competition in commodity markets and prevention and termination of monopolistic practices, unfair competition and other actions restricting competition. The Competition Law's restrictions on concerted actions and discrimination have been especially important for the Russian retail industry.

The compliance with the Competition Law's restrictions on concerted actions and discrimination is crucial for the Russian retail industry.

According to the Competition Law, concerted actions are actions taken in the absence of any agreement between market participants and meet the following criteria: (a) the result of such actions is in the interest of each concerting market participant; (b) such actions were known in advance to each of the market participants due to public announcement made by one of them regarding commitment of such actions; and (c) such actions are caused by market participants acting in concert and not by market circumstances equally affecting all economic entities in the respective market. Concerted actions are prohibited if they result or may result in, *inter alia*, (i) price fixing, discounts, extra charges or margins; (ii) coordination of auction bids; (iii) partition of a commodity market by territory, volume of sales or purchases, types of goods, customers or suppliers; (iv) reduction or termination of goods production; or (v) refusal to enter into contracts with certain buyers (customers). In addition, concerted actions are prohibited if they result or may result in restriction of competition by way of, among others, (x) imposing unfavourable contractual terms, (y) fixing disparate prices for the same goods, for reasons other than economic or technological reasons or (z) creating barriers to entering or exiting a market.

The Competition Law, as well as the Trade Law, prohibits retail companies from imposing on counterparties discriminating conditions for the entry into the market or making sales, such as establishing barriers to their entry into the market or disparate pricing.

The Competition Law, as well as the Law on Advertising, also restricts unfair competition in terms of information flow such as: (i) dissemination of false, inaccurate, or distorted information that may inflict losses on an entity or cause damage to its business reputation; (ii) misrepresentation with respect to the nature, method, and place of manufacture, consumer characteristics, quality and quantity of a commodity or with respect to its producers; (iii) incorrect comparison of the products manufactured or sold by it with the products manufactured or sold by other entities; (iv) sale of commodities in violation of intellectual property rights, including trademarks and brands; or (v) illegal receipt, use, and disclosure of information constituting commercial, official or other secret protected by law.

The FAS is the state body principally authorised to deal with and accordingly polices violations of the Competition Law, the Trade Law and the Advertising Law, such as cartels and concerted actions and coordination of business activities, anti-competitive economic concentration (including unlawful expansion of retail space in a market where the retailer has a 25% market share), unfair competition and unfair, inaccurate or misleading advertising.

Russian legislation vests ample powers in the FAS permitting it to take necessary actions, including to (i) initiate proceedings regarding violation of anti-monopoly legislation; (ii) issue orders or impose fines;

(iii) bring judicial actions to enforce the antimonopoly laws against companies and their officers, including, *inter alia*, through invalidating in full or in part any agreements that violate anti-monopoly law. Historically, FAS has fined a number of Russian retailers on the grounds of their wrongful discrimination against suppliers by way of (x) imposing unequal or unfair conditions on suppliers, (y) refusing to enter into supply agreements with willing and able suppliers thus creating barriers to the suppliers' access to the market or (z) tying their entry into marketing agreements with suppliers to the turnover of their goods.

Regulation of Employment and Labour

Employment and labour matters in the Russian Federation are regulated by the Labour Code, and certain other federal and regional laws and regulations as well as local acts.

Employment contracts

As a general practice, employment contracts in Russia are for indefinite terms. Russian labour legislation restricts entrance into term employment contracts with limited exceptions, such as senior management positions (and in practice, only general directors are usually subject to the possibility of immediate dismissal).

An employer may terminate an employment contract only on the basis of the specific grounds listed in the Labour Code, including:

- liquidation of a company or downsizing of staff;
- failure of the employee to comply with the position's requirements due to lack of professional qualification as evidenced by the results of an evaluation;
- systematic failure of the employee to fulfil his or her duties;
- any single gross violation by the employee of his or her duties; and
- provision by the employee of false documents prior to entry into the employment contract
- other grounds as stated in the Labour Code or other federal laws.

An employee dismissed due to downsizing or liquidation is entitled to receive compensation (including a severance payment) and, depending on the circumstances, salary payments for a certain period of time.

The Labour Code also provides protections for certain categories of employees. For example, except in cases of liquidation of an enterprise, an employer cannot dismiss pregnant women. Termination of employment contracts with mothers having a child under the age of three, single mothers having a child under the age of 14 or a disabled child under the age of 18 or other persons taking care of a child under the age of 14 or caring for a disabled child under the age of 18 without a mother is also not permitted except in certain cases provided for in the Labour Code, including liquidation of an enterprise, systematic failure of the employee to fulfil his or her duties or any single gross violation by the employee of his or her duties.

Any termination by an employer of an employment contract that is inconsistent with the Labour Code may be invalidated by a court, and the employee may be reinstated. Lawsuits resulting in the reinstatement of illegally-dismissed employees and the payment of damages for wrongful dismissal are increasingly frequent, and Russian courts often vindicate employees' rights. Where an employee is reinstated by a court, the employer must compensate the employee for unpaid salary for the period between the illegal termination and reinstatement.

Work time

The Labour Code sets the regular working week at 40 hours for most occupations. Any time worked beyond 40 hours per week, as well as work on public holidays and weekends, must be compensated at a higher rate. Annual paid vacation leave under the law is generally 28 days. Employees who perform work in harmful conditions may be entitled to additional paid vacation ranging from 7 to 36 working days.

Prior to 1 January 2019, the retirement age in the Russian Federation was generally 60 years for males and 55 years for females. Starting from 1 January 2019, the retirement age in the Russian Federation is being gradually raised from 60 to 65 years for men and from 55 to 60 years for women by 2028. At the same time, the retirement age thresholds applicable to certain categories of individuals have remained unchanged following the change in 2019.

Salary

The minimum salary in the Russian Federation, as established by federal law, is calculated on a monthly basis and is RUB 12,792 as of 1 January 2021.

Strikes

The Labour Code contemplates that workers may go on strike with the intention to settle a collective labour dispute. Russian legislation contains several requirements relating to legal strikes. Participation in a legal strike may not constitute a ground for terminating an employment contract, although employers are generally not required to pay salaries to striking employees.

Outsourced Staffing

On 1 January 2016, Federal Law No. 116-FZ, dated 5 May 2014, came into force, and it prohibits the use of outsourced staff, except for the temporary provision of employees by one employer to another under a labour (personnel) provision agreement from an accredited private employment agency, between affiliated parties or where there is a shareholder agreement. Private employment agencies may provide employees to legal entities for the purposes of performing work related to a temporary (up to nine months) increase in production or operations.

Due to the changes in legislation on outsourced staffing, most companies which provide temporary personnel to retail companies have replaced secondment agreements with agreements for the provision of services to formally comply with the law. The court practice on outsourced staffing is still developing, and there is a risk that relations between a retail chain and temporary staff may be requalified as employment relations, and as a result the retail chain and its officials may incur administrative penalties, including an administrative fine in the amount of up to RUB200,000. The retail chain, agencies and their officials, may incur penalties for breach of labour legislation where they provide staff not on the basis of a personnel outsourcing agreement, but rather on the basis of a services agreement.

Certain Matters of Russian Insolvency Law

Pursuant to the recent amendments to the Federal Law No. 127 FZ “On Insolvency (Bankruptcy)” of 26 October 2002 (the “**Insolvency Law**”) adopted as a part of the federal legislation package intended to prevent the spread of the new COVID-19 disease, the Government of the Russian Federation is entitled to introduce a moratorium on the initiation of insolvency proceedings by creditors in exceptional circumstances, such as nature or technology-related emergency events, significant fluctuations in the Russian Rouble exchange rate and similar circumstances. The Government of the Russian Federation enacted such moratorium by its Decree dated 3 April 2020 No. 428 in respect of Russian systemically important companies such as the Group. The insolvency moratorium was initially set to be in effect for a period of six months, from 6 April 2020 until 6 October 2020. However, its term may be extended by the Government of the Russian Federation if the circumstances giving rise to its introduction continue to persist. An entity covered by the bankruptcy moratorium may waive its application (and associated limitations of its rights and those of its creditors). According to the Insolvency Law, if the Government of the Russian Federation extends the term of the moratorium this waiver ceases to have effect. The Group has not published a waiver of its right to use the benefits of the moratorium.

Recent Legislative Developments

On 1 October 2019, Federal Law No. 191-FZ, dated 18 July 2019, implementing class actions lawsuits, came into force. Under the said law, a group of consumers, consisting of 20 persons or more, may bring class actions against retailers, and other consumers may join to the claim under a facilitated procedure.

DIRECTORS, MANAGEMENT AND CORPORATE GOVERNANCE

The Company is currently in the process of changing its corporate governance practices and appointing new members to the Board of Directors, in order to align its corporate governance to international practices. It is expected that the new form of the Company's M&A (the "**Amended M&A**") will be adopted prior to or around 10 March 2021.

Board of Directors & Supervisory Board

The Company is currently governed by the shareholders' general meeting, a supervisory board of directors (the "**Supervisory Board**") and a board of directors (the "**Board of Directors**").

As of the date of the Registration Document, the Board of Directors of the Company comprises a sole director, Ms. Christina Michailidou, whose date of birth is 23 October 1968 and who has been a member of the board of directors since 11 July 2017. The business address for the Board of Directors is Commerce House, Wickhams Cay I, P.O. Box 3140, Road Town, Tortola, VG1110, BVI.

The Company also currently has a Supervisory Board, the current membership of which is described below. It is expected that the Supervisory Board will be abolished and a new Board of Directors will be established at the Company and a number of changes will be implemented with respect to its governance arrangements upon adoption of the Amended M&A, from which time the Company's Board of Directors will comprise 7 directors, 3 of whom will be independent non-executive directors.

The following table sets out the name, date of birth and year of appointment of each member of the Supervisory Board of the Company as of the date of this Registration Document.

Name	Date of birth	Year of appointment	Title
Sergey Lomakin	23 August 1973	2016	Member
Artem Khachatryan	3 January 1975	2016	Member
Dmitry Kirsanov	12 October 1973	2016	Member
Alexey Makhnev(1)	24 May 1976	2016	Member
Maksym Klimov	16 September 1973	2020	Observer

(1) Alexey is the brother of Anton Makhnev, the Group's CFO.

The business address for each member of the Supervisory Board in his/her capacity as a director of the Company is Commerce House, Wickhams Cay I, P.O. Box 3140, Road Town, Tortola, VG1110, BVI.

It is expected that upon adoption of the Amended M&A, the Supervisory Board will be abolished and the Company's Board of Directors will comprise of the following:

Sergey Lomakin

Mr. Sergey Lomakin together with Mr. Artem Khachatryan founded the Group in 2007. Mr. Lomakin served on the supervisory board of the Company since 2016. Mr. Lomakin will be appointed as a member of the Board of Directors prior to or around 10 March 2021. Mr. Lomakin has a significant experience in the Russian retail sector based on a long track record of investments in, and management of, retail businesses in Russia. His previous experience in the retail sector includes foundation and management of the Russian food and non-food retail chain Kopeika. In the last 20 years Mr. Lomakin had a number of leadership roles in the retail sector, including as CEO of Kopeika Group from 2002 till 2007. In 2003, Mr. Lomakin received an MBA degree in general management from the Academy of National Economy under the Government of the Russian Federation. Mr. Lomakin graduated from Moscow State Mining University in 1997.

Artem Khachatryan

Mr. Artem Khachatryan together with Mr. Sergey Lomakin founded the Group in 2007. Mr. Khachatryan served on the supervisory board of the Company since 2016. Mr. Khachatryan will be appointed as a member of the Board of Directors prior to or around 10 March 2021. Mr. Khachatryan has over 20 years of experience in the retail industry, being one of the founders of the Russian food and non-food retail chain Kopeika and acting in various managerial capacities in the Russian retail sector, including as the logistics department director of Kopeika Group from 1999 until 2007. Mr. Khachatryan graduated from the Moscow State Mining University in 1997.

Dmitry Kirsanov

Mr. Dmitry Kirsanov has acted as General Director (CEO) of LLC Best Price, the Group's principal operating subsidiary, since 2007. Mr. Kirsanov will be appointed as a member of the Board of Directors prior to or around 10 March 2021. Mr. Kirsanov has over 20 years of experience in retail industry. He previously worked as a sales executive officer at Kopeika from 1999 until 2007 and, prior to that, from 1994 until 1997, at Coffee Trade Company and Soft Pro. Mr. Kirsanov holds management degrees from the Open University of the U.K. and the International Business Academy received in 2002 and 2003, respectively. Mr. Kirsanov also underwent studies under the MBA-Synergy programme of the Plekhanov Russian University of Economics in 2007.

Alexey Makhnev

Mr. Alexey Makhnev will be appointed as a Non-Executive Director of the Company prior to or around 10 March 2021. He served on the supervisory board of the Company since 2016. Mr. Makhnev has almost two decades of expertise and experience with the Russian consumer and retail sector. He was vice-president, corporate finance at UFG/Deutsche Bank from 2003 till 2007 and from 2007 till 2009—executive director, investment banking at Morgan Stanley. Mr. Makhnev also held various management positions at VTB Bank and currently serves as senior vice president and adviser to the first deputy chairman of VTB Bank (PJSC) and vice chairman of VTB Capital. Mr. Makhnev is a member of the board of directors of PJSC Magnit, PJSC M.Video and PJSC LSR Group. Mr. Makhnev graduated from Saint Petersburg State University of Economics and Finance in 1998 and completed post graduate study on equity markets in 2001.

In addition to the above members of the Board of Directors, it is expected that upon adoption of the Amended M&A, the Company will appoint to the Board of Directors up to three independent and non-executive directors, expected to be the following:

- Alexander Tynkovan;
- Gregor Mowat; and
- Elena Titova.

Alexander Tynkovan

Mr. Alexander Tynkovan will be appointed as an Independent Director of the Company prior to or around 10 March 2021. Mr. Tynkovan is a prominent business leader in the Russian retail industry. Mr. Tynkovan and his partners founded M.Video, a leading consumer electronics retailer in Russia, in 1993. Alexander remained the permanent CEO of the company until 2020, taking the company public in 2007. Upon strategic sale of M.Video to Safmar Group, he became the President of M.Video and Member of the Board, remaining in charge of merger with Eldorado and its integration into M.Video's omni-channel business model. Currently Alexander remains the Member of the Board and Head of Strategy Committee of the M.Video-Eldorado Group, fostering digitalization and growing online presence. From 2008 to 2015, Alexander was a member of the supervisory board of X5 Retail Group N.V. Mr. Tynkovan graduated from the Moscow Power Engineering Institute in 1992.

Gregor Mowat

Mr. Gregor Mowat will be appointed as an Independent Director of the Company prior to or around 10 March 2021. Mr. Mowat spent more than 20 years working in the audit and accounting profession, mainly with KPMG. With a principal focus on banking and financial services clients, he also covered other sectors including oil and gas and natural resources. In 2011, Mr. Mowat was appointed CFO of KPMG in Russia and CIS, a role he held until 2016 and which required him to take responsibility for all the support functions in a multijurisdictional professional services firm with 4,000 staff. In 2013, in addition to his CFO responsibilities, Mr. Mowat was appointed Managing Partner of KPMG in Kazakhstan, growing the business significantly in a challenging economic environment. After being part of the team that set up and implemented new corporate governance rules for KPMG in Russia and CIS, including being a founding member of the Board of Partners, in 2016, Mr. Mowat joined his family in the UK where he co-founded LOQBOX, a financial inclusion FinTech with a mission to end financial exclusion globally. Mr. Mowat also serves on the board of directors, inter alia, at PJSC Magnit, PIK GROUP and JSCB "AK BARS". Mr. Mowat graduated from Durham University with a degree in English Literature and Language in 1994. He was admitted as a Member of the Institute of Chartered Accountants of Scotland in 1998.

Elena Titova

Ms. Elena Titova will be appointed as an Independent Director of the Company prior to or around 10 March 2021. Ms. Titova has over 22 years of experience in investment banking. She is currently an independent member of the Supervisory Board of the "Bank Otkritie Financial Corporation" (Public Joint-Stock Company), a member of the Supervisory Board of Bank Trust, independent member of the Board of Directors of Qiwi Plc, and also a partner and chairperson of the Advisory Board of ICONIC, a block-chain integrator. In 1990-1993 Ms. Titova worked as an international markets specialist at W.R. Grace & Co. (USA). Between 1994 and 1998, Ms. Titova held a number of positions in New York and London offices of Goldman Sachs. In 1998-2006 she headed the Moscow office of Goldman Sachs. In 2006 Ms. Elena Titova joined Morgan Stanley in Moscow as Head of Investment Banking Division and then became a President and General Director of Morgan Stanley Bank in Russia and a member of its Board of Directors. In 2012-2013 Ms. Titova was a President and Chairperson of the Management Board of the Russian Regional Development Bank. In 2014-2018, Ms. Titova was Chief Executive Officer of UBS Bank, Moscow, Russia, as well as a member of its Board of Directors, and Country Head for Russia at UBS. Ms. Titova graduated in 1990 from the Lomonosov Moscow State University with a degree in economics. In 1994, she received an MBA from Kellogg Business School, Northwestern University, IL (USA).

Senior Management

As at the date of this Registration Document, the Group's senior management (the "**Senior Management**") consists of the following members:

Name	Year of birth	Year of appointment	Position
Dmitry Kirsanov	1973	2007	General Director (CEO)
Anton Makhnev	1985	2018	Chief Financial Officer (CFO)
Valery Ryazanov	1967	2007	Sales Director
Inna Kondratyeva	1977	2013	Head of Category Management
Oleg Shtainagel	1972	2008	Logistics Director
Vladimir Pogonin	1969	2019	Real Estate Director
Victoria Smirnova	1985	2012	Head of Marketing
Anton Maximenko	1978	2009	Head of HR
Marina Kroshkina	1966	2007	Chief Accountant
Elena Ivanova	1977	2017	Director of Controlling Department
Irina Osipova	1964	2007	Chief Treasurer
Oleg Lexin	1977	2013	Head of IT
Andrey Zaykin	1974	2009	Head of Security

The business address for each member of Senior Management of LLC Best Price in such capacity is 7 1-Y Botkinskii proezd, building 1, 125284 Moscow, Russia.

A short summary of the qualifications and certain other information in relation to each member of Senior Management is set out below:

Dmitry Kirsanov

See "*—Board of Directors & Supervisory Board*" for a brief biography of Dmitry Kirsanov.

Anton Makhnev

Mr. Anton Makhnev was appointed Chief Financial Officer (CFO) of LLC Best Price in 2018. Prior to this appointment, he served as a director of corporate finance and investor relations at LLC Best Price. Before joining the Group, from 2013 until 2017, Mr. Makhnev worked as a purchasing director at a major Russian retail chain Magnit in Krasnodar, Russia, and from 2007 until 2013, across various capital markets and investment banking divisions at Morgan Stanley in London, U.K. He graduated from the Saint-Petersburg State University of Economics and Finance in 2007.

Valery Ryazanov

Mr. Valery Ryazanov was appointed as the Sales Director of LLC Best Price in 2007. Prior to this appointment, from 1999 until 2007, he held various positions at Kopeika, including as a sales manager and an executive director. Mr. Ryazanov graduated from the Moscow Commercial University in 1994 with a degree in economics and management.

Inna Kondratyeva

Ms. Inna Kondratyeva was appointed as the Head of Category Management of LLC Best Price in 2013. Prior to this appointment, from 2008 until 2013 she worked as a marketing director and as a category manager from 2007 until 2008 at LLC Best Price. Prior to her joining the Group, from 2004 until 2007, Ms. Kodratyeva served at various positions at the category management function of Kopeika. Ms. Kondratyeva graduated from the Orel State University in 2000 and from the Moscow Transport Institute in 2002 and also received a MBA degree from the Moscow University of Economics and Finance "Synergy" in 2008.

Oleg Shtainagel

Mr. Oleg Shtainagel was appointed as the Logistics Director of LLC Best Price in 2007. Prior to this appointment, from 1999 until 2007, he held various positions at Kopeika. Mr. Shtainagel graduated from the Moscow State University of Civil Aviation in 1996 with a degree in engineering and from the Moscow Academy of Entrepreneurship of the Moscow Government in 2003 with a degree in economics.

Vladimir Pogonin

Mr. Vladimir Pogonin was appointed as the Real Estate Director of LLC best Price in 2019. Prior to this appointment, from 2011 until 2018, he served as a sales director at Monetka (here and below in this section "*Directors, Management and Corporate Governance*", "Monetka" refers to the Russian retail chain Monetka that was owned by Sergey Lomakin and Artem Khachatryan and operated in Moscow and the Moscow region). During the period from 2000 to 2011, Mr. Pogonin was involved in setting up Kopeika's franchising project and served as general director of Kopeika's franchisee partner company. Mr. Pogonin graduated from the Serpukhov Higher Military Engineering School of Missile Forces in 1991 with a degree in cybernetic engineering.

Victoria Smirnova

Ms. Victoria Smirnova was appointed as the Head of Marketing of LLC Best Price in 2012. Prior to this appointment, from 2009 until 2012, she occupied various positions at LLC Best Price, including as an advertisement manager, leading advertisement specialist and the chief of the marketing department. Ms. Smirnova graduated from the Moscow State University of Economics, Statistics and Informatics in 2007 with a degree in brand management, the Moscow Technological Institute in 2013 with a MBA degree in marketing and sales and the National Research University Higher School of Economics in 2017 with a master's degree in psychological analysis and psychoanalytic business consulting.

Anton Maximenko

Mr. Anton Maximenko was appointed as the Head of HR of LLC Best Price in 2009. Prior to this appointment, from 2001 until 2007, he served at various HR positions at Kopeika, including as the head of its HR function. Mr. Maximenko graduated from the Bauman Moscow State Technical University in 2001 with a degree in economics and management and from the Plekhanov Russian University of Economics in 2005 with a degree in strategic management.

Marina Kroshkina

Ms. Marina Kroshkina was appointed as the Chief Accountant of the Group in 2007. Prior to this appointment, from 2004 until 2006, she served as the chief accountant at Kopeika and, from 2006 until 2007, as a chief accountant at Adidas. Ms. Kroshkina graduated from the Mari State Technical University in 1988 with a degree in radiotechnology and in 1998 with a degree in accounting.

Elena Ivanova

Ms. Elena Ivanova was appointed as a Director of Controlling Department of LLC Best Price in 2017. She previously served as a chief controller of LLC Best Price starting from 2009. Prior to her joining the Group, from 1999 until 2007, she held various positions within the financial planning function of companies comprising the Pharmstandard group, and in 2007, she also worked as a controller at the retail chain Monetka. Ms. Ivanova graduated from the Mari State Technical University in 1999 with a degree in management and, also holds a Ph.D. in economics from this university received in 2006.

Irina Osipova

Ms. Irina Osipova was appointed as the Chief Treasurer of LLC Best Price in 2007. Before joining the Group from 2004 until 2007 she served as the head of cash transactions department at Kopeika. Ms. Osipova graduated from the Turkmen State Institute of Economics and Management in 1981.

Oleg Lexin

Mr. Oleg Lexin was appointed as the Head of IT of LLC Best Price in 2013. Prior to this appointment, from 2007 until 2010, he worked at the Russian retail chain Monetka as the head of technical support centre within the company's IT function, and from 2005 until 2007, he held various positions at Kopeika, including as the head of projects within the company's IT function. Mr. Lexin graduated from the Moscow Engineering Physics Institute in 1999.

Andrey Zaykin

Mr. Andrey Zaykin was appointed as the Head of Security of LLC Best Price in 2009. Prior to this appointment, from 2000 until 2007, he held various senior positions at Kopeika's transportation and logistics functions, including as the head of the company's transport logistics department. From 2007 until 2017, Mr. Zaykin also held a part-time role as the head of business support at the Russian retail chain Monetka. Mr. Zaykin graduated from the Moscow State University of Environmental Engineering in 2008 with a degree in economics and management.

Other Directorships

Except for their directorships of the Company and its subsidiaries described above and as set out below with respect to the Non-Executive Director and Independent Directors of the Board of Directors, none of the Directors and members of the Senior Management hold or have held any directorships or are or have been partners of any partnerships, within the past five years:

Name	Current directorships/partnerships	Previous directorships/partnerships
Alexey Makhnev	—PJSC Magnit —PJSC LSR Group —PJSC M.Video	—
Alexander Tynkovan	—PJSC M.Video —LLC Marketplace (goods.ru)	—X5 Retail Group N.V. —LLC Eldorado *(position was held in connection with the merger with M.Video Group)* —Norateno Holding Limited *(private holding vehicle)* —Starwolf Limited *(private holding vehicle)*
Gregor Mowat	—PJSC Magnit —PIK GROUP —JSCB "AK BARS" —Nord Gold SE —Nooli UK Limited and group companies —Credit Improver Limited —LOQBOX Savings Limited —DDC Financial Solutions Limited —LOQBOX US INC —LOQBOX Savings LLC —LOQBOX Finance LLC	—British Chamber of Commerce in Kazakhstan —Caldera Capital Limited
Elena Titova	—Qiwi Plc —NB TRUST —"Bank Otkritie Financial Corporation" (Public Joint-Stock Company) —ICONIC	—OOO UBS Bank

Corporate Governance

As at the date of this Registration Document, the Company is implementing a number of changes to its governance structure. The Company is not subject to the provisions of the U.K. Corporate Governance Code. The ultimate corporate governance arrangements are mainly determined by the Group taking into account the requirements under the BCA. While the BCA imposes certain general duties on company directors (including fiduciary duties to act honestly, in good faith and in the best interests of the company and duties of care and skill), there is no specific corporate governance code or corporate governance regime in the BVI.

Committees

Upon adoption of the Amended M&A, it is expected that the Board of Directors will establish an audit committee, a nomination and remuneration committee and a strategy committee, with the responsibilities stated below. From time to time, further committees may be established by the Board of Directors.

Audit Committee

The audit committee will assist the Board of Directors with the review of the Group's internal and external audit activities, including the review of internal control systems, compliance with financial reporting requirements, and the scope, results and cost effectiveness of external audit. This committee is expected to consist of 3 directors: Gregor Mowat (independent, chairman), Elena Titova (independent) and Alexey Makhnev, each with financial experience.

Nomination and Remuneration Committee

The nomination and remuneration committee will make recommendations to the Board of Directors as regards the appointment of new directors, working to identify, interview and select candidates with suitable industry or key competency experience, and assessing the independence of such candidates. The committee will also review senior management appointments and company-wide succession planning and other human resources related matters. It will also assist the Board of Directors in discharging its responsibilities in relation to remuneration, including reviewing the Group's overall compensation policy, making proposals to the Board of Directors as to the remuneration of the directors of the Company and of the Group's Senior Management. This committee is expected to consist of 3 directors: Alexander Tynkovan (independent, chairman), Gregor Mowat (independent) and Elena Titova (independent).

Strategy Committee

The strategy committee will assist the Board of Directors with analysis of strategic issues related to the management of the Group, monitoring the strategic management issues of the Group, consideration of M&A and large investment projects. Upon adoption of the Amended M&A, this committee is expected to consist of 3 directors: Alexander Tynkovan (independent, chairman), Sergey Lomakin and Alexey Makhnev.

Compensation of Directors and Senior Management

The aggregate amount of remuneration (including contingent or deferred compensation) the Group paid, and benefits in kind the Group granted, to the members of the Board of Directors, Supervisory Board and Senior Management for services in all capacities provided to the Group in 2020, 2019 and 2018 was RUB 1,556 million, RUB 1,063 million and RUB 385 million. There is no amount set aside or accrued by the Company for the purposes of providing retirement or similar benefits to such persons.

Service and Employment Contracts

The Group expects to enter into service contracts (or letters of undertaking) with the members of the Board of Directors to be appointed with effect from the adoption of the Amended M&A, which will set forth their compensation and a summary of their duties and responsibilities. The members of the Senior Management have entered into employment contracts with LLC Best Price, which set forth their compensation and contain standard terms and conditions (including as to severance and other benefits typically granted) in compliance with Russian law.

No benefits are payable upon termination to the members of the Board of Directors, the Supervisory Board and the Senior Management, other than payments required by their employment contracts.

Conflict of Interest

Other than as described above under "*—Board of Directors& Supervisory Board*", there are no actual or potential conflicts of interest between the duties that any member of the Board of Directors or the Supervisory Board owes to the Company and such member's private interests or other duties.

Litigation Statement about Directors and Senior Management

At the date of this Registration Document, none of the members of the Board of Directors, the Supervisory Board or of the Senior Management has in the previous five years:

- has had any convictions in relation to fraudulent offences;
- has been a member of the administrative, management or supervisory bodies of any company, or been a partner in any partnership, at the time of or preceding any bankruptcy, receivership or liquidation; or
- has been subject to official public incrimination or sanction by a statutory or regulatory authority (including a professional body) nor has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of a company.

PRINCIPAL SHAREHOLDERS

As of the date of this Registration Document, the number of Shares was 50,000 all of which have been issued on a fully paid-up basis.

Principal Shareholders

The following table sets forth the ownership of the Shares of the Company as at the date of this Registration Document.

Name of Shareholder	Number of Shares	% of Shares
Luncor Overseas S.A[(1)].	20,777	41.55%
SBP Foundation[(2)]	13,254	26.51%
LF Group DMCC [(2)]	7,523	15.05%
Eristelon Holdings Ltd[(3)]	101	0.20%
Samonico Holdings Ltd[(4)]	4,972	9.94%
GLQ International Holdings Ltd[(5)]	2,000	4.0%
Senior Management		
Dmitry Kirsanov[(6)]	761	1.52%
Anton Makhnev	61	0.12%
Vladimir Pogonin	50	0.10%
Valery Ryazanov	46	0.09%
Inna Kondratyeva	46	0.09%
Oleg Shtaynagel	46	0.09%
Andrey Zaykin	23	0.05%
Victoria Smirnova	23	0.05%
Oleg Lexin	23	0.05%
Anton Maximenko	23	0.05%
Elena Ivanova	22	0.04%
Irina Osipova	22	0.04%
Marina Kroshkina	22	0.04%
Senior Management as a group	1,168	2.34%
Other shareholders[(7)]	205	0.41%

Notes:

(1) The Shares held of record by Luncor Overseas S.A., a company incorporated in the BVI, are beneficially owned by Artem Khachatryan.

(2) The Shares held of record by each, SBP Foundation, a foundation formed in the Principality of Liechtenstein, and LF Group DMCC, a company incorporated in the United Arab Emirates, are beneficially owned by Sergey Lomakin.

(3) Eristelon Holdings Ltd is a company incorporated in the BVI jointly controlled by Artem Khachatryan and Sergey Lomakin through Luncor Overseas S.A. and SPB Foundation, respectively.

(4) The Shares held of record by Samonico Holdings Ltd, a company incorporated in Cyprus, are beneficially owned by Alexander Vinokurov, Maxim Ostapchuk, Natalia Solozhentseva and Sergei Zakharov.

(5) GLQ International Holdings Ltd, a Jersey company, is an indirect wholly owned subsidiary of The Goldman Sachs Group, Inc.

(6) Dmitry Kirsanov, General Director (CEO) of LLC Best Price, holds 100 Shares directly and 661 Shares through Barcensia Enterprises Ltd, a company incorporated in the BVI controlled by Dmitry Kirsanov.

(7) The other shareholders in the Company comprise certain other persons, including former employees of the Group, with ownership of less than 1%.

None of the Company's shareholders has voting rights different from those of any other shareholder in the Company.

The Company is not aware of any shareholder which owns a majority of the Shares or could exercise control over the Company, or of any existing arrangements the operation of which may at a subsequent date result in a change in control of the Company.

RELATED PARTY TRANSACTIONS

The following is an overview of the Group's transaction with related parties as at the dated indicated below. The Group's financial information set forth herein has, unless otherwise indicated, been extracted without material adjustment from the Financial Statements.

According to IFRS, parties are considered to be related if one party has the ability to control the other party, is under common control with, or exercises significant influence over, the other party's financial or operational decisions, or if a person is a member of the key management personnel of the reporting entity, as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, one must consider the substance of the relationship, not merely the legal form. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. Management considers that the Group has appropriate procedures in place to identify, account for and properly disclose transaction with related parties.

Related parties include immediate and ultimate shareholders of the Group, franchisees where the Group has a non-controlling ownership stake, as well other related parties under common control.

Transactions with related parties for the year ended 31 December 2020, 2019 and 2018:

	Year ended 31 December		
	2020	2019	2018
	(in millions of Russian Roubles)		
Associates:			
Sales of goods	2,449	2,935	5,329
Royalty fees	100	120	215
Other[(1)]:			
Dividends declared	(27,963)	(11,745)	(5,992)
Payment of dividends	(12,395)	(7,054)	(2,344)
Loans issued	—	(110)	(3,985)
Repayment of loans receivable	—	107	358

Note:

(1) Other related parties comprise immediate and indirect shareholders of the Company.

In 2018 some the Group's trade and other receivables were redeemed through a series of non-cash transactions. The details are disclosed in the comparative consolidated statement of cash flows for the year ended 31 December 2018 in the section entitled "Non-cash transactions" of the 2019 Financial Statements.

As at 31 December 2020, 31 December 2019 and as at 31 December 2018 the outstanding balances with related parties were as follows:

	Year ended 31 December		
	2020	2019	2018
	(in millions of Russian Roubles)		
Associates:			
Trade and other payables	—	—	(472)
Trade and other receivables	14	15	200
Advances from customers	(111)	(133)	(105)
Other[(1)]:			
Dividends payable	20,312	4,329	—

Note:

(1) Other related parties comprise immediate and indirect shareholders of the Company.

Purchase of assets from associate

In 2018, the Group entered into an agreement with one of its associates and franchisees, LLC "Best Price Novosibirsk", for the acquisition of store leases, trade equipment and inventories relating to substantially all stores operated by the franchisee. Overall in 2018 the Group acquired 133 stores from the franchisee for cash consideration of RUB 1,538 million. The carrying amounts of assets recognised by the Group related to this purchase were as presented.

	Cost
	(in millions of Russian Roubles)
Property, plant and equipment (trade equipment)	162
Intangible assets (store lease acquisition costs)	965
Inventory	411
Total purchases from related parties	**1,538**

For details on the remuneration of key management personnel please refer to Note 25 to the 2020 Financial Statements and Note 25 to the 2019 Financial Statements.

DESCRIPTION OF SHARE CAPITAL AND CERTAIN REQUIREMENTS OF BVI LEGISLATION

Incorporation and Registered Office

The Company was incorporated in the British Virgin Islands pursuant to the BCA on 26 May 2008 under the name Meridan Management Ltd with Company Number 1483801. On 18 November 2020, the Company changed its name to Fix Price Group Ltd.

The liability of the members of the Company is limited.

The registered office of the Company is at Commerce House, Wickhams Cay I, P.O. Box 3140, Road Town, Tortola, VG1110, BVI and its telephone number is +1 284 852 1000.

Description of Shares (Authorised and Issued)

The Company is authorised to issue an unlimited number of Shares with no par value. The Company currently has 50,000 issued and fully paid-up Shares. There are no partly-paid Shares in issue. The Shares are issued in registered form.

The following table sets out the changes in the Company's issued shares that have occurred from the date of the Company's incorporation up to the date of this Registration Document:

Year of change	Type of shares	Type of change	Number of shares	Total number of shares after change
2008	Ordinary	Issuance	50,000	50,000

Save as disclosed in the table above, since the Company's incorporation, there has been no issue of Shares, fully or partly paid, either in cash or for other consideration, and no such issues are proposed. No Shares (issued or authorised but unissued) or shares of any of the Company's subsidiaries are under option or agreed conditionally or unconditionally to be put under option. As of the date of this Registration Document, the Company holds no Shares in treasury.

BVI Law

The Company is a BVI business company limited by shares (a "**BVICo**") and is subject to BVI law. Certain key aspects of BVI law as it relates to BVICos are summarised below, although this is not intended to provide a comprehensive review of the applicable law.

Shares

Subject to the BCA and to the memorandum and articles of association of a company, the directors of a BVICo have the power to offer, allot, issue, grant options over or otherwise dispose of shares in a BVICo. There are no statutory pre-emption rights applicable in respect of any issuance of shares (although pre-emption rights may be included in the articles of association of a BVICo). A BVICo may amend its memorandum of association to increase, divide, combine or decrease its authorised or issued shares.

Financial Assistance

Financial assistance to purchase shares of a BVICo or its holding company is not prohibited or controlled under BVI law. However, such assistance may constitute a distribution under the BCA and therefore require that the directors determine that, immediately following the grant of the assistance, the BVICo will be able to pay its debts as they fall due and that the value of the company's assets will exceed its liabilities (the "**Solvency Test**").

Purchase of Own Shares

Subject to satisfaction of the Solvency Test, the BCA and the provisions of its memorandum and articles of association, a BVICo may purchase, redeem or otherwise acquire its own shares.

Dividends and Distribution

Subject to the provisions of its memorandum and articles of association, the directors of a BVICo may declare dividends in money, shares or other property provided they determine that, immediately after the dividend, the company will satisfy the Solvency Test.

Protection of Minorities

BVI law permits derivative and class actions by shareholders. In addition, shareholders may bring actions for breach of a duty owed by a BVICo to him as shareholder or bring an action requiring the company and/or the director to comply with the BCA or the memorandum or articles of association. The BCA also contains protections for shareholders against unfair prejudice, oppression and unfair discrimination.

Management

Subject to the provisions of its memorandum and articles of association, a BVICo is managed by its board of directors, each of whom has authority to bind the company. A director is required under BVI law to act honestly and in good faith and in what the director believes to be in the best interests of the BVICo, and to exercise the care, diligence and skill that a reasonable director would exercise, taking into account but without limitation, (i) the nature of the company, (ii) the nature of the decision and (iii) the position of the director and the nature of the responsibilities undertaken by him. Under BVI law, shareholder approval is only required for a limited number of matters, including certain mergers, consolidations, schemes of arrangement, plans of arrangement and certain types of liquidation.

Accounting and Audit

A BVICo is obliged to keep financial records that (i) are sufficient to show and explain the company's transactions and (ii) will, at any time, enable the financial position of the company to be determined with reasonable accuracy. There is no statutory requirement to audit or file annual accounts unless the BVICo is engaged in certain business requiring a licence under BVI law. The Company does not have or require any such licence, and it is not anticipated that the Company's activities would require such a licence in the future.

Exchange Control

BVICos are not subject to any exchange control regulations in the BVI.

Stamp Duty

No stamp duty is payable in the BVI in respect of instruments relating to transactions involving shares or other securities in BVICos that do not hold an interest in land situated in the BVI. As of the date of the Registration Document, the Company does not hold any interest in land situated in the BVI, and it is not currently anticipated that any such interest will be acquired in the future. See "*Taxation—BVI Tax Considerations*".

Loans to and Transactions with Directors

Under BVI law, a transaction entered into by a BVICo in which a director is interested is voidable unless (i) such interest is disclosed to the board of directors prior to the company entering into the transaction or (ii) it is not required to be disclosed as it is a transaction between the company and the director entered into in the ordinary course of the company's business and on usual terms and conditions. Furthermore, a transaction entered into by a company in respect of which a director is interested is not voidable by the company if (i) the material facts of the interest of the director in the transaction are known by the shareholders entitled to vote at a meeting of shareholders and the transaction is approved or ratified by a resolution of shareholders or (ii) the company received fair value for the transaction, which is determined on the basis of the information known to the company and the interested director at the time that the transaction was entered into.

Redemption of Minority Shares

The BCA provides that, subject to its memorandum and articles of association, shareholders holding 90% or more of all the voting shares in a BVICo may instruct the BVICo to redeem the shares of the remaining shareholders. The BVICo is then required to redeem the shares of the minority shareholders, whether or not the shares are by their terms redeemable. The BVICo must notify the minority shareholders in writing of the redemption price to be paid for the shares and the manner in which the redemption is to be effected. In the event that a minority shareholder objects to the redemption price to be paid and the parties are unable to agree the redemption amount payable, the BCA sets out a mechanism whereby the shareholder and the BVICo may each appoint an appraiser, who will together appoint a third appraiser, and all three appraisers will have the power to determine the fair value of the shares to be compulsorily redeemed. Pursuant to the BCA, the determination of the three appraisers shall be binding on the BVICo and the minority shareholder for all purposes.

Inspection of Corporate Records

Shareholders of a BVICo are entitled to inspect a BVICo's memorandum and articles of association, its register of members (shareholders), its register of directors and the shareholder resolutions of the company on giving written notice to the company. However, the directors may refuse inspection or limit inspection rights (except a request to inspect the BVICo's memorandum and articles of association) on the grounds that inspection would be contrary to the interests of the BVICo.

The only corporate records generally available for inspection by members of the public are those required to be maintained with the BVI Registrar of Corporate Affairs (the "**BVI Registry**"), namely the certificate of incorporation and memorandum and articles of association together with any amendments thereto. A BVICo may elect to file with the BVI Registry a copy of its register of members and may also file particulars of charges and other security interests created over the BVICo's assets, but this is not required under BVI law. The original or a copy of a BVICo's register of members, register of directors and register of charges must be kept at the office of the BVICo's registered agent. These may be inspected with the BVICo's consent or in limited circumstances pursuant to a court order.

Winding-up and Insolvency

BVI law makes provision for both voluntary and compulsory winding-up of a BVICo, and for appointment of a liquidator.

The shareholders or, if permitted by the BVICo's memorandum and articles of association, the directors may resolve to wind up a solvent BVICo voluntarily. In either case, the directors must prepare a plan of liquidation which (except in limited circumstances) must be approved by the shareholders.

A BVICo and any creditor may petition the court pursuant to the BVI Insolvency Act, 2003, for the winding-up of a BVICo upon various grounds, including, *inter alia*, that the BVICo is unable to pay its debts or that it is just and equitable that it be wound up.

Takeovers

BVI law does not include provisions governing takeover offers analogous to those set out in the U.K. City Code on Takeovers and Mergers (the "**City Code**").

Mergers

The BVI has a statutory merger and consolidation regime as set out in the BCA. Generally, the merger or consolidation of a BVICo requires approval by both its shareholders and its board of directors. However, a BVICo parent company may merge with one or more BVI subsidiaries without shareholder approval. Shareholders dissenting from a merger are entitled to payment of the fair value of their shares unless the BVICo is the surviving company and the shareholders continue to hold the same or similar shares in the surviving company. BVI law permits BVICos to merge with companies incorporated outside the BVI, provided the merger is lawful under the laws of the jurisdiction in which the non-BVI company is incorporated.

Under BVI law, a domestic statutory merger or consolidation may take the form of one or more existing companies merging into, and being subsumed by, another existing company (being the surviving company) or the consolidation of two or more existing companies into, and being subsumed by, a new company. In either case, with effect from the effective date of the merger, the surviving company or the new consolidated company assumes all of the assets and liabilities of the other entity(ies) by operation of law and the other constituent entities cease to exist.

Under BVI law, a merger can result in the compulsory cancellation of a shareholder's shares, although in such circumstances a shareholder will have the right to demand fair value for its shares. In the event that a minority shareholder objects to the merger consideration and the parties are unable to agree a price, the BCA sets out a mechanism whereby the shareholder and the BVICo may each appoint an appraiser, who will together appoint a third appraiser and all three appraisers will have the power to determine the fair value of the shares to be cancelled. Pursuant to the BCA, the determination of the three appraisers shall be binding on the BVICo and the minority shareholder for all purposes.

M&A

The Company is in the process of implementing changes to its governance arrangements, including adopting an amended version of its M&A. The key provisions of the Amended M&A that the Company plans to adopt are summarised below.

Subject to the BCA and BVI law, the Company has, irrespective of corporate benefit, full capacity to carry on or undertake any business or activity, do any act or enter into any transaction and full rights, powers and privileges for those purposes.

Share Rights

Save as described below under "*—Variation of Rights*", the Company is presently authorised to issue an unlimited number of Shares. Each such Share confers upon the holder:

- the right to one vote at a meeting of shareholders or on any written resolution of the shareholders;
- the right to an equal share in any dividend paid by the Company; and
- the right to an equal share in the distribution of the surplus assets of the Company on its liquidation.

The Board has the power to amend the Amended M&A to create and issue additional classes of shares, including shares having preferred rights to the Shares.

Variation of Rights

The rights attaching to any Shares may not be varied without the consent of the holders of more than a simple majority of the issued Shares or with the sanction of a resolution passed by a simple majority of the votes cast at a separate meeting of the holders of the Shares.

Should the Company wish to vary the rights of any existing class of shares or issue a new class of shares with different rights or of a different class, then the Company would be required, amongst other things, to amend the M&A to reflect those new rights. See "*—Amendment of M&A*".

The rights conferred upon the holders of the Shares shall not be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith or in priority thereto.

Amendment of M&A

The Amended M&A can be amended by a resolution of the shareholders or by a resolution of the Board of Directors, subject to certain statutory limitations.

Authority to Issue Shares and Pre-emption

Save as described in the two paragraphs below, Shares may be offered, allotted and issued, and options to acquire the same may be granted, at such times, to such persons, for such consideration and on such terms as the Board of Directors may determine. There are no statutory pre-emption rights applicable in respect of any issuance of shares, nor have pre-emption rights been incorporated in the Amended M&A. The Board also has the power to amend the Amended M&A to create and issue additional classes of shares, including shares having preferred rights to the Shares, and the issuance of such additional classes of shares would not be subject to any pre-emption rights.

Purchase of Own Shares

The Company may by resolution of the Board of Directors purchase, redeem or otherwise acquire and hold any of its own Shares save that the Company may not purchase, redeem or otherwise acquire its own Shares without the consent of the shareholder whose Shares are to be purchased, redeemed or otherwise acquired unless the Company is permitted by the BCA or any other provision in the Amended M&A to purchase, redeem or otherwise acquire the Shares without such consent. Generally, purchase or redemption of shares by a company without consent of the relevant shareholder is permitted only where the terms of the shares afford the company such a right or the shares are subject to a right of forfeiture or may be compulsorily redeemed pursuant to section 176 of the BCA. See "*—BVI Law—Redemption of Minority Shares" and "Forfeiture*". A redemption, repurchase or other acquisition of Shares is not required to be made on a pro rata basis and may be effected in respect of some or all Shares of a shareholder and on one or more occasions.

Share Certificates, Depository Interests

Except if requested to issue a share certificate to a depositary (or its nominee), the Company will not otherwise issue certificates in respect of any of its Shares. However, a shareholder may request the Company to provide the shareholder with an extract from the Company's register of members showing the shareholder's shareholding.

The directors shall, subject always to any applicable laws and regulations and the facilities and requirements of any relevant system concerned, have power to implement and/or approve any arrangements they may think fit in relation to the evidencing of title to and transfer of interests in Shares in the form of depository interests or similar interests, instruments or securities.

Forfeiture

If a shareholder fails to make payment in respect of any amount due to the Company in respect of Shares issued to him following a call notice from the Company requiring him to do so, then those Shares may be subject to forfeiture by the Company. Any such call notice shall name a further date (not being earlier than 14 calendar days from the date of service of the notice) on or before which the payment is to be made and shall include a statement that in the event of non-payment at or before the time named in the call notice, the Shares, or any of them, in respect of which payment has not been made, will be liable to be forfeited.

Transfer of Shares

Shares may be transferred by a written instrument of transfer signed by the transferor and containing the name and address of the transferee, which instrument shall be sent to the Company for registration.

The Board of Directors may, in its absolute discretion, refuse to register the transfer of a Share that is not fully paid, provided that where any such Shares are admitted to trading or listing, this discretion may not be exercised so as to prevent dealings in partly paid or nil paid Shares generally or disturb the market in Shares.

The Board of Directors may also, subject to the rules of any relevant system (such as CREST), refuse to register a transfer of Shares (whether fully paid or not) in favour of more than four persons jointly or made to or by an infant or person who has been declared legally incompetent.

Mandatory Offer Requirements

The City Code on Takeovers and Mergers will not apply to the Company, nor will the Company be subject to the jurisdiction of the Panel on Takeovers and Mergers in the United Kingdom (the "**Takeover Panel**"). However, the Amended M&A provide that a person acquiring Shares in circumstances where such would take such person's total holding of or interest in voting rights in the Company (taken together with persons acting in concert with such proposed purchaser) (i) to 30% or more of the total of such rights, or (ii) where a proposed purchaser (taken together with persons acting in concert with such proposed purchaser) already has an interest of 30% or more, but not more than 50% of the voting rights in the Company, to more than such existing voting rights, such person must make a cash offer on the same terms to all holders of Shares to purchase all of their Shares at a price per Share not less than the highest price paid by the proposed purchaser (or any person determined by the Board of Directors to be acting in concert with them) in the 12 months immediately preceding the date of the offer or during the offer period, subject to such adjustment and/or determination by the Board of Directors as the Board of Directors may determine is fair and reasonable in the circumstances (but, for the avoidance of doubt, ignoring any price payable pursuant to section 179 of the BCA). Unless otherwise approved by a committee consisting solely of two or more of the Independent Directors (an "**Independent Committee**"), the offer to purchase the Shares of the other shareholders may be conditional only on the purchaser (together with persons acting in concert with it) receiving such number of acceptances as would result in the purchaser (together with persons acting in concert with it) having more than 50% of the voting rights in the Company.

The Amended M&A further provide that (i) transfers of Shares between the Founder Parties, (ii) any acquisition of an interest in Shares (including, without limitation, by means of entry into a voting arrangement) by a Founder Party from any other Founder Party, and (iii) transfers or issues of Shares to any Founder Party or any acquisition of an interest in Shares (including, without limitation, by means of entry into a voting arrangement) by a Founder Party, provided that, prior to such transfer, issue or acquisition, such Founder Party has an interest in Shares that (taken together with the interests in Shares held by all other Founder Parties) carries 50% or more of the voting rights in the Company, are exempted from the mandatory offer requirements. "**Founder Party**" means the significant shareholders Artem Khachatryan and Sergey Lomakin, Luncor

Overseas S.A., SBP Foundation, LF Group DMCC, Eristelon Holdings Ltd and any entity controlled, individually or jointly, by any of the foregoing.

A mandatory offer is not required solely as a result of a person's interest in Shares bearing an increased percentage of the voting rights in the Company due to a Share acquisition by the Company or its subsidiaries or a surrender of shares to the Company.

The mandatory offer requirement discussed above is broadly based on the offer provisions of the City Code, albeit that an Independent Committee (rather than the Takeover Panel) would monitor and administer compliance with these requirements. The Independent Committee also has the power to require the provision of information from anyone holding an interest in Shares. Where a mandatory offer is not made or information is not provided, in breach of these requirements, the Board of Directors may impose sanctions regarding the voting and distribution rights of the defaulter's interest in Shares, and the ability of the defaulter to transfer his interests in Shares and suspend other rights relating to the shares.

The Amended M&A also provide that where any person (taken together with any person acting in concert with it) acquires or contracts to acquire pursuant to a general offer such number of (or interest(s) in) Shares that would together with any other Shares or interests in Shares held by that person (and persons acting in concert with him) carry 90% or more of the voting rights in the Company, that person may require any remaining shareholders who have not already accepted the offer, to do so. The right to compulsorily acquire the Shares of persons who have not accepted an offer as described above is in addition to the statutory right of any person holding 90% or more of the Shares, whether acquired pursuant to such an offer or otherwise, to require the redemption of the Shares of the remaining minority. See "*—BVI Law—Redemption of Minority Shares*".

Disclosure Requirements

Any person who, at any time, owns, holds or has interest(s) in Shares (directly or indirectly) representing five per cent. (5%) or more of the Shares of the Company outstanding from time to time is required: (a) to notify the Company of the number of shares and other securities relating to the Company held by the relevant shareholder; (b) to notify the Company of any increases or decreases in the percentage of Shares held or owned by such shareholder (or in which such shareholder is interested) of one per. cent (1%) or more and (c) to give such further information as may be required by the Company. The Company may, by notice in writing require a person whom the Company knows to be or has reasonable cause to believe is or, at any time during the past 3 (three) years to have been interested in Shares to provide certain prescribed information, including details of the interest held and information about any other persons who have interests in the Shares. If any shareholder is in default in supplying to the Company the information required by the Company within the prescribed period, the Board of Directors may impose sanctions on the shareholder and suspend the rights of the relevant shares (including the voting and distribution rights).

Shareholder Meetings

An annual general meeting of the Company shall be held in each year (in addition to any other meetings of shareholders which may be held in that year). Not more than 18 months shall elapse between the date of one annual general meeting and the next.

At least 10 calendar days' notice of any meeting of the shareholders, or 21 calendar days' notice in respect of the annual general meeting, shall be given to shareholders (although a meeting of the shareholders convened without such notice shall be valid is shareholders holding at least 90% of the total voting rights on all the matters to be considered at the meeting have waived notice of the meeting).

The Board of Directors, when convening a meeting of shareholders, may fix as the record date for determining those shareholders that are entitled to vote at the meeting the date notice is given of the meeting, or such other date as may be specified in the notice, being a date not earlier than the date of the notice.

If the Board of Directors determines it is prudent for the health and safety of any participant, the Board may prohibit Members from physically attending a meeting of Members and only allow attendance to the meeting by telephone or other electronic means (provided all Members participating in the meeting are able to hear each other).

Upon the written request of a shareholder or shareholders entitled to exercise thirty per cent (30%) or more of the voting rights in respect of the matter for which the meeting is requested, the Board of Directors shall convene a meeting of shareholders.

For a meeting of shareholders to be quorate, there must, at the commencement of the meeting, be present in person or by proxy shareholders entitled to exercise at least thirty per cent (30%) of the votes on the matters to be considered at the meeting. If within thirty minutes from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of shareholders, shall be dissolved; in any other case it shall stand adjourned to the next calendar day at the same time and place, and if at the adjourned meeting a quorum is not present within thirty minutes from the time appointed for the meeting the meeting shall be dissolved.

To be passed or adopted, a resolution of shareholders must be either (i) approved at a duly convened and constituted meeting of the shareholders by the affirmative vote of a majority of the votes of the Shares entitled to vote thereon which were present at the meeting and were voted or (ii) consented to in writing by shareholders holding a majority of the votes of Shares entitled to vote thereon, in each case subject to other specific or special majority and procedural requirements as laid down by the BCA or the Amended M&A.

Company Sale of Assets

Section 175 of the BCA, which would otherwise require shareholder approval for disposals by the Company of more than 50% of its assets outside the ordinary course, has been disapplied under the Amended M&A (as permitted by BVI law) so that no such approval is required.

Directors

The business and affairs of the Company shall be managed by, or under the direction or supervision of, the Board of Directors, which has all the powers necessary for managing, and for directing and supervising, the business and affairs of the Company. The directors may exercise all such powers of the Company not required by the BCA or the Amended M&A to be exercised by the shareholders. See "*Directors, Management and Corporate Governance*".

Interests of Directors

A director of the Company who is interested in any contract, arrangement or transaction entered into or to be entered into by the Company must, disclose the interest to all other directors of the Company, unless the transaction or proposed transaction (a) is between the director and the Company and (b) is to be entered into in the ordinary course of the Company's business and on usual terms and conditions. An interest of which a director has no knowledge and of which it is unreasonable to expect him to have knowledge is not treated as his interest.

A director of the Company, notwithstanding his office:

(a) may hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of director and on such terms as to remuneration and otherwise as the Board of Directors may arrange;

(b) may enter into or otherwise be interested in a contract, arrangement or transaction with the Company or in which the Company is otherwise interested which cannot reasonably be regarded as likely to give rise to a conflict of interest;

(c) may be a shareholder or director or other officer of or employed by or a party to a contract, transaction, arrangement or proposal with or be otherwise interested in a company: (i) promoted by the Company or in which the Company is otherwise interested; or (ii) in relation to which it cannot reasonably be regarded as likely that a conflict of interest will arise;

(d) may enter into or otherwise be interested in a contract, arrangement, transaction the entry into which by that director was authorised by the shareholders or the Board; and

(e) unless otherwise agreed, and subject to compliance with the BCA, is not liable to account to the Company for any remuneration, profit or other benefit received by him by virtue of such office, employment, contract, arrangement or transaction and no such contract, arrangement or transaction shall be liable to be avoided on the grounds of any such interest or benefit.

A director who is interested in a contract, arrangement or transaction entered into or to be entered into by the Company may vote on a matter relating to the contract, arrangement or transaction, attend a meeting of directors at which a matter relating to the contract, arrangement or transaction arises and be included among the directors present at the meeting for the purposes of a quorum and sign a document on behalf of the Company, or do any other thing in his capacity as director that relates to the contract, arrangement or transaction.

However, the Company shall not enter into or agree to any related party transaction (as defined in the FCA's Listing Rules) unless such transaction has been approved by an Independent Committee, provided that approval of the Independent Committee is not required if (a) it is a transaction made in the ordinary course of business of the Company or any of its subsidiaries; or (b) the fair value of the transaction (including a series of connected transactions) does not exceed five million United States Dollars (US$5,000,000).

Dividends and Other Distributions

The Board of Directors may authorise a distribution (including by way of dividend) at a time and of an amount it thinks fit if it is satisfied, on reasonable grounds, that, immediately after the distribution, the value of the Company's assets will exceed its liabilities and the Company will be able to pay its debts as they fall due (such test being a repeat of the statutory Solvency Test).

Dividends may be paid in money, debentures, shares or other property. The Company may pay any dividend, interest or other amount payable in cash by cheque, dividend warrant or money order or by direct debit or a bank or other funds transfer system or by such other method as the relevant shareholder may by notice direct. In respect of Shares (or interests in Shares) traded on relevant system(s), the Company may also pay any such dividend, interest or other amount and send electronic tax vouchers in respect of any such dividend interest or other amount by means of the relevant system concerned.

Notice in writing of any dividend that may have been declared shall be given to each shareholder, and all dividends unclaimed for three years after notice has been given to the shareholder may be forfeited for the benefit of the Company. No dividend shall bear interest against the Company.

See "*Dividend Policy*" for discussion of the Company's dividend policy.

Liquidation

For so long as the Company is solvent, it may (subject to the BCA) appoint a voluntary liquidator by a resolution of the shareholders and by a resolution of the Board of Directors.

Indemnity

The Company shall indemnify against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred in connection with legal, administrative or investigative proceedings any person who:

- is or was a party or is threatened to be made a party to any threatened, pending or completed proceedings, whether civil, criminal, administrative or investigative, by reason of the fact that the person is or was a director of the Company; or
- is or was, at the request of the Company, serving as a director of, or in any other capacity is or was acting for, another company or a partnership, joint venture, trust or other enterprise,

provided that the person in question acted honestly and in good faith with a view to the best interests of the Company and, in the case of criminal proceedings, the person had no reasonable cause to believe that his conduct was unlawful.

INDEPENDENT AUDITORS

The consolidated financial statements as at and for the year ended 31 December 2020, as at and for the year ended 31 December 2019, and as at and the year ended 31 December 2018 included in this Registration Document have been audited by AO Deloitte & Touche CIS, independent auditors, as stated in their reports appearing herein (the "**Independent Audit Reports**"). The address of AO Deloitte & Touche CIS is 5 Lesnaya Street, Moscow 125047, Russian Federation. AO Deloitte & Touche CIS is a member of the Russian Self-regulated organisation of auditors "Sodruzhestvo". AO Deloitte & Touche does not have a material interest in the Company.

GENERAL INFORMATION

The Company was incorporated in the British Virgin Islands under the BCA on 26 May 2008 under the name Meridan Management Ltd with Company Number 1483801 and its registered office at Commerce House, Wickhams Cay I, P.O. Box 3140, Road Town, Tortola, VG1110, BVI. On 18 November 2020, the Company changed its name to Fix Price Group Ltd.

The Company accepts responsibility for the information provided in this Registration Document. Having taken all reasonable care to ensure that such is the case, the Company declares, to the best of its knowledge, that the information in this Registration Document is in accordance with the facts and contains no omission likely to affect its import.

Significant Change

There has been no significant change in either the financial performance or the financial position of the Group since 31 December 2020, being the end of the last financial period for which financial information has been published.

Working Capital

In the opinion of the Company, the working capital available to the Group is sufficient for the Group's present requirements, that is, for at least the next 12 months following the date of this Registration Document.

Legal Proceedings

In the ordinary course of its business activities, the Group is regularly involved in legal proceedings, both as a claimant and as a defendant. These proceedings are routine matters of labour and other laws, and do not have a significant impact on the Group's business.

During the 12 months preceding the date of this Registration Document, there have been no governmental, legal or arbitration proceedings (nor any such proceedings which are pending or threatened of which the Company is aware), which may have, or have had in the recent past significant effects on the Company's and/ or the Group's financial position or profitability.

Significant Subsidiaries

The following table sets out the Group's principal subsidiaries by category of operations, as well as the Group's ownership interest therein (which is in all cases equal to the Group's voting rights) as at 31 December 2020:

Subsidiary Name	Country of Incorporation	Type of Operations	Registered Office
LLC Best Price	Russia	Retail and wholesale operations	11 Pobedy street, Khimki, 141401 Moscow Region, Russia
LLC Best Price Export	Russia	Export operations	11 Pobedy street, Khimki, 141401 Moscow Region, Russia
LLP Best Price Kazakhstan	Kazakhstan	Retail operations	14 Beibitshilik street, office 302, Saryarka district, 010000 Nur-Sultan, Kazakhstan
FE LLC FIXPRICEASIA	Uzbekistan	Retail operations	SODIQ AZIMOV KO'CHASI, 79-UY, Mirabadsky district, Tashkent, Uzbekistan
LLC Fix Price Zapad	Belarus	Retail operations	51 Korolya street, premises 13, offices 13-14, 220004 Minsk, Belarus
Kolmaz Holdings Ltd	Cyprus	Intermediate holding company	Arch. Makariou, III, 155 PROTEAS HOUSE, 5th floor, 3026 Limassol, Cyprus

Documents Available for Inspection

Copies of the following documents will be available for inspection free of charge at https://ir.fix-price.com/, and, during normal business hours on any weekday, at the registered offices of the Company for the term of the Registration Document:

(a) the Registration Document;

(b) the M&A of the Company;

(c) the Financial Statements;

(d) the Vector Study; and

(e) the Oliver Wyman Report.

DEFINITIONS

"Adjusted EBITDA"	profit for the respective year adjusted for income tax expense, interest expense, interest income, depreciation and amortisation expense, and foreign exchange gain/(loss) (net)
"Adjusted EBITDA Margin"	Adjusted EBITDA for the relevant year divided by revenue for such year expressed as a percentage
"Adjusted Net Debt/(Cash)"	Net Debt/(Cash) adjusted for dividends payable to shareholders at the end of the relevant period
"Adjusted Net Debt/(Cash) to Adjusted EBITDA"	Adjusted Net Debt/(Cash) at the end of the relevant year divided by Adjusted EBITDA for the respective year
"Advertising Law"	Federal Law No. 38-FZ "On Advertising", dated 13 March 2006, as amended
"Average sales density"	total retail revenue during the relevant period divided by the average selling space for that period
"Average selling space"	total selling space of the stores operated by the Group divided by the total number of stores operated by the Group
"Average ticket"	total retail sales, including VAT, at all stores operated by the Group during the relevant period divided by the number of tickets in that period
"BCA"	the BVI Business Companies Act, 2004, as amended
"Board"	the Board of Directors of the Company
"brick-and-mortar retailer"	a physical store that sells goods and services directly to customers
"BVI"	the British Virgin Islands
"BVICo"	BVI business company limited by shares
"BVI Registry"	the BVI Registrar of Corporate Affairs
"CAATSA"	Countering America's Adversaries Through Sanctions Act
"CAGR"	compound annual growth rate
"Capital Expenditure"	cash flow related to the acquisition of property, plant and equipment and capital advances and the acquisition of intangible assets for the relevant year
"CBR"	the Central Bank of Russia
"CBW Act"	the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991
"CFC"	controlled foreign companies
"City Code"	the City Code on Takeovers and Mergers
"Civil Code"	the Civil Code of the Russian Federation, as amended
"Company" or "Issuer"	Fix Price Group Ltd.
"Competition Law"	Federal Law No. 135-FZ "On Protection of Competition" dated 26 July 2006, as amended
"Consumer Protection Law"	Federal Law No. 2300-1 "On Protection of Consumers' Rights" dated 7 February 1992, as amended
"Customs Union"	the customs union of the Eurasian Economic Union, which is currently comprised of the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic and the Russian Federation

"**DTT**"	double tax treaty
"**EBITDA**"	profit for the respective year adjusted for income tax expense, interest expense, interest income, depreciation and amortisation expense
"**ERP**"	enterprise resource planning
"**ES Act**"	the Economic Substance (Companies and Limited Partnerships) Act, 2018
"Euro" or "€"	the single currency of the participating member states in the Third Stage of the European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time
"**EUWA**"	the European Union (Withdrawal) Act 2018
"FAS"	the Russian Federal Antimonopoly Service
"FCA"	the Financial Conduct Authority of the U.K.
"Financial Statements"	the Group's audited consolidated financial statements for the year ended 31 December 2020, the Group's audited consolidated financial statements for the year ended 31 December 2019 and the Group's audited consolidated financial statements for the year ended 31 December 2018, each prepared in accordance with IFRS as issued by the International Accounting Standards Board
"FSMA"	the Financial Services and Markets Act 2000 of the U.K.
"Founder Party"	the Significant Shareholders Artem Khachatryan and Sergey Lomakin, Luncor Overseas S.A., SBP Foundation, LF Group DMCC, Eristelon Holdings Ltd and any entity controlled, individually or jointly, by any of the foregoing
"franchise stores" or "stores operated by franchisees"	the stores operated by the Group's franchisees on the basis of franchising arrangements entered into with the Group
"Government"	the Government of the Russian Federation
"Gross store openings"	stores opened by the Group within a period
"Group" or "Fix Price"	the Company and its consolidated subsidiaries, taken as a whole
"IAS 17-Based Adjusted EBITDA"	profit for the respective year adjusted for income tax expense, interest expense, interest income, depreciation and amortisation expense, and foreign exchange gain/(loss) (net) and further adjusted for the removal of IFRS 16 adoption impacts by deducting rent expense and associated non-lease components net of variable lease costs and costs of leases of low-value items
"IAS 17-Based Adjusted EBITDA Margin"	IAS 17-Based Adjusted EBITDA for the relevant year divided by revenue for such year expressed as a percentage
"IAS 17-Based Adjusted Net Debt/(Cash)"	Adjusted Net Debt/(Cash) adjusted for the removal of IFRS 16 adoption impacts by excluding total current and non-current lease liabilities
"IAS 17-Based Adjusted Net Debt/(Cash) to IAS 17-Based Adjusted EBITDA"	IAS 17-Based Adjusted Net Debt/(Cash) at the end of the relevant year divided by IAS 17-Based Adjusted EBITDA for the respective year

"IAS 17-Based Non-IFRS Measures"	the Group's Non-IFRS Measures that are presented on the basis of IFRS provisions existing prior to the adoption of IFRS 16 "Leases" on 1 January 2019, i.e. as if IAS 17 "Leases"—a leases accounting standard that was superseded by IFRS 16—was still applied
"IAS 17-Based Operating Lease Expenses"	the operating lease expenses for a given year adjusted for the removal of IFRS 16 adoption impacts by adding in rent expense net of variable lease costs and costs of leases of low-value item recognised before adoption of IFRS 16
"IAS 17-Based Selling, General and Administrative Expenses (IAS 17-Based SG&A Expenses)" .	the selling, general and administrative expenses for a given year adjusted for the removal of IFRS 16 adoption impacts by adding in rent expense and associated non-lease components net of variable lease costs and costs of leases of low-value items, amortisation of lease rights recognised before adoption of IFRS 16 and deducting amortisation of right-of-use assets
"IFRS"	International Financial Reporting Standards as issued by the International Accounting Standards Board
"IFRS 16"	IFRS 16, "Leases" standard, issued by the International Accounting Standards Board
"Independent Audit Reports"	the consolidated financial statements as at and for the year ended 31 December 2020, as at and for the year ended 31 December 2019, and as at and the year ended 31 December 2018 included in this Registration Document have been audited by AO Deloitte & Touche CIS, independent auditors, as stated in their reports appearing herein
"Invested Capital"	total (deficit)/equity plus total current and non-current loans and borrowings plus total current and non-current lease liabilities plus dividends payable less cash and cash equivalents at the end of the relevant year
"Law on Quality and Safety"	Federal Law No. 29-FZ "On Quality and Safety of Food Products" dated 2 January 2000, as amended
"Law on Sanitary and Epidemiological Welfare"	Federal Law No. 52-FZ "On Sanitary and Epidemiological Welfare of the Population" dated 30 March 1999, as amended
"Land Code"	the Land Code of the Russian Federation No. 136-FZ, dated 25 October 2011, as amended
"LEI"	Legal Entity Identifier
"LFL" or "like-for-like"	sales and other data: the Group distinguishes between sales, average ticket and traffic attributable to new stores and sales, average ticket and traffic attributable to existing stores. The Group considers the sales, average ticket and traffic attributable to stores operating less than 12 full calendar months to be sales, average ticket and traffic attributable to new stores. Like-for-like sales growth is a measure of growth in retail sales (including VAT) from the stores operated by the Group that have been in operation for at least 12 full calendar months, but excludes prior year sales of stores closed during the 12-month period and excludes store sales for those months in which respective stores were not operating for seven days or more. Like-for-like average ticket and like-for-like traffic are calculated using the same methodology as like-for-like sales.

"M&A"	the memorandum of association and articles of association of the Company
"MLI"	the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS
"Net Debt/(Cash)"	the total current and non-current loans and borrowings plus total current and non-current lease liabilities less cash and cash equivalents at the end of the relevant year
"Net store openings"	stores opened by the Group and/or its franchisees (as applicable) less stores closed by the Group and/or its franchisees (as applicable) within a period
"Non-IFRS Measures"	EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Capital Expenditure, Net Debt/(Cash), Adjusted Net Debt/(Cash), Adjusted Net Debt/(Cash) to Adjusted EBITDA and ROIC, as well as IAS 17-Based Adjusted EBITDA, IAS 17-Based Adjusted EBITDA Margin, IAS 17-Based Net Income, IAS 17-Based Adjusted Net Debt/(Cash), IAS 17-Based Adjusted Net Debt/(Cash) to IAS 17-Based Adjusted EBITDA, IAS 17-Based SG&A Expenses and IAS 17-Based Operating Lease Expenses
"NPV"	net present value
"OECD"	the Organisation for Economic Co-operation and Development
"OFAC"	the U.S. Treasury Department's Office of Foreign Assets Control
"Oliver Wyman"	Oliver Wyman LLC
"Oliver Wyman Report"	industry report entitled "Variety Value Retail Market Study in Russia", dated 20 December 2020, prepared by Oliver Wyman at the request of the Company
"Operating Profit less Income Tax Expense"	operating profit less income tax expense for the relevant year
"payback period"	the time required for the cumulative cash flow on an investment to repay the sum of the original investment
"PEESA"	the Protecting Europe's Energy Security Act of 2019
"periods under review"	years ended 31 December 2020, 2019 and 2018
"Prospectus Regulation"	Regulation (EU) 2017/1129
"Prospectus Regulation Rules"	prospectus regulation rules of the FCA made in its capacity as the competent authority under Part VI of the FSMA, as amended
"Real Estate Register"	the Unified State Register of Real Estate
"Real Estate Registration Law"	Federal Law No. 218-FZ "On State Registration of Real Estate" dated 13 July 2015, as amended
"rent expense and associated non-lease components net of variable lease costs and costs of leases of low-value items"	(1) rent expense net of variable lease costs and costs of leases of low-value items and (2) associated non-lease components net of variable costs
"Report"	report of the U.S. Department of Treasury issued on 29 January 2018 listing senior Russian political figures and wealthy Russian businessmen
"retail sales" of the Group	the Group's retail revenue, including VAT
"ROIC"	return on invested capital, calculated as Operating Profit less Income Tax Expense divided by Average Invested Capital for a

	given period where Average Invested Capital for a given period is calculated by adding the Invested Capital at the beginning of a year to Invested Capital at year's end and dividing the result by two
"Rosreestr"	the Federal Service for State Registration, Cadastre and Cartography
"Russia" or "Russian Federation" . .	the Russian Federation
"Russian Government"	the government of the Russian Federation
"Shareholders"	owners of Shares
"Shares"	ordinary shares of the Company
"SKU"	stock keeping unit, or a number assigned to a particular product to identify the price, product options and manufacturer of the merchandise
"stores operated by the Group"	the stores operated directly by the Group, which do not include franchise stores
"sq. m."	square metre(s)
"Takeover Panel"	the Panel on Takeovers and Mergers in the United Kingdom
"th."	thousand(s)
"Ticket"	the receipt issued to a customer at a store operated by the Group for his/her basket (the amount spent by a customer on a shopping trip)
"Total selling space"	the area inside the stores operated by the Group and/or its franchisees (as applicable) used to sell products, and excludes storage areas
"Trade Law"	Federal Law No. 381 "On Fundamentals of the State Regulation of Trade in the Russian Federation", dated 25 December 2018, as amended
"Traffic"	the number of tickets issued by stores operated by the Group for the period under review
"unaided brand awareness"	a measure of the number of people who express knowledge of a brand or product without being assisted
"unique"	in relation to products to refer to special features of its merchandise that differentiate it from similar products offered by other retailers in terms of design, appearance, taste, weight, value and other characteristics or a combination thereof
"U.K. " or **"United Kingdom"**	the United Kingdom of Great Britain and Northern Ireland
"U.K. Prospectus Regulation"	the Prospectus Regulation, as it forms part of domestic law in the United Kingdom by virtue of EUWA
"U.S." or **"United States"**	the United States of America
"U.S. Dollar or US$"	the currency of the United States of America
"Variety Value Retail" or "VVR" . . .	a market of low-price products in all major non-food categories and includes certain categories of food, sold both offline and online
"VAT"	value added tax
"Vector"	LLC Marketing Agency Vector
"Vector Study"	the Research on Target Audience of Fix Price Stores in Cities with Population of over One Million in the Autumn 2020, prepared by Vector at the request of LLC Best Price, the Company's principal operating subsidiary

"WHO"	the World Health Organisation
"WMS"	WMS Logistic, a warehousing management system
"2020 Financial Statements"	the Group's audited consolidated financial statements for the year ended 31 December 2020
"2019 Financial Statements"	the Group's audited consolidated financial statements for the year ended 31 December 2019
"2018 Financial Statements "	the Group's audited consolidated financial statements for the year ended 31 December 2018

INDEX TO FINANCIAL STATEMENTS

Fix Price Group Ltd.

Consolidated Financial Statements
for the Year Ended 31 December 2020
and Independent Auditor's Report

FIX PRICE GROUP LTD.

CONTENTS

FIX PRICE GROUP LTD.

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Management is responsible for the preparation of the consolidated financial statements of Fix Price Group Ltd. (the "Company") and its subsidiaries (the "Group") that fairly present the consolidated financial position of the Group as at 31 December 2020 and its consolidated results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") ("IFRS").

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

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

Management is also responsible for:

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

The consolidated financial statements of the Group for the year ended 31 December 2020 were approved by management on 4 February 2021.

On behalf of management:

Christina Michailidou

Christina Michailidou
Director

AO Deloitte & Touche CIS
5 Lesnaya Street
Moscow, 125047,
Russia

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Fix Price Group Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of Fix Price Group Ltd. and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated statements of comprehensive income, cash flows, and changes in equity for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing adopted by the Republic of Cyprus ("ISA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AO Deloitte & Touche CIS

4 February 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020
(in millions of Russian Roubles)

	Note	2020	2019
Revenue	6	190,059	142,880
Cost of sales	7	(128,544)	(96,919)
Gross profit		**61,515**	**45,961**
Selling, general and administrative expenses	8	(34,932)	(27,879)
Other operating income		291	334
Share of profit of associates, net		49	39
Operating profit		**26,923**	**18,455**
Interest income		376	194
Interest expense		(1,125)	(1,040)
Foreign exchange gain/(loss), net		136	(74)
Profit before tax		**26,310**	**17,535**
Income tax expense	9	(8,735)	(4,362)
Profit for the year		**17,575**	**13,173**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		7	-
Other comprehensive income for the year		7	-
Total comprehensive income for the year		**17,582**	**13,173**
Basic and diluted earnings per share		0.35	0.26

The accompanying notes on pages 9-46 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020
(in millions of Russian Roubles)

	Note	31 December 2020	31 December 2019
Assets			
Non-current assets			
Property, plant and equipment	11	13,308	10,882
Goodwill	5	205	178
Other intangible assets	12	873	510
Capital advances	13	2,284	1,055
Right-of-use assets	14	8,554	6,220
Investments in associates		73	85
Total non-current assets		**25,297**	**18,930**
Current assets			
Inventories	15	26,991	19,365
Right-of-use assets	14	1,724	1,943
Receivables and other financial assets	16	902	1,036
Prepayments		303	247
Value added tax receivable		515	166
Loans receivable		-	92
Cash and cash equivalents	17	26,375	11,881
Total current assets		**56,810**	**34,730**
Total assets		**82,107**	**53,660**
Equity and liabilities			
Equity			
Share capital	18	1	1
Additional paid-in capital	18	154	154
(Deficit)/Retained earnings		(3,771)	11,298
Currency translation reserve		7	-
Total (deficit)/equity		**(3,609)**	**11,453**
Non-current liabilities			
Lease liabilities	20	3,713	2,496
Deferred tax liabilities	9	385	346
Total non-current liabilities		**4,098**	**2,842**
Current liabilities			
Loans and borrowings	19	15,680	5,006
Lease liabilities	20	6,339	5,306
Payables and other financial liabilities	21	26,751	19,827
Advances received		582	453
Income tax payable		5,423	2,415
Tax liabilities, other than income taxes		2,068	532
Dividends payable	18	23,658	5,030
Accrued expenses		1,117	796
Total current liabilities		**81,618**	**39,365**
Total liabilities		**85,716**	**42,207**
Total equity and liabilities		**82,107**	**53,660**

The accompanying notes on pages 9-46 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020
(in millions of Russian Roubles)

	Note	2020	2019
Cash flows from operating activities			
Profit before tax		**26,310**	**17,535**
Adjustments for:			
Depreciation and amortisation	11,12,14	9,865	8,695
Shrinkage and inventory obsolescence expenses	7,15	1,595	1,118
Changes in allowance for trade and other receivables		4	(13)
Share of profit of associates, net		(49)	(39)
Interest income		(376)	(194)
Interest expense		1,125	1,040
Foreign exchange (gain)/loss, net		(136)	74
Operating cash flows before changes in working capital		**38,338**	**28,216**
Increase in inventories		(9,134)	(5,335)
Decrease/(Increase) in receivables and other financial assets		29	(4)
Increase in prepayments		(46)	(89)
(Increase)/Decrease in VAT receivable		(358)	883
Increase in payables and other financial liabilities		5,872	1,938
Increase in advances received		128	161
Increase/(Decrease) in tax liabilities, other than income tax		1,547	(308)
Increase in accrued expenses		414	326
Net cash flows generated from operations		**36,790**	**25,788**
Interest paid		(1,207)	(1,099)
Interest received		374	194
Income tax paid		(5,687)	(3,459)
Net cash flows from operating activities		**30,270**	**21,424**
Cash flows from investing activities			
Purchase of property, plant and equipment and capital advances		(5,674)	(3,831)
Purchase of intangible assets		(493)	(365)
Proceeds from sale of property, plant and equipment		5	39
Acquisition of business, net of cash acquired	5	-	(195)
Dividends received from associates		58	84
Loans issued		-	(248)
Proceeds from repayment of loans issued		79	150
Net cash flows used in investing activities		**(6,025)**	**(4,366)**
Cash flows from financing activities			
Proceeds from loans and borrowings		18,445	12,600
Repayment of loans and borrowings		(7,792)	(8,100)
Lease payments		(7,518)	(6,689)
Dividends paid		(14,214)	(8,039)
Net cash flows used in financing activities		**(11,079)**	**(10,228)**
Total cash from operating, investing and financing activities		**13,166**	**6,830**
Effect of exchange rate fluctuations on cash and cash equivalents		1,328	(831)
Net increase in cash and cash equivalents		**14,494**	**5,999**
Cash and cash equivalents at the beginning of the year	17	**11,881**	**5,882**
Cash and cash equivalents at the end of the year	17	**26,375**	**11,881**

The accompanying notes on pages 9-46 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020
(in millions of Russian Roubles)

	Notes	Share capital	Additional paid-in capital	(Deficit)/ Retained earnings	Currency translation reserve	Total (deficit)/ equity
At 1 January 2019		**1**	**154**	**11,865**	**-**	**12,020**
Profit for the year		-	-	13,173	-	13,173
Total comprehensive income for the year, net of tax		**-**	**-**	**13,173**	**-**	**13,173**
Dividends	18	-	-	(13,740)	-	(13,740)
At 31 December 2019		**1**	**154**	**11,298**	**-**	**11,453**
At 1 January 2020		**1**	**154**	**11,298**	**-**	**11,453**
Profit for the year		-	-	17,575	-	17,575
Other comprehensive income for the year		-	-	-	7	7
Total comprehensive income for the year, net of tax		**-**	**-**	**17,575**	**7**	**17,582**
Dividends	18	-	-	(32,644)	-	(32,644)
At 31 December 2020		**1**	**154**	**(3,771)**	**7**	**(3,609)**

The accompanying notes on pages 9-46 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Meridan Management Ltd. was incorporated in May 2008 in accordance with the Business Companies Act of the British Virgin Islands and was renamed Fix Price Group Ltd. (the "Company") in November 2020. The address of the Company's registered office is Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands ("BVI").

Fix Price Group Ltd. together with its subsidiaries (the "Group") is one of the leading variety value retailers globally and the largest variety value retailer in Russia operating under the trade mark "Fix Price". The Group's retail operations are conducted through a chain of convenience stores, located in the Russian Federation, Belarus, Kazakhstan and Uzbekistan. The Group is also engaged in wholesale operations by servicing a number of franchisees that operate in distant regions of the Russian Federation, as well as in a number of international geographies.

The consolidated financial statements have been prepared under the historical cost convention except for the revaluation of financial assets and financial liabilities at fair value through profit or loss. The measurement basis and principal accounting policies of the Group are set out below and have been applied consistently throughout the consolidated financial statements.

Fix Price Group Ltd. is the holding entity of the Group and there is no consolidation that takes place above the level of this Company.

As at 31 December 2020 and 31 December 2019 the Group is controlled by a group of independent physical persons, who individually do not have control over the Group.

The consolidated financial statements cover the year ended 31 December 2020.

These consolidated financial statements were authorised for release by the Director of the Company on 4 February 2021.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

Functional and presentation currency

The functional currency of the Company and its Cyprus and Russian subsidiaries is Russian Rouble ("RUB"). The functional currencies of Best Price Kazakhstan TOO, Fix Price Zapad LLC and FIXPRICEASIA LLC are Kazakhstan tenge ("KZT"), Belarussian Rouble ("BYN") and Uzbekistan sum ("UZS") respectively.

The presentation currency of the Group is Russian Roubles ("RUB"), and all values are rounded to the nearest million RUB, except where otherwise indicated.

The translation of the financial statements of Best Price Kazakhstan TOO, Fix Price Zapad LLC and FIXPRICEASIA LLC from their functional currencies to the presentation currency is performed as follows:

- All assets, liabilities, both monetary and non-monetary, are translated at closing exchange rates at each reporting date;
- All income and expenses are translated at the yearly average exchange rate;

(in millions of Russian Roubles)

- Resulting exchange differences are included in equity and presented as Exchange difference arising from translation of financial statements within the Translation reserve;
- In the statement of cash flows, cash balances at the beginning and end of each reporting period presented are translated at exchange rates at the respective dates. All cash flows are translated at the yearly average exchange rate.

The following exchange rates were used for translation of the financial statements of Best Price Kazakhstan TOO, Fix Price Zapad LLC and FIXPRICEASIA LLC from their functional currencies to the presentation currency:

Currency	Closing rate on 31 December 2020	Closing rate on 31 December 2019	Average rate for the year 2020	Average rate for the year 2019
KZT	0.1755	0.1622	0.1741	0.1690
BYN	28.6018	29.4257	29.5858	30.9653
UZS	0.0071	0.0065	0.0073	0.0074

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, entities controlled by the Company and their subsidiaries.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

(in millions of Russian Roubles)

Profit or loss and each of the existing components of other comprehensive income are attributed to the shareholders of the Company.

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

Company name	Country of incorporation	Principal activity	Note	Ownership interest 31 December 2020	Ownership interest 31 December 2019
Kolmaz Holdings Ltd	Cyprus	Intermediate holding company		100%	100%
Wikolia Investment Ltd	Cyprus	Intermediate holding company		-*	100%
Best Price LLC	Russia	Retail and wholesale operations		100%	100%
Best Price Export LLC	Russia	Wholesale operations		100%	-
Best Price Kazakhstan TOO	Kazakhstan	Retail operations	5	100%	100%
Fix Price Zapad LLC**	Belarus	Retail operations		100%	-
FIXPRICEASIA LLC**	Uzbekistan	Retails operations		100%	-

* 100% of shares in Wikolia Investment Ltd were sold to a third party in December 2020. The proceeds from disposal as well as result of disposal were immaterial.

** In the year ended 31 December 2020 the Group started retail operations in Belarus and Uzbekistan through its subsidiaries LLC “Fix Price Zapad” and LLC “FIXPRICEASIA LLC”, respectively.

Going concern

As a variety value retailer, the Group is well placed to withstand volatility within economic environments. Management has considered the Group's forecasts and projections for the foreseeable future, taking into account the current and expected economic situation in Russia and CIS, the Group's financial position, available borrowing facilities, loan covenant compliance, planned store opening program, anticipated cash flows and related expenditures from retail stores. Having considered all the above, management does not expect any material adverse impact to Group's operations from the current economic slowdown caused by the COVID-19 pandemic and is confident that the Group has adequate resources to continue its operations in the foreseeable future.

Accordingly, management is satisfied that it is appropriate to adopt the going concern basis of accounting in preparing of financial information.

Revenue

The revenue is recognised by the Group in such a way to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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

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

The Group recognises revenue when or as a performance obligation is satisfied.

Store retail revenue is recognised at the initial point of sale of goods to customers, when the control over the goods have been transferred to the buyer.

The Group has a loyalty card scheme that allows customers to earn bonus points for each purchase made, which can be used to obtain discounts on subsequent purchases. Such bonus points entitle customers to obtain a discount that they would not be able to obtain without preliminary purchases of goods (i.e. material right). Thus, the promised discount represents a separate performance obligation. Deferred revenue with respect to bonus points is recognised upon the initial sale. Revenue from the loyalty programme is recognised upon the exchange of bonus points by customers. Revenue from bonus points that are not expected to be exchanged is recognised in proportion to the pattern of rights exercised by the customer.

Wholesale revenue includes:

- Sales of goods to franchisees, which is recognised at the moment of transfer of goods to franchisees at the warehouse;
- Revenue, stemming from franchise agreements, such as sales-based royalties. Revenue from sales-based royalties is earned when a franchisee sells goods in its retail stores and is recognised as and when those sales occur.

Selling, general and administrative expenses

Selling, general and administrative expenses contain all running costs of the business, except those relating to inventory (which are expensed through cost of sales), tax, interest, foreign exchange gain/(loss), share of profit/(loss) in associates and other comprehensive income. Warehouse costs are included in this caption.

Elements which are unusual and significant may be presented as a separate line item in the consolidated statement of comprehensive income.

Property, plant and equipment

Property, plant and equipment is carried at historical cost less accumulated depreciation and accumulated impairment losses.

Cost comprises purchase price and directly attributable costs. Unless significant or incurred as part of a refit programme, subsequent expenditure will usually be treated as repairs or maintenance and expensed to the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Freehold land is not depreciated. For all other property, plant and equipment, depreciation is calculated on a straight line basis to allocate cost, less residual value of the assets, over their estimated useful lives as follows.

Repair and maintenance expenditure is expensed as incurred. Major renewals and improvements are capitalised, and the replaced assets are derecognised. Gains and losses arising from the retirement of property, plant and equipment are included in the profit or loss on disposal.

Leasehold improvements are capitalised when it is probable that future economic benefits associated with the improvements will flow to the Group and the cost can be measured reliably. Capitalised leasehold improvements are depreciated over their useful life.

Depreciation

Depreciation is provided on all other items of property, plant and equipment and the effect is to write off the carrying value of items by equal instalments over their expected useful economic lives. It is applied at the following rates:

	Useful lives in years
Buildings	83-100
Leasehold improvements	10
Equipment and other assets	2-20

Residual values and useful lives are reviewed annually and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is expensed in the statement of comprehensive income when the asset is derecognised.

Intangible assets

Other intangible assets

Other intangible assets acquired separately, including computer software, are measured on initial recognition at cost comprising the purchase price and any directly attributable costs of preparing the asset for use.

Following initial recognition, assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation begins when an asset is available for use and is calculated on a straight line basis to allocate the cost of the asset over its estimated useful life ranging from 2 to 10 years.

Investments in associates

Associates are those entities over which the Group has significant influence but which are neither subsidiaries nor interests in joint ventures. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies. Investments in associates are recognised initially at cost and subsequently accounted for using the equity method. Changes resulting from the profit or loss generated by the associate are reported in "share of profits of associates" in the consolidated income statement and therefore affect net results of the Group.

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the consolidated financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use, where CGU (a cash-generating unit) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGU's to which the individual assets are allocated. These budgets and forecast calculations cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment of inventories, are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding those for which annual testing is required, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for shrinkage, obsolete and slow moving items. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell. The costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of inventories. Supplier bonuses and volume discounts that do not represent reimbursement of specific, incremental and identifiable costs incurred to promote a supplier's goods are also included in cost of inventories (as a reduction of it). Cost of inventory is determined on the weighted average basis.

Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Group operates and generates taxable income. Tax is recognised in profit or loss of the consolidated statement of comprehensive income as the Group does not have taxes related to items recognised in other comprehensive income or directly in equity.

Deferred tax

Deferred tax is provided using the liability method on tax loss carry forwards and temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised 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 ventures, 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 recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Business combinations

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

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

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively;
- Liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Company, entered into to replace the share-based payment arrangements of the acquiree, are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net acquisition-date value of identifiable assets acquired exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised in profit or loss as a bargain purchase gain.

When the acquired assets did not constitute a business, such transactions are accounted for on a carryover basis, which results in the historical book value of assets and liabilities of the acquired entity being combined with that of the Group.

Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and amounts paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Fair value of financial instruments

Fair value of financial instruments which are traded in the active market is estimated at each reporting date on the basis of market quotations or dealer quotes without any deduction for transaction costs. For financial instruments which are not traded in the active market, fair value of the instrument is estimated using valuation techniques that include use of data on market transactions; data on current fair value of other similar instruments; discounted cash flow analyses or other valuation techniques.

The Group uses the following hierarchy to determine and disclose methods of fair value measurement of financial instruments:

- Level 1: quoted prices for identical assets and liabilities determined in active markets (unadjusted);
- Level 2: techniques where all used inputs that significantly affect the fair value are observable directly or indirectly;
- Level 3: techniques where used inputs that significantly affect the fair value are not based on observable market data.

Financial assets

Financial assets are classified into the following specified categories:

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

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

Measurement

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

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

Debt instruments

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash deposits and highly liquid investments with original maturities, from the date of acquisition, of three months or less, that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Derivative financial instruments

The Group uses derivative financial instruments (forward currency contracts) to reduce its foreign currency exposure.

Derivative financial instruments are recognised at fair value. The fair value is derived using updated bank quotations. The Group does not use hedge accounting for these derivatives. As a result, such derivative financial instruments are treated as financial assets and liabilities at fair value through profit or loss. Gains and losses recognised for the changes in fair value of forward contracts are included in the foreign exchange (loss)/gain line item in the consolidated statement of comprehensive income.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost (represented by cash and cash equivalents, trade and other receivables). The amount of expected credit losses (ECL) is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade and other receivables. The expected credit losses on these financial assets are estimated based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

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

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group’s debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group’s core operations.

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

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

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

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

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instruments which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

On derecognition of a financial asset other than in its entirety (e.g. when an entity retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the control is retained), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities

Classification as debt or equity

Debt and equity instruments issued by Group entities are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

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

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

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

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

Derecognition of financial liabilities

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get to their intended use or sale, are added to the cost of those assets, until such time when the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Value added tax

The Russian tax legislation permits settlement of value added tax ("VAT") on a net basis.

VAT is payable upon invoicing and delivery of goods, performing work or rendering services, as well as upon collection of prepayments from customers. VAT on purchases, even if they have not been settled at the reporting date, is deducted from the amount of VAT payable.

Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

Equity

Equity comprises the following:

- Share capital represents the nominal value of equity shares;
- Additional paid-in capital represents contributions to the property of the Group made by shareholders;
- Retained earnings represents retained profits.

Ordinary shares are classified as equity. Contributions to the property of the Group made by shareholders both in cash or other assets provided to the Group are included in additional paid-in capital within the equity.

Dividends

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

State pension plan

The Group's companies contribute to the state pension, medical and social insurance funds on behalf of all its current employees. Any related expenses are recognised in profit or loss of the consolidated statement of comprehensive income as incurred.

Provisions

Provisions are recognised when a present obligation (legal or constructive) exists as a result of a past event and where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount can be reliably estimated. Provisions are discounted where the time value of money is considered to be material.

Leases

The Group assesses whether a contract is or contains a lease at inception of the contract.
The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases of property or equipment and leases of low value assets. For these leases, the Group recognises the lease payments on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate of the Group.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments) less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lessee transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “Selling, general and administrative expenses” as profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient.

In the consolidated statement of cash-flows, the Group presents cash outflows for repayment of interest accrued on lease liabilities within the “Interest paid” line of cash flows from operating activities, and cash outflows for the repayment of principal within the “Lease payments” line of cash flows from financing activities.

3. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes judgements, estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management’s experience and other factors including expectations of future events that are believed to be reasonable when the financial information was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Critical accounting estimates

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Useful lives of items of property, plant and equipment

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

The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end, and if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Lease term of contracts

In determining the lease term the Group considers various factors, including but not limited to the extension options that are reasonably certain to be executed and termination options that are reasonably certain not to be executed. When considering those factors, management takes into account, amongst other things, the Group's investment strategy, relevant investment decisions, the residual useful life of the related major leasehold improvements and costs directly or indirectly relating to the extension or termination of the lease.

Incremental borrowing rates for calculation of lease liabilities

Incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group derives incremental borrowing rates from both internal and external data sources, applying significant judgment in such calculations.

Inventories of goods for resale provisions

The Group provides for estimated inventory shrinkage on the basis of historical shrinkage as a percentage of cost of sales. This provision is adjusted at the end of each reporting period to reflect the historical trend of the actual physical inventory count results (Note 7).

Tax legislation

The Group operates in various jurisdictions, including the Russian Federation, Republic of Kazakhstan, Republic of Belarus, Republic of Uzbekistan, the Republic of Cyprus and the British Virgin Islands. The tax, currency and customs legislation of those jurisdictions is subject to varying interpretations and tax authorities may challenge interpretations of tax legislation taken by the Group. At each reporting date the Group performs an assessment of its uncertain tax positions. Due to inherent uncertainty associated with such assessment, there is a possibility that the final outcome may vary. The Group's contingent liabilities with regards to taxation are disclosed in Note 23.

4. NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STATEMENTS

Adoption of New Standards and Interpretations

The accounting policies applied by the Group are consistent with those of the financial year ended as at 31 December 2019, except for the adoption of the new standards and interpretations effective as at 1 January 2020. The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

In the year ended 31 December 2020, the Group has adopted the following new and amended standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB in the consolidated financial statements:

Amendments to IFRS 3: Definition of Business

The amendment to IFRS 3 clarifies that to be considered as a business, an integrated set of activities and assets must include, at minimum, an input and substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments have no impact on the consolidated financial information of the Group in the current year but may affect future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

The amendment to IFRS 9 and IAS 39 Financial instruments: Recognition and Measurement provide a number of reliefs which apply to all hedging relationships that are directly affected by interest rate benchmark reform. The hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial information of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments have no impact on the consolidated financial information of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements of any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

Amendments to IFRS 16: Covid-19-Related Rent Concessions

The amendments published by IASB in May 2020 provide lessees with a practical expedient that relieves a lessee from assessing whether a COVID-19-related rent concession is a lease modification. The Group preferred not to take an exemption from assessing whether a COVID-19-related rent concession is a lease modification and continued applying its accounting policy consistently thus not taking advantage of the practical expedient introduced by the amendments.

No new standards and interpretations adopted in 2020 had a material impact on the consolidated financial statements of the Group for the year ended 31 December 2020.

New and revised IFRS Standards in issue but not yet effective

- IFRS 17 *Insurance Contracts;*
- IFRS 10 and IAS 28 (amendments) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;*
- Amendments to IAS 1 *Classification of Liabilities as Current or Non-current;*
- Amendments to IFRS 3 *Reference to the Conceptual Framework;*
- Amendments to IAS 16 *Property, Plant and Equipment—Proceeds before Intended Use;*
- Amendments to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract;*
- Annual Improvements to IFRS Standards 2018-2020 Cycle; and
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS *9 Financial Instruments*, IFRS 16 *Leases*

The new and revised IFRS Standards listed above will not have a material impact on the financial statements of the Group in future periods.

5. BUSINESS COMBINATION AND GOODWILL

On 25 December 2019, the Group acquired 100 per cent of the issued share capital of TOO Best Price Kazakhstan, obtaining control of the entity. TOO Best Price Kazakhstan was a Group franchisee in Kazakhstan. TOO Best Price Kazakhstan was acquired in order for the Group to enter the Kazakhstan market.

At the time of the acquisition, the Group determined the fair values of the identifiable assets acquired and liabilities assumed of the acquired company on a provisional basis. At the beginning of 2020, the Group obtained information that actual net amount of the fair value of identifiable assets acquired and liabilities assumed at the acquisition date was RUB 47 million and consequently finalised purchase price allocation. The increase of goodwill of RUB 27 million that has been recognised in the year ended 31 December 2020 corresponds to RUB 12 million remeasurement of net amount of the fair value of identifiable assets acquired and liabilities assumed at the acquisition date and RUB 15 million of exchange rate differences posted to other comprehensive income.

(in millions of Russian Roubles)

The provisional and final amounts recognised in respect of the identifiable assets acquired and liabilities assumed at the date of acquisition net of cash and cash equivalents acquired are as set out in the table below:

	Provisional value at the acquisition date	**Final value at the acquisition date**
Property, plant and equipment	10	10
Right-of-use assets	82	82
Receivables and other financial assets	73	45
Inventory	63	63
Lease liabilities	(82)	(82)
Payables and other financial liabilities	(87)	(71)
Fair value of identifiable assets acquired and liabilities assumed, net	59	47
Goodwill	178	190
Total consideration	**237**	**237**
Satisfied by:		
Cash	237	237
Total consideration transferred	**237**	**237**
Net cash outflow arising on acquisition:		
Cash consideration	237	237
Less: cash and cash equivalents' balances acquired	(42)	(42)
	195	**195**

The goodwill of RUB 190 million arising from the acquisition consists of a fee for entrance to the prospective Kazakhstan market and synergies attached to expanding their operations in Kazakhstan market. None of the goodwill is expected to be deductible for income tax purposes.

TOO Best Price Kazakhstan contributed immaterial revenue and profit to the Group for the period between the date of acquisition and 31 December 2019.

Goodwill

Goodwill held by the Group at 31 December 2020 and 31 December 2019 relates to cash-generating unit ("CGU") "Best Price Kazakhstan" and represents synergies associated with expanding the Group's operations in the Kazakhstan market.

On 31 December 2020 and 31 December 2019, the Group performed impairment tests of goodwill allocated to "Best Price Kazakhstan" and identified no impairment. For the purpose of impairment tests, the recoverable amount of this cash-generating unit was determined based on a value in use calculation with a reference to financial budgets approved by management and historical performance to-date.

The Group has considered and assessed reasonably possible changes in key assumptions and has not identified any instances that could cause the carrying amount of the cash-generating unit "Best Price Kazakhstan" to exceed its recoverable amount.

(in millions of Russian Roubles)

6. REVENUE

Revenue for the years ended 31 December 2020 and 31 December 2019 consisted of the following:

	2020	2019
Retail revenue	166,025	123,194
Wholesale revenue	24,034	19,686
	190,059	**142,880**

7. COST OF SALES

Cost of sales for the years ended 31 December 2020 and 31 December 2019 consisted of the following:

	2020	2019
Cost of goods sold	123,809	93,557
Transportation and handling costs	3,140	2,244
Inventory write-down due to shrinkages and write off to net realisable value	1,595	1,118
	128,544	**96,919**

8. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended 31 December 2020 and 31 December 2019 consisted of the following:

	2020	2019
Staff costs	17,329	13,361
Amortisation of right-of-use assets	7,618	6,921
Other depreciation and amortisation	2,247	1,772
Bank charges	2,009	1,258
Operating lease expenses	1,642	1,160
Security services	1,343	1,107
Repair and maintenance costs	757	625
Advertising costs	659	645
Utilities	570	501
Other expenses	758	529
	34,932	**27,879**

Staff costs include statutory social security and pension contributions (defined contribution plan) in amount of RUB 2,699 million and RUB 2,067 million for the years ended 31 December 2020 and 31 December 2019, respectively.

Operating lease expenses mainly relate to variable lease costs that are expensed as incurred and leases of low-value items for which the recognition exemption is applied.

(in millions of Russian Roubles)

9. TAXATION

	2020	2019
Current tax expense	8,696	4,457
Deferred tax expense/(benefit)	39	(95)
Income tax expense	**8,735**	**4,362**

The Russian statutory income tax rate was 20% during the years ended 31 December 2020 and 31 December 2019. Income generated in other jurisdictions was subject to a different tax rate.

Income before taxation for financial reporting purposes is reconciled to tax expense as follows:

	2020	2019
Profit before tax	26,310	17,535
Theoretical tax expense at 20%, being statutory rate in Russia	**(5,262)**	**(3,507)**
Withholding tax on intra-group dividends	(3,900)	-
Income/(expenses) subject to income tax at rates different from 20%	413	(902)
Non-taxable items	14	47
Income tax expense	**(8,735)**	**(4,362)**

Withholding tax is applied to dividends distributed by the Group's Russian subsidiary; such tax is withheld at the source by the respective subsidiary and is paid to the Russian tax authorities at the same time when the payment of dividend is effected.

Deferred tax assets and liabilities as at 31 December 2020 and 31 December 2019 are calculated for all temporary differences under the balance sheet method using the Russian statutory tax rate of 20%.

Movements in the deferred tax assets and liabilities for the year ended 31 December 2020 were as follows:

	31 December 2019	Charged to profit or loss	31 December 2020
Tax effects of deductible temporary differences			
Trade and other payables	58	-	58
Accrued expenses	65	37	102
Other	-	17	17
Deferred tax assets	**123**	**54**	**177**
Tax effects of taxable temporary differences			
Inventories	(58)	(15)	(73)
Property, plant and equipment	(409)	(55)	(464)
Investments in associates	(9)	(6)	(15)
Trade and other receivables	-	(6)	(6)
Intangible assets	7	(11)	(4)
Deferred tax liabilities	**(469)**	**(93)**	**(562)**
Net deferred tax liabilities	**(346)**	**(39)**	**(385)**

(in millions of Russian Roubles)

Movements in the deferred tax assets and liabilities for the year ended 31 December 2019 were as follows:

	31 December 2018	Derecognition upon adoption of IFRS 16	Charged to profit or loss	31 December 2019
Tax effects of deductible temporary differences				
Trade and other payables	-	-	58	58
Accrued expenses	-	-	65	65
Intangible assets	(133)	140	-	7
Deferred tax assets	**(133)**	**140**	**123**	**130**
Tax effects of taxable temporary differences				
Inventories	(50)	-	(8)	(58)
Property, plant and equipment	(342)	-	(67)	(409)
Investments in associates	(25)	-	16	(9)
Trade and other receivables	(39)	-	39	-
Other	6	-	(6)	-
Deferred tax liabilities	**(450)**	**-**	**(26)**	**(476)**
Net deferred tax liabilities	**(583)**	**140**	**97**	**(346)**

As at 31 December 2020 and 31 December 2019 the Group has not recognised a deferred tax liability in respect of taxable temporary differences associated with investments in subsidiaries as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

10. KEY MANAGEMENT REMUNERATION

The total compensation relating to the key management personnel of the Group amounted to RUB 1,556 million and RUB 1,063 million during the years ended 31 December 2020 and 31 December 2019, respectively. The amount of compensation includes all applicable taxes and contributions. All compensation represents short-term employee benefits as defined in IAS 19 *Employee Benefits*.

(in millions of Russian Roubles)

11. PROPERTY, PLANT AND EQUIPMENT

Movements in the carrying amount of property, plant and equipment during the years ended 31 December 2020 and 31 December 2019 were as follows:

	Land and buildings	Trade and other equipment	Leasehold improve-ments	Other	Assets under construction and uninstalled equipment	Total
Cost						
At 1 January 2019	**1,913**	**6,599**	**5,424**	**65**	**14**	**14,015**
Additions	-	-	-	-	3,518	**3,518**
Acquisition of a subsidiary (Note 5)	-	-	-	-	10	**10**
Transfers	686	1,644	1,187	20	(3,537)	**-**
Disposals	-	(165)	(116)	(3)	-	**(284)**
At 31 December 2019	**2,599**	**8,078**	**6,495**	**82**	**5**	**17,259**
Additions	-	-	-	-	4,557	**4,557**
Transfers	1,070	2,090	1,222	81	(4,463)	**-**
Disposals	-	(180)	(308)	(1)	-	**(489)**
Effect of translation to presentation currency	-	8	3	1	-	**12**
At 31 December 2020	**3,669**	**9,996**	**7,412**	**163**	**99**	**21,339**
Accumulated depreciation and impairment						
At 1 January 2019	**164**	**2,884**	**1,820**	**39**	**-**	**4,907**
Depreciation charge	23	976	566	18	-	**1,583**
Disposals	-	(109)	(3)	(1)	-	**(113)**
At 31 December 2019	**187**	**3,751**	**2,383**	**56**	**-**	**6,377**
Depreciation charge	27	1,212	658	14	-	**1,911**
Disposals	-	(139)	(118)	(1)	-	**(258)**
Effect of translation to presentation currency	-	1	-	-	-	**1**
At 31 December 2020	**214**	**4,825**	**2,923**	**69**	**-**	**8,031**
Net book value						
At 31 December 2019	**2,412**	**4,327**	**4,112**	**26**	**5**	**10,882**
At 31 December 2020	**3,455**	**5,171**	**4,489**	**94**	**99**	**13,308**

Buildings primarily represent distribution centers that are owned by the Group.

(in millions of Russian Roubles)

12. INTANGIBLE ASSETS

Movements in the carrying amount of intangible assets during the years ended 31 December 2020 and 31 December 2019 were as follows:

	Lease rights	Software, patents and other	Total
Cost			
At 1 January 2019	**1,523**	**358**	**1,881**
Derecognition upon adoption of IFRS 16	(1,523)	-	**(1,523)**
Additions	-	355	**355**
At 31 December 2019	**-**	**713**	**713**
Additions	-	493	**493**
At 31 December 2020	**-**	**1,206**	**1,206**
Accumulated amortisation and impairment			
At 1 January 2019	**166**	**138**	**304**
Derecognition upon adoption of IFRS 16	(166)	-	**(166)**
Amortisation charge	-	65	**65**
At 31 December 2019	**-**	**203**	**203**
Amortisation charge	-	130	130
At 31 December 2020	**-**	**333**	**333**
Carrying amount			
At 31 December 2019	**-**	**510**	**510**
At 31 December 2020	**-**	**873**	**873**

13. CAPITAL ADVANCES

As at 31 December 2020 capital advances consist of advances for construction of distribution centers in Saint-Petersburg and Krasnodar. As at 31 December 2019 capital advances consisted of advances for construction of a distribution center in Pushkino, which was put into operation in June 2020.

(in millions of Russian Roubles)

14. RIGHT-OF-USE ASSETS

The Group leases retail premises, offices and warehouses (hereinafter "leased premises and buildings") with lease terms within the range from 1 to 6 years. Movements in the carrying amount of right-of-use assets were as follows:

	Leased premises and buildings for the year ended	
	31 December 2020	**31 December 2019**
Cost		
At 1 January 2020/ 1 January 2019	**14,950**	**9,062**
New lease contracts and modification of existing lease contracts	9,818	5,926
Acquisition of a subsidiary (Note 5)	-	81
Lease prepayments	110	93
Disposals	(350)	(212)
Effect of translation to presentation currency	(38)	-
At 31 December 2020/ 31 December 2019	**24,490**	**14,950**

	Leased premises and buildings for the year ended	
	31 December 2020	**31 December 2019**
Accumulated depreciation and impairment		
At 1 January 2020/ 1 January 2019	**(6,787)**	**-**
Depreciation expense	(7,782)	(6,999)
Disposals	350	212
Effect of translation to presentation currency	7	-
At 31 December 2020/ 31 December 2019	**(14,212)**	**(6,787)**
Carrying amount		
At 1 January 2020/ 1 January 2019	**8,163**	**9,062**
At 31 December 2020/ 31 December 2019	**10,278**	**8,163**

	For the year ended	
	31 December 2020	**31 December 2019**
Amounts recognised in profit and loss		
Depreciation expense of right-of-use assets	7,618	6,921
Interest expense on lease liabilities	656	698
Effect of changes in foreign exchange rates	113	-
Expenses relating to variable lease payments not included in the measurement of the lease liabilities	1,628	1,119

(in millions of Russian Roubles)

Some of the property leases in which the Group is the lessee contain variable lease payment terms that are linked to sales generated from the leased retail stores. Variable payment terms are used to link rental payments to store cash flows and reduce fixed cost. Overall, the variable payments constitute approximately 16% and 13% of the Group's entire lease payments for the years ended 31 December 2020 and 31 December 2019, respectively. The variable payments depend on sales of particular stores and consequently on the overall economic development over the next few years.

The total cash outflow for leases accounted for under IFRS 16 in the consolidated financial statements amount to RUB 8,174 million (excluding variable lease payments) for the year ended 31 December 2020 (RUB 7,390 million (excluding variable lease payments) for the year ended 31 December 2019).

15. INVENTORIES

The Group inventories balance is comprised of merchandise inventories. Inventories write-off due to shrinkage and write-down to net realisable value for the years ended 31 December 2020 and 31 December 2019 are disclosed in Note 7.

16. RECEIVABLES AND OTHER FINANCIAL ASSETS

	31 December 2020	31 December 2019
Trade receivables from franchisees, net of allowance	500	760
Forward foreign exchange contracts (Note 24)	30	-
Other receivables, net of allowance	372	276
	902	**1,036**

The Group measures the allowance for losses on trade receivables on an ongoing basis in an amount equal to expected lifetime credit losses. Expected credit losses on trade receivables are measured based on the historical defaults and an analysis of the current financial position of the debtor, adjusted for debtor-specific factors, the general industry-specific economic conditions in which the debtor operates and assessment of current and projected development of these conditions as at the reporting date.

The following table summarises the changes in the allowance for expected credit losses on trade receivables and other receivables:

	31 December 2020	31 December 2019
At 1 January 2020/ 1 January 2019	**(15)**	**(28)**
Additional (allowance)/utilisation recognised on trade receivables and other receivables	(4)	13
At 31 December 2020/ 31 December 2019	**(19)**	**(15)**

(in millions of Russian Roubles)

17. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Bank current accounts – RUB, KZT, BYN, UZS	276	534
Bank current accounts – Euro, USD, CNY, NOK	721	1,635
Cash in transit – RUB, KZT, BYN, UZS	1,202	1,315
Cash in hand – RUB, KZT, BYN, UZS	298	229
Deposits – RUB, KZT, BYN	23,878	1,398
Deposits – USD	-	5,602
Dual currency instruments	-	1,166
Other cash and cash equivalents (RUB and EUR/USD instruments)	-	2
	26,375	**11,881**

Cash in transit represents cash collected by banks from the Group's stores and not yet deposited in bank accounts as at 31 December 2020 and 31 December 2019.

As at 31 December 2020 RUB, KZT and BYN denominated deposit bank accounts in the amount of RUB 23,878 million had interest rates of 3.40-10.00% and 2-365 day maturity periods (deposits over 90 days are recallable on demand). As at 31 December 2019 Russian Rouble denominated deposit bank accounts in the amount of RUB 1,398 million had interest rates of 5.51-5.70% and 9-10 day maturity periods.

As at 31 December 2019 USD denominated deposit bank accounts in the amount of RUB 5,602 million had interest rates of 1.45-2.00% and 30-182 day maturity periods (deposits over 90 days were recallable on demand).

As at 31 December 2019 dual currency instruments (DCI) were denominated in Euro and USD with synthetic (risk and interest) coupon rates of 1.5-3.38% and 35-60 day maturity periods. If at maturity the USD/EUR currency rate is beyond a specified limit DCI is paid back by bank in USD.

RUB, KZT, BYN, UZS, USD, Euro and CNY denominated balances in current bank accounts are normally interest free.

18. EQUITY

Ordinary shares

Each ordinary share ranks *pari passu* with each other ordinary share and each share carries one vote.

	31 December 2020	31 December 2019
Allotted, called up and fully paid ordinary shares of USD 1 each	50,000	50,000
	50,000	**50,000**

(in millions of Russian Roubles)

Additional paid-in capital

No contributions into equity were made by shareholders of the Group during the years ended 31 December 2020 and 31 December 2019.

Dividends

Dividends of RUB 74 thousand per share, being final dividends for 2019, were announced in March 2020. Interim dividends for 2020 of RUB 99 thousand per share were announced in May 2020. Final dividends for 2020 of RUB 480 thousand per share were announced in December 2020. Total dividends announced in 2020 are equal to RUB 32,644 million.

Dividends of RUB 275 thousand per share, being interim dividends for 2019 and amounting to a total dividend of RUB 13,740 million, were announced in October 2019.

19. LOANS AND BORROWINGS

Terms and conditions in respect of loans and borrowings as at 31 December 2020 are detailed below:

Source of financing	Currency	Maturity date	Interest rate as at 31 December 2020	31 December 2020
Bank loans (unsecured)	RUB	2021	5.59-6.70%	15,114
Bank loans (unsecured)	CNY	2021	4.90%	566
				15,680

Terms and conditions in respect of loans and borrowings as at 31 December 2019 are detailed below:

Source of financing	Currency	Maturity date	Interest rate as at 31 December 2019	31 December 2019
Bank loans (unsecured)	RUB	2020	6.95-7.44%	5,006
				5,006

(in millions of Russian Roubles)

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 statement of cash flows as cash flows from financing activities.

	1 January 2020	**Financing cash flows (i)**	**Other changes (ii)**	**31 December 2020**
Bank loans	5,006	10,653	21	15,680
	5,006	**10,653**	**21**	**15,680**

	1 January 2019	**Financing cash flows (i)**	**Other changes (ii)**	**31 December 2019**
Bank loans	501	4,500	5	5,006
	501	**4,500**	**5**	**5,006**

(i) The cash flows from bank loans and other borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the consolidated statement of cash flows.

(ii) Other changes include interest accruals, payments and foreign exchange loss.

The Group's loan agreements contain certain restrictive covenants, including requirements to comply with specified financial ratios. The Group's failure to comply with restrictive covenants may result in a claim for immediate repayment of the corresponding debt. As at 31 December 2020 and 31 December 2019 the Group was in compliance with all financial covenants stipulated by its loan agreements.

20. LEASE LIABILITIES

As at 31 December 2020 and 31 December 2019 lease liabilities comprised the following:

	31 December 2020	**31 December 2019**
Minimum lease payments, including:		
Current portion (less than 1 year)	6,772	5,811
More than 1 to 5 years	3,912	2,729
Over 5 years	26	-
Total minimum lease payments	**10,710**	**8,540**
Less amount representing interest	(658)	(738)
Present value of net minimum lease payments, including:		
Current portion (less than 1 year)	6,339	5,306
More than 1 to 5 years	3,687	2,496
Over 5 years	26	-
Total present value of net minimum lease payments	**10,052**	**7,802**
Less current portion of lease obligations	(6,339)	(5,306)
Non-current portion of lease obligations	**3,713**	**2,496**

(in millions of Russian Roubles)

The following table summarises the changes in the lease liabilities:

	For the year ended	
	31 December 2020	31 December 2019
Balance as at 1 January 2020 / 1 January 2019	**7,802**	**8,487**
Interest expense on lease liabilities	656	698
Lease payments	(8,174)	(7,390)
New lease contracts and modification of existing lease contracts	9,692	5,926
Acquisition of a subsidiary (Note 5)	-	81
Foreign exchange loss	113	-
Currency translation reserve	(37)	-
Balance as at 31 December 2020 / 31 December 2019	**10,052**	**7,802**

The Group's lease contracts include typical restrictions and covenants common for local business practice such as responsibility of the Group for regular maintenance and repair of the lease assets and its insurance, redesign and conduction of permanent improvements only with consent of the lessor, use of leased asset in accordance with current legislation.

The weighted average incremental borrowing rate at 31 December 2020 was 5.83% per annum, at 31 December 2019 was 7.06%.

The Group does not face a significant liquidity risk with regard to its lease liabilities.

21. PAYABLES AND OTHER FINANCIAL LIABILITIES

Payables as at 31 December 2020 and 2019 consisted of the following:

	31 December 2020	31 December 2019
Trade payables	26,304	19,232
Deferred revenue	220	125
Forward foreign exchange contracts (Note 24)	35	142
Other payables	192	328
	26,751	**19,827**

Trade payables are normally settled no later than their 120 day term.

22. COMMITMENTS

Capital commitments

The Group has contractual capital commitments not provided within the Group's financial statements as at 31 December 2020 in the amount of RUB 1,937 million (as at 31 December 2019 – RUB 158 million). These commitments mostly relate to the construction of warehouse premises.

23. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

Operating environment of the Group

The Group sells products that are sensitive to changes in general economic conditions that impact consumer spending. Future economic conditions and other factors, including sanctions imposed, consumer confidence, employment levels, interest rates, consumer debt levels and availability of consumer credit could reduce consumer spending or change consumer purchasing habits. A general slowdown in the Russian economy or in the global economy, or an uncertain economic outlook, could adversely affect consumer spending habits and the Group's operating results.

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

The Russian economy has been negatively impacted by high volatility in oil prices and national currency exchange rate and sanctions imposed on Russia by a number of countries. The rouble interest rates remained high. In 2020, the Organization of the Petroleum Exporting Countries (OPEC) and Russia attempted, but failed, to reach an agreement to cut oil production, which resulted in crude prices plummeting further. Following the news, oil prices fell 10.1% to end at US$ 41.28 per barrel on the day the proposed OPEC-Russia deal failed to be reached, and have subsequently declined even further to around US$ 30 per barrel of Brent crude oil (from over US$ 65 at the beginning of 2020). As a result of volatility on the financial markets, the Russian Rouble significantly and abruptly depreciated against the US Dollar and Euro (the decline against the US Dollar, for instance, constituted 23% compared to the exchange rate as at 1 January 2020, and 17% in March 2020, as at the end of the month), and this volatile exchange rate environment has continued to prevail.

The combination of the above resulted in reduced access to capital, a higher cost of capital and uncertainty regarding economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

Legal proceedings

In the ordinary course of business, the Group may be a party to various legal and tax proceedings and be subject to claims. In the opinion of management, the Group's liability, if any, in all pending litigation, other legal proceeding or other matters, will not have a material effect on the financial condition, results of operations or liquidity of the Group.

Taxation

The Group's main subsidiary, from which the Group's income is derived, operates in Russia. Russian tax, currency and customs legislation can be interpreted in different ways and is susceptible to frequent changes. The interpretation made by management of the legislation in question as applied to the operations and activities of the Group may be challenged by the relevant regional or federal authorities.

In addition, certain amendments to tax legislation went into effect in 2015, aimed at combating tax evasion through the use of low-tax jurisdictions and aggressive tax planning structures. In particular, those amendments include definitions of the concepts of beneficial ownership and tax residence of legal entities at their actual place of business, and an approach to the taxation of controlled foreign companies.

These changes, as well as recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in past may be challenged as not having been in compliance with Russian tax laws applicable at the relevant time. In particular, the Supreme Court issued guidance to lower courts on reviewing tax cases providing a systematic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of tax authorities' scrutiny. As a result, significant additional taxes, penalties and interest may be levied on the Group.

As at 31 December 2020 management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained.

Management estimates that the Group's possible exposure in relation to the aforementioned tax risks will not exceed 12% of the Group's total assets as at 31 December 2020.

Coronavirus disease (COVID-19)

With the recent and rapid development of the Coronavirus disease (COVID-19) outbreak, the world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life. Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations. Governments, including the Government of the Russian Federation, have implemented restrictions on travelling as well as strict quarantine measures.

Industries such as tourism, hospitality and entertainment are expected to be disrupted significantly by these measures. Other industries such as manufacturing, retail and financial services are expected to be indirectly affected and their results to also be negatively affected.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome.

The COVID-19 pandemic has not had a material adverse impact on the Group's business operations and financial results: the overwhelming majority of the Group's stores and all of its distribution centres have continued to operate as an essential business during the COVID-19 pandemic, the Group has not experienced any significant supply chain disruptions or product availability issues, moreover the Group's revenues continued to grow through the year, despite certain volatility in the second quarter of 2020, thus the Group continues to adopt a going concern basis in preparing the financial statements. However, there is still uncertainty relating to the severity of the near- and long-term adverse impact of the COVID-19 pandemic on the global economy, global financial markets, the Russian economy and the economies of the geographies in which the Group operates.

24. FINANCIAL RISK MANAGEMENT

The Group uses various financial instruments, including bank loans, cash, derivatives and various items, such as trade receivables and trade payables that arise directly from its operations.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. The Group reviews and agrees policies for managing each of these risks and they are summarised below.

The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below.

Market risk

Market risk encompasses three types of risk, being currency risk, interest rate risk and commodity price risk. Commodity price risk is not considered material to the business as the Group's sensitivity to commodity prices is insignificant.

Currency risk

The Group is exposed to transaction foreign exchange risk arising from exchange rate fluctuation on its purchases from overseas suppliers. In relation to currency transaction risk, approximately a quarter of the cost of goods sold is sourced from overseas suppliers with relevant trade accounts payable being owed in foreign currency and having maturity of up to 120 days. A proportion of the Group's purchases are priced in Chinese Yuans and in order to manage the Group's exposure to currency risk, the Group enters into forward foreign currency contracts. No transactions in derivatives are undertaken of a speculative nature.

As at 31 December 2020 the fair value of assets and liabilities related to forward foreign exchange contracts amounted to RUB 30 million and RUB 35 million, respectively. Respective assets were recognised within Receivables and other financial assets and respective liabilities were recognised within Payables and other financial liabilities (liabilities as at 31 December 2019 amounted to RUB 142 million were recognised within Payables and other financial liabilities). In the year ended 31 December 2020 the gain from forward foreign exchange contracts amounted to RUB 989 million (2019: RUB 688 million loss), and was included in the "Foreign exchange (gain)/loss, net" line item in the consolidated statement of comprehensive income.

96% of the Group's sales to retail and wholesale customers are priced in Russian Roubles, therefore there is immaterial currency exposure in this respect. Other sales are retail sales of Best Price Kazakhstan, Fix Price Zapad LLC, FIXPRICEASIA LLC (Note 5) are priced in local currencies.

(in millions of Russian Roubles)

Foreign currency sensitivity

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities as at 31 December 2020 and 31 December 2019 is as follows:

	Assets		Liabilities	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
USD	358	6,264	-	5,030
CNY	1	1	6,599	4,692
EUR	179	2,167	2	-
NOK	174	-	-	-

The impact on the Group's profit before tax is largely due to changes in the fair value revaluation of creditors held on account with our Chinese Yuan suppliers.

The following table demonstrates the sensitivity on profit (net of tax) and equity to a reasonably possible change in the Chinese Yuan period end exchange rates with all other variables held constant.

		31 December 2020	31 December 2019
Change in RUB/CNY	+10%	(660)	(469)
Change in RUB/CNY	-10%	660	469

The following table demonstrates the sensitivity on profit (net of tax) and equity to a reasonably possible change in the USD period end exchange rates with all other variables held constant.

		31 December 2020	31 December 2019
Change in RUB/USD	+10%	36	123
Change in RUB/USD	-10%	(36)	(123)

The following table demonstrates the sensitivity on profit (net of tax) and equity to a reasonably possible change in the Euro period end exchange rates with all other variables held constant.

		31 December 2020	31 December 2019
Change in RUB/EUR	+10%	18	217
Change in RUB/EUR	-10%	(18)	(217)

The following table demonstrates the sensitivity on profit (net of tax) and equity to a reasonably possible change in the NOK period end exchange rates with all other variables held constant.

		31 December 2020	31 December 2019
Change in RUB/NOK	+10%	17	-
Change in RUB/NOK	-10%	(17)	-

These calculations have been performed by taking the year end translation rate used on the accounts and applying the change noted above. The balance sheet valuations are then directly calculated.

(in millions of Russian Roubles)

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 interest rate risk arising from market interest rate fluctuations is insignificant. As at 31 December 2020 the Group had floating rate interest-bearing short-term liabilities amounting to RUB 1,000 million.
As at 31 December 2019 the Group had no floating rate interest-bearing liabilities.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's principal financial assets are cash and cash equivalents, loans receivable and trade receivables. Credit risk is further limited by the fact that all of sales retail transactions are made through the store registers, direct from the customer at the point of purchase, leading to a zero trade receivables balance from retail sales.

Therefore, the principal credit risk arises from the Group's trade receivables. In order to manage credit risk, the Group sets limits for wholesale customers (franchisees) based on their payment history. New wholesale customers typically pay in advance. Credit limits are reviewed by franchisees managers on a regular basis in conjunction with debt ageing and collection history. Provisions against bad debts are made where appropriate.

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

The table below shows the balances that the Group has with its major banks as at the balance sheet date:

Bank	Country of incorporation	Rating	Carrying amount as at 31 December 2020
RCB	Cyprus	Ba2	14,204
LGT	Switzerland	Aa1	10,353
Sberbank of Russia	Russia	Baa3	128
VTB Bank	Russia	Baa3	172
Other			19
Total			**24,876**

(in millions of Russian Roubles)

Liquidity risk

Any impact on available cash and therefore the liquidity of the Group could have a material effect on the business as a result.

The Group's borrowings are subject to quarterly banking covenants against which the Group has had significant headroom to date with no anticipated issues based upon forecasts made. Short-term flexibility is achieved via the Group's rolling credit facility. The following table shows the maturity of financial liabilities grouping based on their remaining period at the balance sheet date. The amounts disclosed are the contractual undiscounted cash flows.

	On demand or less than 1 year	1 to 5 years	Over 5 year	Total*	Carrying amount
As at 31 December 2020					
Loans and borrowings	16,158			**16,158**	**15,680**
Payables and other liabilities	26,531	-	-	**26,531**	**26,531**
Lease liabilities	6,772	3,912	26	**10,710**	**10,052**
	49,461	**3,912**	**26**	**53,399**	**52,263**
As at 31 December 2019					
Loans and borrowings	5,154	-	-	**5,154**	**5,006**
Payables and other liabilities	19,702	-	-	**19,702**	**19,702**
Lease liabilities	5,811	2,729	-	**8,540**	**7,802**
	30,667	**2,729**	**-**	**33,396**	**32,510**

*Amounts related to loans and borrowings and lease liabilities include future interest.

Fair value

The fair values of the financial assets and liabilities of the Group are not materially different from their carrying values.

The fair values of cash and cash equivalents, loans issued, trade and other receivables and trade and other payables approximate their carrying amounts due to their short maturity.

Foreign exchange contracts are recognised at fair value and classified as Level 2 instruments. The fair value data is provided by banks, based on the updated quotations source (e.g. Bloomberg).

25. RELATED PARTY TRANSACTIONS

In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. Management considers that the Group has appropriate procedures in place to identify, account for and properly disclose transaction with related parties.

Related parties include immediate and ultimate shareholders of the Group, franchisees where the Group has a non-controlling ownership stake, as well other related parties under common control.

(in millions of Russian Roubles)

Transactions with related parties for the years ended 31 December 2020 and 31 December 2019:

	2020	2019
Associates:		
Sales of goods	2,449	2,935
Royalty fees	100	120
Other*:		
Dividends declared	(27,963)	(11,745)
Payment of dividends	(12,395)	(7,054)
Loans issued	-	(110)
Repayment of loans receivable	-	107

As at 31 December 2020 and as at 31 December 2019 the outstanding balances with related parties were as follows:

	31 December 2020	31 December 2019
Associates:		
Trade and other payables	-	-
Trade and other receivables	14	15
Advances from customers	(111)	(133)
Other*:		
Dividends payable	20,312	4,329

* Other related parties comprise immediate and indirect shareholders of the Company.

For details on the remuneration of key management personnel please refer to Note 10.

26. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure. While the Group has not established any formal policies with regard to debt to equity proportions, the Group reviews its capital needs periodically to determine actions to balance its overall capital structure through new share issue, return of capital to shareholders as well as securing new debt or redemption of existing debt.

27. POST BALANCE SHEET EVENTS

Dividends payable as at 31 December 2020 in the amount of RUB 23,658 million were paid in full in January 2021.

Meridan Management Ltd.

Consolidated Financial Statements
for the Year Ended 31 December 2019
and Independent Auditor's Report

MERIDAN MANAGEMENT LTD.

CONTENTS

MERIDAN MANAGEMENT LTD.

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of Meridan Management Ltd. (the "Company") and its subsidiaries (the "Group") as at 31 December 2019, and the consolidated results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") ("IFRS").

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

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

Management is also responsible for:

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

The consolidated financial statements of the Group for the year ended 31 December 2019 were approved by management on 11 March 2020.

On behalf of management:

Christina Michailidou
Director

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Meridan Management Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of Meridan Management Ltd. and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statements of comprehensive income, cash flows, and changes in equity for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing adopted by the Republic of Cyprus ("ISA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AO Deloitte & Touche CIS

11 March 2020

MERIDAN MANAGEMENT LTD.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019
(in millions of Russian roubles)

	Note	2019	2018 (represented)*
Revenue	7	142,880	108,724
Cost of sales	8	(96,919)	(74,838)
Gross profit		**45,961**	**33,886**
Selling, general and administrative expenses	9	(27,879)	(21,501)
Other operating income		334	259
Share of profit of associates, net		39	86
Operating profit		**18,455**	**12,730**
Interest income		194	87
Interest expense		(1,040)	(205)
Foreign exchange loss, net		(74)	(343)
Profit before tax		**17,535**	**12,269**
Income tax expense	10	(4,362)	(3,141)
Profit for the year and total comprehensive income for the year		**13,173**	**9,128**
Basic and diluted earnings per share		0.26	0.18

* See Note 6 for details of represented items within the consolidated statement of comprehensive income.

The Group transitioned to IFRS 16 using the modified retrospective approach under which the comparative information was not restated.

The accompanying notes on pages 8-38 are an integral part of these consolidated financial statements.

MERIDAN MANAGEMENT LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2019
(in millions of Russian roubles)

	Note	31 December 2019	31 December 2018*
Assets			
Non-current assets			
Property, plant and equipment	12	10,882	9,108
Goodwill	5	178	-
Other intangible assets	13	510	1,577
Capital advances		1,055	662
Right-of-use assets	14	6,220	-
Operating lease deposits		-	594
Investments in associates		85	130
Total non-current assets		**18,930**	**12,071**
Current assets			
Inventories	15	19,365	15,085
Right-of-use assets	14	1,943	-
Receivables and other financial assets	16	1,036	1,033
Prepayments		247	158
Value added tax receivable		166	1,049
Loans receivable		92	-
Cash and cash equivalents	17	11,881	5,882
Total current assets		**34,730**	**23,207**
Total assets		**53,660**	**35,278**
Equity and liabilities			
Equity			
Share capital	18	1	1
Additional paid-in capital	18	154	154
Retained earnings		11,298	13,082
Total equity		**11,453**	**13,237**
Non-current liabilities			
Lease liabilities	20	2,496	-
Deferred tax liabilities	10	346	583
Total non-current liabilities		**2,842**	**583**
Current liabilities			
Loans and borrowings	19	5,006	501
Lease liabilities	20	5,306	-
Payables and other financial liabilities	21	19,827	17,901
Advances received		453	292
Income tax payable		2,415	1,410
Tax liability, other than income taxes		532	840
Dividends payable	18	5,030	-
Accrued expenses		796	514
Total current liabilities		**39,365**	**21,458**
Total liabilities		**42,207**	**22,041**
Total equity and liabilities		**53,660**	**35,278**

* The Group transitioned to IFRS 16 using the modified retrospective approach under which the comparative information was not restated.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2019
(in millions of Russian roubles)

	Note	2019	2018*
Cash flows from operating activities			
Profit before tax		**17,535**	**12,269**
Adjustments for:			
Depreciation and amortisation	12,13	8,695	1,464
Shrinkage and inventory obsolescence expenses	8,15	1,118	1,037
Changes in allowance for trade and other receivables		(13)	-
Share of profit of associates, net		(39)	(86)
Interest income		(194)	(87)
Interest expense		1,040	205
Foreign exchange loss, net		74	343
Operating cash flows before changes in working capital		**28,216**	**15,152**
Increase in inventories		(5,335)	(4,595)
(Increase)/decrease in receivables and other financial assets		(4)	1,034
Increase in prepayments		(89)	-
Decrease/(Increase) in VAT receivable		883	(86)
Increase in operating lease deposits		-	(80)
Increase in payables and other financial liabilities		1,938	4,261
Increase in advances received		161	112
Decrease in tax liabilities, other than income tax		(308)	(66)
Increase in accrued expenses		326	152
Net cash flows generated from operations		**25,788**	**15,884**
Interest paid		(1,099)	(240)
Interest received		194	-
Income tax paid		(3,459)	(2,015)
Net cash flows from operating activities		**21,424**	**13,629**
Cash flows from investing activities			
Purchase of property, plant and equipment and capital advances		(3,831)	(3,129)
Purchase of intangible assets		(365)	(1,088)
Proceeds from sale of property, plant and equipment		39	32
Acquisition of business, net of cash acquired	5	(195)	-
Dividends received from associates		84	46
Loans issued		(248)	(3,985)
Proceeds from repayment of loans issued		150	358
Net cash flows used in investing activities		**(4,366)**	**(7,766)**
Cash flows from financing activities			
Proceeds from loans and borrowings		12,600	3,831
Repayment of loans and borrowings		(8,100)	(6,830)
Lease payments		(6,689)	-
Dividends paid		(8,039)	(3,248)
Net cash flows used in financing activities		**(10,228)**	**(6,247)**
Total cash (used in)/from operating, investing and financing activities		**6,830**	**(384)**
Effect of exchange rate fluctuations on cash and cash equivalents		(831)	164
Net increase/(decrease) in cash and cash equivalents		**5,999**	**(220)**
Cash and cash equivalents at the beginning of the year	17	**5,882**	**6,102**
Cash and cash equivalents at the end of the year	17	**11,881**	**5,882**

* The Group transitioned to IFRS 16 using the modified retrospective approach under which the comparative information was not restated.

Non-cash transactions:

In 2018 the Group issued loans to its shareholders and related parties for the total amount of RUB 3,985 million. Out of this amount, RUB 358 million were repaid to the Group in cash. In June 2018 the Group, its debtors and shareholders entered into a series of agreements under which the outstanding loans receivable in the total amount of RUB 3,911 million were settled against dividends payable by the Group at that date to its shareholders.

In June 2018 a supplier of the Group issued bearer promissory note in amount of RUB 187 million that was used to redeem amounts due by this supplier to the Group. Subsequently the Group used that promissory note in the total amount of RUB 187 million to repay a part of its dividends payable to the shareholders.

There were no non-cash transactions in the year ended 31 December 2019.

The accompanying notes on pages 8-38 are an integral part of these consolidated financial statements.

MERIDAN MANAGEMENT LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019
(in millions of Russian roubles)

	Note	Share capital	Additional paid-in capital	Retained earnings	Total
At 1 January 2018		**1**	**154**	**10,587**	**10,742**
Profit for the year		-	-	9,128	**9,128**
Total comprehensive income for the year, net of tax		-	-	**9,128**	**9,128**
Dividends	18	-	-	(6,633)	**(6,633)**
At 31 December 2018		**1**	**154**	**13,082**	**13,237**
Effect of adoption of IFRS 16	4	**-**	**-**	**(1,217)**	**(1,217)**
At 1 January 2019 Restated		1	154	**11,865**	**12,020**
Profit for the year		-	-	13,173	**13,173**
Total comprehensive income for the year, net of tax		-	-	**13,173**	**13,173**
Dividends	18	-	-	(13,740)	**(13,740)**
At 31 December 2019		**1**	**154**	**11,298**	**11,453**

The accompanying notes on pages 8-38 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Meridan Management Ltd. (the "Company") was incorporated in May 2008 in accordance with the Business Companies Act of the British Virgin Islands. The address of the Company's registered office is Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands ("BVI").

Meridan Management Ltd. together with its subsidiaries (the "Group") is the leading CIS multi-price value retailer, operating under the trade mark "Fix Price". The Group's retail operations are conducted through a chain of convenience stores, located in the Russian Federation. The Group is also engaged in wholesale operations by servicing a number of franchisees that operate in distant regions of the Russian Federation, as well as Belarus, Georgia, Kazakhstan, Kyrgyzstan and Latvia.

The consolidated financial statements have been prepared under the historical cost convention except of the revaluation of financial assets and financial liabilities at fair value through profit or loss. The measurement basis and principal accounting policies of the Group are set out below and have been applied consistently throughout the consolidated financial statements.

Meridan Management Ltd. is the holding entity of the Group and there is no consolidation that takes place above the level of this Company.

As of 31 December 2019 and 2018 the Group is controlled by a group of independent physical persons who individually don't have control over the Group.

The consolidated financial statements cover the year ended 31 December 2019.

These consolidated financial statements were authorised for release by the Director of the Company on 11 March 2020.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements are presented in Russian roubles, which is also the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest million RUB, except when otherwise indicated.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings, together with the Group's share of the net assets and results of associated undertakings, for the year ended 31 December 2019.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

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

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

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

(in millions of Russian roubles)

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

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

Company name	**Country of incorporation**	**Principal activity**	**Note**	**Ownership interest 31 December 2019**	**Ownership interest 31 December 2018**
Kolmaz Holdings Ltd	Cyprus	Intermediate holding company		100%	100%
Wikolia Investment Ltd	Cyprus	Intermediate holding company		100%	100%
Best Price LLC	Russia	Retail and wholesale operations		100%	100%
Best Price Kazakhstan TOO	Kazakhstan	Retail operations	5	100%	-

Going concern

After consideration of forecasts and budgets covering the next 12 month period, the directors have determined that it is appropriate to continue to use the going concern basis for production of these consolidated financial statements, which implies the realisation of assets and settlement of liabilities in the normal course of business.

Revenue

The revenue is recognised by the Group in such a way to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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

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

The Group recognises revenue when or as a performance obligation is satisfied.

Store retail revenue is recognised at the initial point of sale of goods to customers, when the control over the goods have been transferred to the buyer.

The Group has a loyalty card scheme that allows customers to earn bonus points for each purchase made, which can be used to obtain discounts on subsequent purchases. Such bonus points entitle customers to obtain a discount that they would not be able to obtain without preliminary purchases of goods (i.e. material right). Thus, the promised discount represents a separate performance obligation. Deferred revenue with respect to bonus points is recognised upon the initial sale. Revenue from the loyalty programme is recognised upon the exchange of bonus points by customers. Revenue from bonus points that are not expected to be exchanged is recognised in proportion to the pattern of rights exercised by the customer.

Wholesale revenue includes:

- Sales of goods to franchisees, which is recognised at the moment of transfer of goods to franchisees at the warehouse;
- Revenue, stemming from franchise agreements, such as initial fees and sales-based royalties. Initial fees are recognised as revenues when performance of all initial services and other obligations required of the franchisor (such as assistance with site selection, assortment planning, etc.) has been substantially accomplished. If the initial fee is collectible over an extended period and there is a significant uncertainty that it will be collected in full, the fee is recognised as cash instalments are received. Revenue from sales-based royalties is earned when a franchisee sells goods in its retail stores and is recognised as and when those sales occur.

Selling, general and administrative expenses

Selling, general and administrative expenses contain all running costs of the business, except those relating to inventory (which are expensed through cost of sales), tax, interest, foreign exchange gain/(loss), share of profit/(loss) in associates and other comprehensive income. Warehouse costs are included in this caption.

Elements which are unusual and significant may be presented as a separate line item in the statement of comprehensive income.

Property, plant and equipment

Property, plant and equipment is carried at historical cost less accumulated depreciation and accumulated impairment losses.

Cost comprises purchase price and directly attributable costs. Unless significant or incurred as part of a refit programme, subsequent expenditure will usually be treated as repairs or maintenance and expensed to the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Freehold land is not depreciated. For all other property, plant and equipment, depreciation is calculated on a straight line basis to allocate cost, less residual value of the assets, over their estimated useful lives as follows.

Repair and maintenance expenditure is expensed as incurred. Major renewals and improvements are capitalised, and the replaced assets are derecognised. Gains and losses arising from the retirement of property, plant and equipment are included in the profit or loss on disposal.

Leasehold improvements are capitalised when it is probable that future economic benefits associated with the improvements will flow to the Group and the cost can be measured reliably. Capitalised leasehold improvements are depreciated over their useful life.

Depreciation

Depreciation is provided on all other items of property, plant and equipment and the effect is to write off the carrying value of items by equal instalments over their expected useful economic lives. It is applied at the following rates:

	Useful lives in years
Buildings	37-50
Leasehold improvements	10
Equipment and other assets	2-7

Residual values and useful lives are reviewed annually and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is expensed in the statement of comprehensive income when the asset is derecognised.

Intangible assets

Lease rights

Lease rights acquired prior to IFRS 16 adoption (i.e. 1 January 2019) represented rights for favourable operating leases. These rights were initially recognised at cost and were amortised using the straight-line method over 10 years. As discussed below, lease rights were derecognised upon adoption of IFRS 16.

Other intangible assets

Other intangible assets acquired separately, including computer software, are measured on initial recognition at cost comprising the purchase price and any directly attributable costs of preparing the asset for use.

Following initial recognition, assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation begins when an asset is available for use and is calculated on a straight line basis to allocate the cost of the asset over its estimated useful life ranging from 2 to 10 years.

Investments in associates

Associates are those entities over which the Group has significant influence but which are neither subsidiaries nor interests in joint ventures. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies. Investments in associates are recognised initially at cost and subsequently accounted for using the equity method. Changes resulting from the profit or loss generated by the associate are reported in "share of profits of associates" in the consolidated income statement and therefore affect net results of the Group.

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the consolidated financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use, where CGU (a cash-generating unit) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGU's to which the individual assets are allocated. These budgets and forecast calculations cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment of inventories, are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding those for which annual testing is required, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for shrinkage, obsolete and slow moving items. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell. The costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of inventories. Supplier allowances that do not represent reimbursement of specific, incremental and identifiable costs incurred to promote a supplier's goods are also included in cost of inventories (as a reduction of it). Cost of inventory is determined on the weighted average basis.

Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Group operates and generates taxable income. Tax is recognised in the income statement (the Group does not have taxes related to items recognised in other comprehensive income or directly in equity).

Deferred tax

Deferred tax is provided using the liability method on tax loss carry forwards and temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised 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 ventures, 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 recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Business combinations

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

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

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively;
- Liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Company, entered into to replace the share-based payment arrangements of the acquiree, are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net acquisition-date value of identifiable assets acquired exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised in profit or loss as a bargain purchase gain.

When the acquired assets did not constitute a business such transactions are accounted for on a carryover basis, which results in the historical book value of assets and liabilities of the acquired entity being combined with that of the Group.

Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and amounts paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Fair value of financial instruments

Fair value of financial instruments which are traded in the active market is estimated at each reporting date on the basis of market quotations or dealer quotes without any deduction for transaction costs. For financial instruments which are not traded in the active market, fair value of the instrument is estimated using valuation techniques that include use of data on market transactions; data on current fair value of other similar instruments; discounted cash flow analyses or other valuation techniques.

The Group uses the following hierarchy to determine and disclose methods of fair value measurement of financial instruments:

- Level 1: quoted prices for identical assets and liabilities determined in active markets (unadjusted);
- Level 2: techniques where all used inputs that significantly affect the fair value are observable directly or indirectly;
- Level 3: techniques where used inputs that significantly affect the fair value are not based on observable market data.

Financial assets

Financial assets are classified into the following specified categories:

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

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

<u>Measurement</u>

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

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

Debt instruments

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash deposits and highly liquid investments with original maturities, from the date of acquisition, of three months or less, that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Derivative financial instruments

The Group uses derivative financial instruments (forward currency contracts) to reduce its foreign currency exposure.

Derivative financial instruments are recognised at fair value. The fair value is derived using updated bank quotations. The Group does not use hedge accounting for these derivatives. As a result, such derivative financial instruments are treated as financial assets and liabilities at fair value through profit or loss. Gains and losses recognised for the changes in fair value of forward contracts are included in the foreign exchange (loss)/gain line item in the consolidated statement of comprehensive income.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost (represented by cash and cash equivalents, trade and other receivables). The amount of expected credit losses (ECL) is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

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

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

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

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

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

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

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

On derecognition of a financial asset other than in its entirety (e.g. when an entity retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the control is retained), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities

Classification as debt or equity

Debt and equity instruments issued by Group entities are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

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

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

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

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

Derecognition of financial liabilities

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get for their intended use or sale, are added to the cost of those assets, until such time when the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Value added tax

The Russian tax legislation permits settlement of value added tax ("VAT") on a net basis.

VAT is payable upon invoicing and delivery of goods, performing work or rendering services, as well as upon collection of prepayments from customers. VAT on purchases, even if they have not been settled at the reporting date, is deducted from the amount of VAT payable.

Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

Equity

Equity comprises the following:

- Share capital represents the nominal value of equity shares;
- Additional paid-in capital represents contributions to the property of the Group made by shareholders;
- Retained earnings represents retained profits.

Ordinary shares are classified as equity. Contributions to the property of the Group made by shareholders both in cash or other assets provided to the Group are included in additional paid-in capital within the equity.

Dividends

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

State pension plan

The Group's companies contribute to the state pension, medical and social insurance funds on behalf of all its current employees. Any related expenses are recognised in the consolidated profit and loss as incurred.

Provisions

Provisions are recognised when a present obligation (legal or constructive) exists as a result of a past event and where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount can be reliably estimated. Provisions are discounted where the time value of money is considered to be material.

Leases

Accounting policy applicable after 1 January 2019

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases of property or equipment and leases of low value assets. For these leases, the Group recognises the lease payments on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate of the Group. Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lessee transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Selling, general and administrative expenses" in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient.

Accounting policy applicable before 1 January 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets even if that right is not explicitly specified in an arrangement.

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset.

All other leases are regarded as operating leases and the payments made under them are charged to the statement of comprehensive income on a straight line basis over the lease term.

Some of the Group's operating leases require the Group to advance certain amount of cash to the lessor at the time of entering into lease. Such cash advance is held by a lessor and serves as a security deposit which can be claimed by a lessor should the Group fail to make a regular lease payment. A security deposits are offset against a scheduled operating lease payments or returned to the Group at the end of the lease agreement. The Group accounts for operating lease deposits at cost less any accumulated impairment loss and classifies these as a separate line item in the consolidated statement of financial position.

3. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors including expectations of future events that are believed to be reasonable when the financial information was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Critical accounting estimates

Useful lives of items of property, plant and equipment

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

The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end and if expectations differ from previous estimates the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Lease term of contracts

In determining the lease term the Group considers various factors, including but not limiting to the extension options that are reasonably certain to be executed and termination options that are reasonably certain not to be executed. When considering those factors, management takes into account, amongst other things, the Group's investment strategy, relevant investment decisions, the residual useful life of the related major leasehold improvements and costs directly or indirectly relating to the extension or termination of the lease.

Incremental borrowing rates for calculation of lease liability

Incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group derives incremental borrowing rates from both internal and external data sources applying significant judgment in such calculations.

Inventories of goods for resale provisions

The Group provides for estimated inventory shrinkage on the basis of historical shrinkage as a percentage of cost of sales. This provision is adjusted at the end of each reporting period to reflect the historical trend of the actual physical inventory count results (Note 8).

Tax legislation

The Group operates in various jurisdictions, including the Russian Federation, Republic of Kazakhstan, the Republic of Cyprus and the British Virgin Islands. The tax, currency and customs legislation of those jurisdictions is subject to varying interpretations and tax authorities may challenge interpretations of tax legislation taken by the Group. The Group's contingent liabilities with regards to taxation are disclosed in Note 23.

Critical judgements in applying accounting policies

The Group also makes certain judgements, apart from those involving estimations, in the process of applying accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements are described below.

Asset acquisitions

The Group holds a non-controlling interest in some of its franchisees. As discussed in Note 25, in 2018 the Group entered into a series of agreements with one of its franchisees for the acquisition of lease rights, trade equipment and inventories relating to 133 stores operated by the franchisee. Management applied judgement in accounting for the transaction as an acquisition of assets rather than as a business combination on the basis that no existing processes were transferred to the Group in the transaction and the acquired assets did not constitute a business.

4. NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STATEMENTS

Adoption of New Standards and Interpretations

The accounting policies applied by the Group are consistent with those of the financial year ended as at 31 December 2018, except for the adoption of the new standards and interpretations described below.

From 1 January 2019, the Group has adopted the following new and amended standards and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB in the consolidated financial information:

- IFRS 16 *Leases*;
- IFRIC 23 *Uncertainty Over Income Tax Treatments*;
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation*;
- Amendments to IAS 19 *Employee Benefits*;
- Annual Improvements to IFRSs 2015-2017 Cycle.
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

No new standards and interpretations adopted in 2019 other than IFRS 16 Leases had a material impact on the consolidated financial information of the Group for the year ended 31 December 2019.

IFRS 16 Leases

As at 1 January 2019 the Group has adopted IFRS 16 *Leases* (as issued by the IASB in January 2016).

IFRS 16 introduced new or amended requirements with respect to lease accounting. It introduced significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The Group has applied IFRS 16 using a modified retrospective approach. The comparative information for the year ended 31 December 2018 has not been restated in accordance with provisions of IFRS 16 *Leases*.

Impact of the new definition of a lease

The Group used the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to leases entered into or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). When preparing for the first-time application of IFRS 16, the Group carried out an implementation project. The project results presented that the new definition in IFRS 16 would not change significantly the scope of contracts that meet the definition of a lease for the Group.

Impact on Lessee Accounting

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

(a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;
(b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and
(c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 *Impairment of Assets*. This replaces the previous requirement to recognise a provision for onerous lease contracts.

For low-value assets the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within Selling, general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Financial impact of initial application of IFRS 16

At the date of transition to IFRS 16 *Leases* the Group recognised lease liabilities (short-term and long-term) in amount of RUB 8,487 million. Previously the Group did not recognise any lease liabilities because all lease contracts entered into by the Group were classified as operating leases according to IAS 17 *Leases*. The amount of lease liabilities recognised was determined based on the present value of the future minimum lease payments at the transition date. The Group used incremental borrowing rate in determining the present value of future payments.

The weighted average incremental borrowing rate at 1 January 2019 was 9.9% per annum.

As at 1 January 2019 the Group also recognised right-of-use assets in amount of RUB 9,062 million. Right-of-use assets are depreciated on a straight-line basis over the lease term which ranges from 11 to 60 months. Lease rights of RUB 1,357 million (included previously in intangible assets) were derecognised.

As at 1 January 2019 operating lease deposits of RUB 575 million related to previous operating leases were derecognised.

Deferred tax assets increased by RUB 140 million because of the deferred tax impact of the changes in assets and liabilities.

The net impact of these adjustments had been adjusted to retained earnings of RUB 1,217 million.

Under IFRS 16, lessees must present:

- Payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities;
- Cash paid for the interest portion of lease liability to be classified as per the Group's policy under IAS 7 (the Group has opted to include the interest paid as part of operating activities); and;
- Cash payments for the principal portion of lease liability as part of financing activities.

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities.

The adoption of IFRS 16 has no impact on net cash flows.

As at 31 December 2018 the Group's outstanding short and long-term lease agreements were cancellable. IAS 17 requires disclosing operating lease commitments only for non-cancellable leases, while under IFRS 16 the Group is also required to include in lease term periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. Due to this the Group does not provide a reconciliation between lease commitment disclosure at 31 December 2018 and the lease liabilities recognised as a result of the adoption of IFRS 16 at 1 January 2019.

New and revised IFRS Standards in issue but not yet effective

- IFRS 17 *Insurance Contracts;*
- IFRS 10 and IAS 28 (amendments) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;*
- Amendments to IFRS 3 *Definition of a Business;*
- Amendments to IAS 1 and IAS 8 *Definition of Material;*
- *Annual Improvements to IFRSs (2010—2012 Cycle Amendments to IAS 1) Classification of Liabilities as Current or Non-Current;*
- Amendments to IFRS 9, IAS 39 and IFRS 7 *Interest Rate Benchmark Reform and its Effects on Financial Reporting;*
- Conceptual Framework *Amendments to References to the Conceptual Framework in IFRS Standards.*

The new and revised IFRS Standards listed above will not have a material impact on the financial statements of the Group in future periods.

5. ACQUISITION OF TOO BEST PRICE KAZAKHSTAN

On 25 December 2019, the Group acquired 100 per cent of the issued share capital of TOO Best Price Kazakhstan, obtaining control of the entity. TOO Best Price Kazakhstan was a Group franchisee in Kazakhstan. TOO Best Price Kazakhstan was acquired in order for the Group to enter the Kazakhstan market.

(in millions of Russian roubles)

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed at the date of acquisition are as set out in the table below.

Property, plant and equipment	10
Right-of-use assets	82
Receivables and other financial assets	73
Inventory	63
Lease liabilities	(82)
Payables and other financial liabilities	(87)*
Fair value of identifiable assets acquired and liabilities assumed, net	59
Goodwill	178
Total consideration	**237**
Satisfied by:	
Cash	237
Total consideration transferred	**237**
Net cash outflow arising on acquisition:	
Cash consideration	237
Less: cash and cash equivalent balances acquired	(42)
	195

* Including RUB 51 million of trade payables in favour of the Group.

The goodwill of RUB 178 million arising from the acquisition consists of a fee for entrance to the perspective Kazakhstan market. Synergies attached to expanding their operations in Kazahstan market. None of the goodwill is expected to be deductible for income tax purposes. Acquisition-related costs (included in administrative expenses) are immaterial.

TOO Best Price Kazakhstan contributed immaterial revenue and profit to the Group for the period between the date of acquisition and the reporting.

6. RECLASSIFICATION OF COMPARATIVE INFORMATION

In order to improve presentation of certain line items and for better comparability of the financial statements with the Group's industry peers the management of the Group decided to make the following minor presentation changes in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2018.

The sale of waste materials and advertising activities which are not related to principal activities of the Group were presented in other operating income. Certain other operating income previously presented on the net basis in selling, general and administrative expenses was reclassified to other operating income for the year ended 31 December 2018.

The cumulative effect of reclassifications of corresponding information for the year ended 31 December 2018 is presented below:

Consolidated Statement of Comprehensive Income	**As previously reported**	**Reclassification**	**As reclassified**
Revenue	108,763	(39)	108,724
Other operation income	206	53	259
Selling, general and administrative expenses	(21,487)	(14)	(21,501)

In addition, the Group also made a presentation change with regards to share of profits of associates in the consolidated statement of comprehensive income. Currently this line item is presented above Operating Profit subtotal whereas previously share of profits of associates was presented below Operating Profit. The presentation change reflects management's view of these activities (i.e. the Group's associates are represented by its franchisees) as operating activities and aligns presentation adopted in the consolidated statement of cash flows. Comparative information for the year ended 31 December 2018 was reclassified accordingly.

(in millions of Russian roubles)

7. REVENUE

Revenue for the years ended 31 December 2019 and 2018 consisted of the following:

	2019	**2018**
Retail revenue	123,194	94,092
Wholesale revenue	19,686	14,632
	142,880	**108,724**

8. COST OF SALES

Cost of sales for the years ended 31 December 2019 and 2018 consisted of the following:

	2019	**2018**
Cost of goods sold	93,557	72,092
Transportation and handling costs	2,244	1,709
Inventory write-down due to shrinkages and write off to net realisable value	1,118	1,037
	96,919	**74,838**

9. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended 31 December 2019 and 2018 consisted of the following:

	2019	**2018**
Staff costs	13,361	9,085
Amortisation of right-of-use assets	6,921	-
Other depreciation and amortisation	1,772	1,476
Bank charges	1,258	790
Operating lease expenses	1,160	7,291
Security services	1,107	901
Advertising costs	645	453
Repair and maintenance costs	625	503
Utilities	501	522
Other expenses	529	480
	27,879	**21,501**

Staff costs include statutory social security and pension contributions (defined contribution plan) in amount of RUB 2,067 million and RUB 1,263 million during the years ended 31 December 2019 and 2018, respectively.

In the year ended 31 December 2019 Operating lease expenses mainly relate to leases of low-value items for which the recognition exemption is applied and variable lease costs that are expended as incurred.

10. TAXATION

	2019	**2018**
Current tax expense	4,457	2,968
Deferred tax expense/(benefit)	(95)	173
Income tax expense	**4,362**	**3,141**

(in millions of Russian roubles)

The Russian statutory income tax rate was 20% during the years ended 31 December 2019 and 2018. Income generated in other jurisdictions was subject to a different tax rate.

Income before taxation for financial reporting purposes is reconciled to tax expense as follows:

	2019	**2018**
Profit before tax	17,535	12,269
Theoretical tax expense at 20%, being statutory rate in Russia	**(3,507)**	**(2,454)**
(Expenses)/income subject to income tax at rates different from 20%	(902)	(475)
Non-deductible items	47	(62)
Withholding tax on intra-group dividends	-	(150)
Income tax expense	**(4,362)**	**(3,141)**

Withholding tax is applied to dividends distributed by the Group's Russian subsidiary at the rate of 5% on gross dividends declared; such tax is withheld at source by the respective subsidiary and is paid to the Russian tax authorities at the same time when the payment of dividend is effected.

Deferred tax assets and liabilities as of 31 December 2019 and 2018 are calculated for all temporary differences under the balance sheet method using the Russian statutory tax rate of 20%.

Movements in the deferred tax assets and liabilities for the year ended 31 December 2019 were as follows:

	31 December 2018	**Derecognition upon adoption of IFRS 16 (Note 4)**	**Charged to profit or loss**	**31 December 2019**
Tax effects of deductible temporary differences				
Trade and other payables	-	-	58	58
Accrued expenses	-	-	65	65
Intangible assets	(133)	140	-	7
Deferred tax assets	**(133)**	**140**	**123**	**130**
Tax effects of taxable temporary differences				
Inventories	(50)	-	(8)	(58)
Property, plant and equipment	(342)	-	(67)	(409)
Investments in associates	(25)	-	16	(9)
Trade and other receivables	(39)	-	39	-
Other	6	-	(6)	-
Deferred tax liabilities	**(450)**	**-**	**(26)**	**(476)**
Net deferred tax liabilities	**(583)**	**140**	**97**	**(346)**

Movements in the deferred tax assets and liabilities for the year ended 31 December 2018 were as follows:

	31 December 2017	**Charged to profit or loss**	**31 December 2018**
Tax effects of deductible temporary differences			
Trade and other payables	13	(13)	-
Deferred tax assets	**13**	**(13)**	**-**
Tax effects of taxable temporary differences			
Inventories	(33)	(17)	(50)
Property, plant and equipment	(276)	(66)	(342)
Intangible assets	(77)	(56)	(133)
Investments in associates	(17)	(8)	(25)
Trade and other receivables	-	(39)	(39)
Other	9	26	6
Deferred tax liabilities	**(394)**	**(160)**	**(583)**
Net deferred tax liabilities	**(381)**	**(173)**	**(583)**

(in millions of Russian roubles)

As of 31 December 2019 and 2018 the Group has not recognised a deferred tax liability in respect of taxable temporary differences associated with investments in subsidiaries as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

11. KEY MANAGEMENT REMUNERATION

The total compensation relating to the key management personnel of the Group amounted to RUB 1,063 million and RUB 385 million during the years ended 31 December 2019 and 2018, respectively. The amount of compensation includes all applicable taxes and contributions. All compensation represents short-term employee benefits as defined in IAS 19 *Employee Benefits*.

12. PROPERTY, PLANT AND EQUIPMENT

Movements in the carrying amount of property, plant and equipment during the years ended 31 December 2019 and 2018 were as follows:

	Land and buildings	Trade and other equipment	Leasehold improve-ments	Other	Assets under construction and uninstalled equipment	Total
Cost						
At 1 January 2018	**1,890**	**5,264**	**4,476**	**57**	**10**	**11,697**
Additions					2,594	**2,594**
Transfers	23	1,481	1,076	9	(2,589)	**-**
Disposals	-	(146)	(128)	(1)	(1)	**(276)**
At 31 December 2018	**1,913**	**6,599**	**5,424**	**65**	**14**	**14,015**
Additions					3,518	**3,518**
Acquisition of a subsidiary (Note 5)					10	**10**
Transfers	686	1,644	1,187	20	(3,537)	**-**
Disposals	-	(165)	(116)	(3)	-	**(284)**
At 31 December 2019	**2,599**	**8,078**	**6,495**	**82**	**5**	**17,259**
Accumulated depreciation and impairment						
At 1 January 2018	**145**	**2,164**	**1,375**	**33**	**-**	**3,717**
Depreciation charge	19	816	485	6	-	**1,326**
Disposals	-	(96)	(40)	-	-	**(136)**
At 31 December 2018	**164**	**2,884**	**1,820**	**39**	**-**	**4,907**
Depreciation charge	23	976	566	18	-	**1,583**
Disposals		(109)	(3)	(1)	-	**(113)**
At 31 December 2019	**187**	**3,751**	**2,383**	**56**	**-**	**6,377**
Net book value						
At 31 December 2018	**1,749**	**3,715**	**3,604**	**26**	**14**	**9,108**
At 31 December 2019	**2,412**	**4,327**	**4,112**	**26**	**5**	**10,882**

Buildings primarily represent distribution centers that are owned by the Group.

At 31 December 2018 land and buildings in amount of RUB 832 million have been pledged as collateral for bank loans (refer to Note 19). During the financial year ended 31 December 2019 bank loan was repaid in full and land and buildings have been released from pledge.

(in millions of Russian roubles)

13. INTANGIBLE ASSETS

Movements in the carrying amount of intangible assets during the years ended 31 December 2019 and 2018 were as follows:

	Lease rights	Software, patents and other	Total
Cost			
At 1 January 2018	**570**	**228**	**798**
Additions	959	130	**1,089**
Disposals	(6)	-	**(6)**
At 31 December 2018	**1,523**	**358**	**1,881**
Derecognition upon adoption of IFRS 16 (Note 4)	(1,523)	-	**(1,523)**
Additions	-	355	**355**
Disposals	-	-	**-**
At 31 December 2019	**-**	**713**	**713**
Accumulated amortisation and impairment			
At 1 January 2018	**81**	**85**	**166**
Amortisation charge	85	53	**138**
Disposals	-	-	-
At 31 December 2018	**166**	**138**	**304**
Derecognition upon adoption of IFRS 16 (Note 4)	(166)	-	**(166)**
Amortisation charge	-	65	**65**
At 31 December 2019	**-**	**203**	**203**
Carrying amount			
At 31 December 2018	**1,357**	**220**	**1,577**
At 31 December 2019	**-**	**510**	**510**

Additions to lease rights in 2018 are represented by lease rights purchased by the Group from one of its franchisees (Note 25).

14. RIGHT-OF-USE ASSETS

The Group leases retails premises, offices and warehouses (hereinafter "leased premises and buildings") with lease term within the range from 1 to 5 years. Movements in the carrying amount of right-of-use assets were as follows:

	Leased premises and buildings
Cost	
1 January 2019	**9,062**
New lease contracts and modification of existing lease contracts	5,926
Acquisition of a subsidiary (Note 5)	81
Lease prepayments	93
Disposals	(212)
At 31 December 2019	**14,950**

(in millions of Russian roubles)

	Leased premises and buildings
Accumulated depreciation and impairment	
At 1 January 2019	**-**
Depreciation expense	(6,999)
Disposals	212
Impairment	-
At 31 December 2019	**(6,787)**
Carrying amount	
At 1 January 2019	**9,062**
At 31 December 2019	**8,163**

	For the twelve months ended 31 December 2019
Amounts recognised in profit and loss	
Depreciation expense on right-of-use assets	6,921
Interest expense on lease liabilities	698
Impairment	-
Expenses relating to variable lease payments not included in the measurement of the lease liability	1,119

No impairment of right-of-use assets was recognised in the consolidated statement of profit and loss and other comprehensive income for the twelve months ended 31 December 2019.

Some of the property leases for which the Group is the lessee contain variable lease payment terms that are linked to sales generated from the leased retail stores. Variable payment terms are used to link rental payments to store cash flows and reduce fixed cost. Overall the variable payments constitute 13% approx. of the Group's entire lease payments. The variable payments depend on sales of particular stores and consequently on the overall economic development over the next few years. The Group expects that variable rent expenses are expected to continue to present a similar proportion of retails store sales in future years.

The total cash outflow for leases inclusive of interest accounted for under IFRS 16 in the consolidated financial statements amount to RUB 7,390 million for the twelve months ended 31 December 2019.

15. INVENTORIES

The Group inventory balance comprised of merchandise inventories. Amount of inventory write-off due to shrinkages and write-down to net realisable value during the years ended 31 December 2019 and 2018 are disclosed in Note 8.

(in millions of Russian roubles)

16. RECEIVABLES AND OTHER FINANCIAL ASSETS

	31 December 2019	31 December 2018
Trade receivables from franchisees, net of allowance	760	666
Forward foreign exchange contracts (Note 24)	-	194
Other receivables, net of allowance	276	173
	1,036	**1,033**

In 2018 some of the Group's other receivables were redeemed through a non-cash transaction. The details are disclosed in the comparative consolidated statement of cash flows for the year ended 31 December 2018 in the section entitled "Non-cash transactions".

The Group measures the allowance for losses on trade receivables on an ongoing basis in an amount equal to expected lifetime credit losses. Expected credit losses on trade receivables are measured based on the historical defaults and an analysis of the current financial position of the debtor, adjusted for debtor-specific factors, the general industry-specific economic conditions in which the debtor operates and assessment of current and projected development of this conditions as at the reporting date.

The following table summarises the changes in the allowance for expected credit losses on trade receivables and other receivables:

	2019	2018
Balance at beginning of the year	(28)	(20)
Additional utilisation/(allowance) recognised on trade receivables and other receivables	13	(8)
Write-offs against allowance for doubtful other receivables	-	-
Balance at the end of the year	**(15)**	**(28)**

17. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Bank current accounts – Euro and USD	1,635	1,183
Bank current accounts – Russian roubles	534	2,270
Cash in transit – Russian roubles	1,315	1,345
Cash in hand – Russian roubles	229	209
Deposits – USD	5,602	-
Deposits – Russian roubles	1,398	619
Dual currency instruments	1,166	159
Other cash and cash equivalents (RUB and EUR/USD instruments)	2	97
	11,881	**5,882**

Cash in transit represents cash collected by banks from the Group's stores and not deposited in bank accounts as at 31 December. As of 31 December 2019 Russian rouble denominated deposit bank accounts in the amount of RUB 1,398 million had interest rates of 5.51-5.70% and a 9-10 day maturity period. As of 31 December 2018 Russian rouble denominated deposit bank accounts in the amount of RUB 618 million had interest rates of 4.81% and a 11 day maturity period.

As of 31 December 2019 USD denominated deposit bank accounts in the amount of RUB 5,602 million had interest rates of 1.45-2.00% and a 30-182 day maturity period (deposits over 90 days are recallable on demand).

Dual currency instruments (DCI) are denominated in Euro and USD with synthetic (risk and interest) coupon rates of 1.5-3.38% and 35-60 day maturity period. If at maturity the USD/EUR currency rate is beyond a specified limit DCI is paid back by bank in USD.

Russian rouble, USD and Euro denominated balances in current bank accounts are normally interest free.

(in millions of Russian roubles)

18. EQUITY

Ordinary shares

Each ordinary share ranks pari passu with each other ordinary share and each share carries one vote.

	31 December 2019	31 December 2018
Allotted, called up and fully paid ordinary shares of USD 1 each	50,000	50,000
	50,000	**50,000**

Additional paid-in capital

No contributions into equity were made by shareholders of the Group in 2019 and 2018.

Dividends

Interim dividends for 2019 of RUB 275 thousand per share, amounting to a total dividend of RUB 13,740 million were announced in October 2019. Interim dividends for 2018 of RUB 132.66 thousand per share, amounting to a total dividend of RUB 6,633 million were announced in September 2018.

During 2018 the Group's dividends payable were partially redeemed through a series of non-cash transactions. The details are disclosed in the comparative consolidated statement of cash flows for the year ended 31 December 2018 in the section entitled "Non-cash transactions".

19. LOANS AND BORROWINGS

Terms and conditions in respect of loans and borrowings as of 31 December 2019 are detailed below:

Source of financing	Currency	Maturity date	Interest rate at 31 December 2019	31 December 2019
Bank loans (unsecured)	RUB	2020	6.95-7.44%	5,006

Terms and conditions in respect of loans and borrowings as of 31 December 2018 are detailed below:

Source of financing	Currency	Maturity date	Interest rate at 31 December 2018	31 December 2018
Bank loans (A)	RUB	2019	9.9%	501

(A) At 31 December 2018 this bank loan was secured by the pledge of land and buildings (Note 12).

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 statement of cash flows as cash flows from financing activities.

	01 January 2019	Financing cash flows (i)	Other changes (ii)	31 December 2019
Bank loans	501	4,500	5	5,006

(in millions of Russian roubles)

	01 January 2018	Financing cash flows (i)	Other changes (ii)	31 December 2018
Bank loans	3,506	(2,999)	(6)	501
Non-bank loans	8	-	(8)	-
	3,514	(2,999)	(14)	501

(i) The cash flows from bank loans and other borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the consolidated statement of cash flows.

(ii) Other changes include interest accruals and payments.

The Group’s loan agreements contain certain restrictive covenants, including requirements to comply with specified financial ratios. The Group’s failure to comply with restrictive covenants may result in a claim for immediate repayment of the corresponding debt. As of 31 December 2019 and 31 December 2018 the Group was in compliance with all financial covenants stipulated by its loan agreements.

20. LEASE LIABILITIES

As at 31 December 2019 lease liabilities comprised the following:

	31 December 2019
Minimum lease payments, including:	
Current portion (less than 1 year)	5,811
More than 1 to 5 years	2,729
Over 5 years	-
Total minimum lease payments	**8,540**
Less amount representing interest	(738)
Present value of net minimum lease payments, including:	
Current portion (less than 1 year)	5,306
More than 1 to 5 years	2,496
Over 5 years	-
Total present value of net minimum lease payments	**7,802**
Less current portion of lease obligations	(5,306)
Non-current portion of lease obligations	**2,496**

The following table summarises the changes in the lease liabilities:

Balance as at 1 January 2019	**8,487**
Interest expense on lease liabilities	698
Lease payments	(7,390)
New lease contracts and modification of existing lease contracts	5,926
Acquisition of a subsidiary (Note 5)	81
Balance as at 31 December 2019	**7,802**

The Group’s lease contracts include typical restrictions and covenants common for local business practice such as responsibility of the Group for regular maintenance and repair of the lease assets and its insurance, redesign and conduction of permanent improvements only with the consent of the lessor, and use of leased asset in accordance with current legislation.

(in millions of Russian roubles)

In determining the fair value of lease liabilities management of the Group have assumed that the carrying amount of lease liabilities approximates their fair value as at 31 December 2019, as it reflects changes in market conditions, takes into account the risk premium and the time value of money.

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's finance function.

21. PAYABLES AND OTHER FINANCIAL LIABILITIES

Payables as of 31 December 2019 and 2018 consisted of the following:

	31 December 2019	31 December 2018
Trade payables	19,232	17,695
Forward foreign exchange contracts (Note 24)	142	-
Deferred revenue	125	81
Other payables	328	125
	19,827	**17,901**

Trade payables are normally settled not later than their 120 days term.

22. COMMITMENTS

Capital commitments

The Group has contractual capital commitments not provided within the Group financial statements as at 31 December 2019 in the amount of RUB 158 million (as at 31 December 2018 – RUB 0 million). The commitment relates to warehouse premises under construction.

23. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

Operating environment of the Group

The Group sells products that are sensitive to changes in general economic conditions that impact consumer spending. Future economic conditions and other factors, including sanctions imposed, consumer confidence, employment levels, interest rates, consumer debt levels and availability of consumer credit could reduce consumer spending or change consumer purchasing habits. A general slowdown in the Russian economy or in the global economy, or an uncertain economic outlook, could adversely affect consumer spending habits and the Group's operating results.

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

The Russian economy has been negatively impacted by high volatility in oil prices and sanctions imposed on Russia by a number of countries. The rouble interest rates remained high.
The combination of the above resulted in reduced access to capital, a higher cost of capital and uncertainty regarding economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

Legal proceedings

In the ordinary course of business, the Group may be a party to various legal and tax proceedings, and be subject to claims. In the opinion of management, the Group's liability, if any, in all pending litigation, other legal proceeding or other matters, will not have a material effect on the financial condition, results of operations or liquidity of the Group.

Taxation

The Group's main subsidiary, from which the Group's income is derived, operates in Russia. Russian tax, currency and customs legislation can be interpreted in different ways and is susceptible to frequent changes. The interpretation made by management of the legislation in question as applied to the operations and activities of the Group may be challenged by the relevant regional or federal authorities.

In addition, certain amendments to tax legislation entered into force from 2015 which are aimed at combating tax evasion through the use of low-tax jurisdictions and aggressive tax planning structures. In particular, those amendments include definitions of the concepts of beneficial ownership and tax residence of legal entities at their actual place of business, and an approach to the taxation of controlled foreign companies.

These changes, as well as recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in past may be challenged as not having been in compliance with Russian tax laws applicable at the relevant time. In particular, the Supreme Court issued guidance to lower courts on reviewing tax cases providing a systematic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of tax authorities' scrutiny. As a result, significant additional taxes, penalties and interest may be levied on the Group.

As at 31 December 2019 management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained. Management estimates that the Group's possible exposure in relation to the aforementioned tax risks will not exceed 15% of the Group's total assets as at 31 December 2019.

24. FINANCIAL RISK MANAGEMENT

The Group uses various financial instruments, including bank loans, cash, derivatives and various items, such as trade receivables and trade payables that arise directly from its operations.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. The Group reviews and agrees policies for managing each of these risks and they are summarised below.

The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below.

Market risk

Market risk encompasses three types of risk, being currency risk, fair value interest rate risk and commodity price risk. Commodity price risk is not considered material to the business as the Group's sensitivity to commodity prices is insignificant. The Group's exposure to fair value interest rate risk is minimal as the Group does not enter floating rate loan contracts.

Currency risk

The Group is exposed to translation and transaction foreign exchange risk arising from exchange rate fluctuation on its purchases from overseas suppliers. In relation to translation risk, this is considered material to the business as amounts owed in foreign currency are medium term of up to 120 days and are of a relatively significant nature. A proportion of the Group's purchases are priced in Chinese Yuans and in order to manage the Group's exposure to currency risk, the Group enters into forward foreign currency contracts. No transactions in derivatives are undertaken of a speculative nature.

As of 31 December 2019 the fair value of liabilities related to forward foreign exchange contracts utilised for currency risk management purposes amounted to RUB 142 million and recognised within Payables and other financial liabilities (as of 31 December 2018 RUB 194 million was recognised within Receivables and other financial assets). During 2019 the loss from forward foreign exchange contracts amounted to RUB 688 million (2018: RUB 39 million gain), and was included in the foreign exchange (loss)/gain line item in the consolidated statement of comprehensive income.

(in millions of Russian roubles)

100% of the Group's sales to retail and wholesale customers, except for immaterial sales of Best Price Kazakhstan (note 5), are priced in Russian roubles, therefore there is no currency exposure in this respect.

Foreign currency sensitivity

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities as at 31 December 2019 and 2018 is as follows:

	Assets		Liabilities	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
USD	6,264	-	5,030	-
CNY	1	-	4,692	4,573
EUR	2,167	1,312	-	-

The impact on the Group's profit before tax and retained earnings is largely due to changes in the fair value revaluation of creditors held on account with our Chinese Yuan suppliers.

The following table demonstrates the sensitivity (net of tax) to a reasonably possible change in the Chinese Yuan period end exchange rates with all other variables held constant.

		31 December 2019	31 December 2018
Change in RUB/CNY	+10%	(469)	(457)
Change in RUB/CNY	-10%	469	457

The following table demonstrates the sensitivity (net of tax) to a reasonably possible change in the Euro period end exchange rates with all other variables held constant.

		31 December 2019	31 December 2018
Change in RUB/EUR	+10%	217	131
Change in RUB/EUR	-10%	(217)	(131)

The following table demonstrates the sensitivity (net of tax) to a reasonably possible change in the USD period end exchange rates with all other variables held constant.

		31 December 2019	31 December 2018
Change in RUB/USD	+10%	123	-
Change in RUB/USD	-10%	(123)	-

These calculations have been performed by taking the year end translation rate used on the accounts and applying the change noted above. The balance sheet valuations are then directly calculated.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's principal financial assets are cash and cash equivalents and trade receivables. Credit risk is further limited by the fact that all of sales retail transactions are made through the store registers, direct from the customer at the point of purchase, leading to a zero trade receivables balance from retail sales.

Therefore the principal credit risk arises from the Group's trade receivables. In order to manage credit risk, the Group sets limits for wholesale customers (franchisees) based on their payment history. New wholesale customers typically pay in advance. Credit limits are reviewed by franchisees managers on a regular basis in conjunction with debt ageing and collection history. Provisions against bad debts are made where appropriate.

(in millions of Russian roubles)

The credit risk on liquid funds (see the table below) is managed by the Group's finance function. The management believes that credit risk on investments of surplus funds is limited as the counterparties are financial institutions with adequate credit ratings assigned by international credit rating agencies.

The table below shows the balances that the Group has with its major banks as at the balance sheet date:

Bank	Country of incorporation	Rating	Carrying amount as at 31 December 2019
RCB	Cyprus	B1	1,832
LGT	Switzerland	Aa2	6,768
Alfa Bank	Russia	Ba2	1,398
VTB Bank	Russia	Baa3	292
Other	Kazakhstan	n/a	48
Total			**10,338**

Liquidity risk

Any impact on available cash and therefore the liquidity of the Group could have a material effect on the business as a result.

The Group's borrowings are subject to quarterly banking covenants against which the Group has had significant headroom to date with no anticipated issues based upon forecasts made. Short term flexibility is achieved via the Group's rolling credit facility. The following table shows the maturity of financial liabilities grouping based on their remaining period at the balance sheet date. The amounts disclosed are the contractual undiscounted cash flows. These are all amortised cost:

	On demand or less than 1 year	1 to 5 years	Over 5 year	Total
As of 31 December 2019				
Loans and borrowings	5,006	-	-	**5,006**
Trade and other payables	19,702	-	-	**19,702**
	24,708	**-**	**-**	**24,708**
As of 31 December 2018				
Loans and borrowings	501	-	-	**501**
Trade and other payables	17,820	-	-	**17,820**
	18,321	**-**	**-**	**18,321**

The maturity analysis of the lease liabilities is disclosed in Note 20.

Fair value

The fair value of the financial assets and liabilities of the group are not materially different from their carrying value.

Fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate their carrying amounts due to their short maturity.

Foreign exchange contracts are recognised at fair value and classified as Level 2 instruments. The fair value data is provided by banks, based on the updated quotations source (e.g. Bloomberg).

(in millions of Russian roubles)

25. RELATED PARTY TRANSACTIONS

In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. Management considers that the Group has appropriate procedures in place to identify, account for and properly disclose transaction with related parties.

Related parties include immediate and ultimate shareholders of the Group, franchisees where the Group has a non-controlling ownership stake, as well other related parties under common control.

Transactions with related parties for the year ended 31 December 2019 and for the year ended 31 December 2018:

	2019	2018
Associates:		
Sales of goods	2,935	5,329
Royalty fees	120	215
Other*:		
Dividends declared	(11,745)	(5,992)
Payment of dividends	(7,054)	(2,344)
Loans issued	(110)	(3,985)
Repayment of loans receivable	107	358

In 2018 some the Group's trade and other receivables were redeemed through a series of non-cash transactions. The details are disclosed in the comparative consolidated statement of cash flows for the year ended 31 December 2018 in the section entitled "Non-cash transactions".

At 31 December 2019 and at 31 December 2018 the outstanding balances with related parties were as follows:

	31 December 2019	31 December 2018
Associates:		
Trade and other payables	-	(472)
Trade and other receivables	15	200
Advances from customers	(133)	(105)
Other*:		
Dividends payable	4,329	-

* Other related parties comprise immediate and ultimate shareholders of the Company as well as entities controlled by the shareholders.

Purchase of assets from associate

In 2018 the Group entered into an agreement with one of its associates and franchisees, LLC "Best Price Novosibirsk", for the acquisition of store leases, trade equipment and inventories relating to substantially all stores operated by the franchisee. Overall in 2018 the Group acquired 133 stores from the franchisee for cash consideration of RUB 1,538 million. The carrying amounts of assets recognised by the Group related to this purchase were as presented.

	Cost
Property, plant and equipment (trade equipment)	162
Intangible assets (store lease acquisition costs)	965
Inventory	411
Total purchases from related parties	**1,538**

For details on the remuneration of key management personnel please refer to Note 11.

26. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure. While the Group has not established any formal policies with regards to debt to equity proportions, the Group reviews its capital needs periodically to determine actions to balance its overall capital structure through new share issue, return of capital to shareholders as well as securing new debt or redemption of existing debt.

27. POST BALANCE SHEET EVENTS

There were no significant events after the reporting date.

Meridan Management Ltd.

Consolidated Financial Statements
for the Year Ended 31 December 2018
and Independent Auditor's Report

MERIDAN MANAGEMENT LTD.

CONTENTS

MERIDAN MANAGEMENT LTD.

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of Meridan Management Ltd. (the "Company") and its subsidiaries (the "Group") as at 31 December 2018, and the consolidated results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") ("IFRS").

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

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

Management is also responsible for:

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

The consolidated financial statements of the Group for the year ended 31 December 2018 were approved by management on 9 April 2019.

On behalf of management:

Christina Michailidou
Director

MERIDAN MANAGEMENT LTD

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Meridan Management Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of Meridan Management Ltd. and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated statements of comprehensive income, cash flows, and changes in equity for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing adopted by the Republic of Cyprus ("ISA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AO Deloitte & Touche CIS

9 April 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018
(in millions of Russian roubles)

	Note	2018	2017 (represented)*
Revenue	5	108,763	80,652
Cost of sales	6	(74,838)	(56,436)
Gross profit		**33,925**	**24,216**
Selling, general and administrative expenses	7	(21,487)	(16,159)
Other operating income		206	52
Operating profit		**12,644**	**8,109**
Share of profit of associates, net		86	72
Profit on ordinary activities before net finance costs and tax		**12,730**	**8,181**
Interest income		87	82
Interest expense		(205)	(364)
Foreign exchange loss, net		(343)	(456)
Profit before tax		**12,269**	**7,443**
Income tax expense	8	(3,141)	(1,880)
Profit for the year and total comprehensive income for the year		**9,128**	**5,563**
Basic and diluted earnings per share		0.18	0.11

* See Note 4 for details of represented items of consolidated statement of comprehensive income.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2018
(in millions of Russian roubles)

	Note	31 December 2018	31 December 2017
Assets			
Non-current assets			
Property, plant and equipment	10	9,108	7,980
Intangible assets	11	1,577	632
Capital advances		662	6
Operating lease deposits		594	514
Investments in associates		130	85
Total non-current assets		**12,071**	**9,217**
Current assets			
Inventories	12	15,085	11,528
Receivables and other financial assets	13	1,033	2,049
Prepayments		158	158
VAT receivable		1,049	963
Loans receivable		-	143
Cash and cash equivalents	14	5,882	6,102
Total current assets		**23,207**	**20,943**
Total assets		**35,278**	**30,160**
Equity and liabilities			
Equity			
Share capital	15	1	1
Additional paid-in capital	15	154	154
Retained earnings		13,082	10,587
Total equity		**13,237**	**10,742**
Non-current liabilities			
Loans and borrowings	16	-	500
Deferred tax liabilities	8	583	381
Total non-current liabilities		**583**	**881**
Current liabilities			
Loans and borrowings	16	501	3,014
Payables and other financial liabilities	17	17,901	12,922
Advances received		292	180
Income tax payable		1,410	487
Tax liability, other than income taxes		840	906
Dividends payable		-	622
Accrued expenses		514	406
Total current liabilities		**21,458**	**18,537**
Total liabilities		**22,041**	**19,418**
Total equity and liabilities		**35,278**	**30,160**

The accompanying notes on pages 8-35 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2018
(in millions of Russian roubles)

	Note	2018	2017 (represented)*
Cash flows from operating activities			
Profit before tax		**12,269**	**7,443**
Adjustments for:			
Depreciation and amortisation	10, 11	1,464	757
Shrinkage and inventory obsolescence expenses	6,12	1,037	1,088
Changes in allowance for trade and other receivables		-	2
Loss on disposal of property, plant and equipment		7	67
Share of profit of associates, net		(86)	(72)
Interest income		(87)	(82)
Interest expense		205	364
Foreign exchange loss, net		343	456
Operating cash flows before changes in working capital		**15,152**	**10,023**
Increase in inventories		(4,595)	(2,767)
Decrease in receivables and other financial assets		1,034	824
Increase in prepayments		-	(43)
Increase in VAT receivable		(86)	(460)
Increase in operating lease deposits		(80)	(56)
Increase in payables and other financial liabilities		4,261	4,443
Increase in advances received		112	27
(Decrease)/increase in tax liabilities, other than income tax		(66)	455
Increase in accrued expenses		152	118
Net cash flows generated from operations		**15,884**	**12,564**
Interest paid		(240)	(366)
Interest received		-	56
Income tax paid		(2,015)	(1,382)
Net cash flows from operating activities		**13,629**	**10,872**
Cash flows from investing activities			
Purchase of property, plant and equipment and capital advances		(3,129)	(1,381)
Purchase of intangible assets		(1,088)	(122)
Proceeds from sale of property, plant and equipment		32	-
Dividends received from associates		46	16
Loans issued		(3,985)	(705)
Proceeds from repayment of loans issued		358	427
Net cash flows used in investing activities		**(7,766)**	**(1,765)**
Cash flows from financing activities			
Proceeds from loans and borrowings		3,831	5,314
Repayment of loans and borrowings		(6,830)	(6,240)
Dividends paid		(3,248)	(3,865)
Net cash flows used in financing activities		**(6,247)**	**(4,791)**
Total cash (used in) / from operating, investing and financing activities		**(384)**	**4,316**
Effect of exchange rate fluctuations on cash and cash equivalents		164	11
Net (decrease) / increase in cash and cash equivalents		**(220)**	**4,327**
Cash and cash equivalents at the beginning of the year	14	**6,102**	**1,775**
Cash and cash equivalents at the end of the year	14	**5,882**	**6,102**

* See Note 4 for details of represented items of consolidated statement of cash flows.

Non-cash transactions:

In 2018 the Group issued loans to its shareholders and related parties for the total amount of RUB 3,985 million. Out of this amount, RUB 358 million were repaid to the Group in cash. In June 2018 the Group, its debtors and shareholders entered into a series of agreements under which the outstanding loans receivable in the total amount of RUB 3,911 million were settled against dividends payable by the Group at that date to its shareholders.

In June 2018 a supplier of the Group issued bearer promissory note in amount of RUB 187 million that was used to redeem amounts due by this supplier to the Group. Subsequently the Group used that promissory note in the total amount of RUB 187 million to repay a part of its dividends payable to the shareholders.

In 2017 the Group's franchisees in Georgia and Kazakhstan issued bearer promissory notes in amount of RUB 341 million, in addition certain suppliers and one debtor of the Group issued bearer promissory notes in amount of RUB 230 million and RUB 250 million, respectively. They used these promissory notes to redeem part of their amounts due to the Group. Subsequently the Group used these promissory notes in the total amount of RUB 821 million to repay a part of its dividends payable.

The accompanying notes on pages 8-35 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018
(in millions of Russian roubles)

	Note	Share capital	Additional paid-in capital	Retained earnings	Total
At 1 January 2017		**1**	**154**	**9,431**	**9,586**
Profit for the year		-	-	5,563	**5,563**
Total comprehensive income for the year, net of tax		-	-	**5,563**	**5,563**
Dividends	15	-	-	(4,407)	**(4,407)**
At 31 December 2017		**1**	**154**	**10,587**	**10,742**
Profit for the year		-	-	9,128	**9,128**
Total comprehensive income for the year, net of tax		-	-	**9,128**	**9,128**
Dividends	15	-	-	(6,633)	**(6,633)**
At 31 December 2018		**1**	**154**	**13,082**	**13,237**

The accompanying notes on pages 8-35 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Meridan Management Ltd. (the "Company") was incorporated in May 2008 in accordance with the Business Companies Act of the British Virgin Islands. The address of the Company's registered office is Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands ("BVI").

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

Meridan Management Ltd. together with its subsidiaries (the "Group") is the leading CIS multi-price value retailer, operating under the trade mark "Fix Price". The Group's retail operations are conducted through a chain of convenience stores, located in the Russian Federation. The Group is also engaged in wholesale operations by servicing a number of franchisees that operate in distant regions of the Russian Federation, as well as Belarus, Georgia, Kazakhstan and Latvia.

The consolidated financial statements have been prepared under the historical cost convention except of the revaluation of financial assets and financial liabilities at fair value through profit or loss. The measurement basis and principal accounting policies of the Group are set out below and have been applied consistently throughout the consolidated financial statements.

The consolidated financial statements cover the year ended 31 December 2018.

Meridan Management Ltd. is the holding entity of the Group and there is no consolidation that takes place above the level of this Company.

As of 31 December 2017 Retail Brands Collection S.A. was holding an interest in the Company. Retail Brands Collection S.A. is incorporated in the Republic of Panama.

Mr. Marko Tamm, a citizen of Estonia, was a controlling shareholder of Retail Brand Collection S.A. as of 31 December 2017. During the year ended 31 December 2018 Mr. Marko Tamm disposed his share in the Company. As of 31 December 2018 the Group is controlled by a group of independent physical persons who individually don't have control over the Group.

The principal accounting policies of the Group are set out below.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings, together with the Group's share of the net assets and results of associated undertakings, for the year ended 31 December 2018.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

(in millions of Russian roubles)

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

Company name	Country of incorporation	Principal activity	Ownership interest 31 December 2018	Ownership interest 31 December 2017
Kolmaz Holdings Ltd	Cyprus	Intermediate holding company	100%	100%
Wikolia Investment Ltd	Cyprus	Intermediate holding company	100%	100%
Best Price LLC	Russia	Retail and wholesale operations	100%	100%

The consolidated financial statements are presented in Russian roubles, which is also the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest million RUB, except when otherwise indicated.

Going concern

After consideration of forecasts and budgets covering the next 12 month period, the directors have determined that it is appropriate to continue to use the going concern basis for production of these consolidated financial statements, which implies the realisation of assets and settlement of liabilities in the normal course of business.

Revenue

The revenue is recognized by the Group in such a way to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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

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

The Group recognises revenue when or as a performance obligation is satisfied.

Store retail revenue is recognised at the initial point of sale of goods to customers, when the control over the goods have been transferred to the buyer.

The Group has a loyalty card scheme that allows customers to earn bonus points for each purchase made, which can be used to obtain discounts on subsequent purchases. Such bonus points entitle customers to obtain a discount that they would not be able to obtain without preliminary purchases of goods (i.e. material right). Thus, the promised discount represents a separate performance obligation. Deferred revenue with respect to bonus points is recognised upon the initial sale. Revenue from the loyalty programme is recognised upon the exchange of bonus points by customers. Revenue from bonus points that are not expected to be exchanged is recognised in proportion to the pattern of rights exercised by the customer.

Wholesale revenue includes:

- Sales of goods to franchisees, which is recognised at the moment of transfer of goods to franchisees at the warehouse;
- Revenue, stemming from franchise agreements, such as initial fees and sales-based royalties. Initial fees are recognised as revenues when performance of all initial services and other obligations required of the franchisor (such as assistance with site selection, assortment planning, etc.) has been substantially accomplished. If the initial fee is collectible over an extended period and there is a significant uncertainty that it will be collected in full, the fee is recognised as cash instalments are received. Revenue from sales-based royalties is earned when a franchisee sells goods in its retail stores and is recognised as and when those sales occur.

Selling, general and administrative expenses

Selling, general and administrative expenses contain all running costs of the business, except those relating to inventory (which are expensed through cost of sales), tax, interest, foreign exchange gain/(loss), share of profit/(loss) in associates and other comprehensive income. Warehouse costs are included in this caption.

Elements which are unusual and significant may be separated as a separate line item.

Property, plant and equipment

Property, plant and equipment is carried at historical cost less accumulated depreciation and accumulated impairment losses.

Cost comprises purchase price and directly attributable costs. Unless significant or incurred as part of a refit programme, subsequent expenditure will usually be treated as repairs or maintenance and expensed to the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Freehold land is not depreciated. For all other property, plant and equipment, depreciation is calculated on a straight line basis to allocate cost, less residual value of the assets, over their estimated useful lives as follows.

Repair and maintenance expenditure is expensed as incurred. Major renewals and improvements are capitalised, and the replaced assets are derecognised. Gains and losses arising from the retirement of property, plant and equipment are included in the profit or loss on disposal.

Leasehold improvements are capitalised when it is probable that future economic benefits associated with the improvements will flow to the Group and the cost can be measured reliably. Capitalised leasehold improvements are depreciated over their useful life.

Depreciation

Depreciation is provided on all other items of property, plant and equipment and the effect is to write off the carrying value of items by equal instalments over their expected useful economic lives. It is applied at the following rates:

	Useful lives in years
Buildings	37-50
Leasehold improvements	10
Equipment and other assets	2-7

Residual values and useful lives are reviewed annually and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is expensed in the statement of comprehensive income when the asset is derecognised.

Intangible assets

Lease rights

Lease rights represent rights for favourable operating leases acquired separately and initially recognised at historical cost. Lease rights are amortised using the straight-line method over 10 years.

Other intangible assets

Other intangible assets acquired separately, including computer software, are measured on initial recognition at cost comprising the purchase price and any directly attributable costs of preparing the asset for use.

Following initial recognition, assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation begins when an asset is available for use and is calculated on a straight line basis to allocate the cost of the asset over its estimated useful life ranging from 2 to 10 years.

Investments in associates

Associates are those entities over which the Group has significant influence but which are neither subsidiaries nor interests in joint ventures. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies. Investments in associates are recognised initially at cost and subsequently accounted for using the equity method. Changes resulting from the profit or loss generated by the associate are reported in "share of profits of associates" in the consolidated income statement and therefore affect net results of the Group.

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the consolidated financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use, where CGU (a cash-generating unit) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGU's to which the individual assets are allocated. These budgets and forecast calculations cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment of inventories, are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding those for which annual testing is required, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets even if that right is not explicitly specified in an arrangement.

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset.

All other leases are regarded as operating leases and the payments made under them are charged to the statement of comprehensive income on a straight line basis over the lease term.

Some of the Group's operating leases require the Group to advance certain amount of cash to the lessor at the time of entering into lease. Such cash advance is held by a lessor and serves as a security deposit which can be claimed by a lessor should the Group fail to make a regular lease payment. A security deposits are offset against a scheduled operating lease payments or returned to the Group at the end of the lease agreement. The Group accounts for operating lease deposits at cost less any accumulated impairment loss and classifies these as a separate line item in the consolidated statement of financial position.

Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for shrinkage, obsolete and slow moving items. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell. The costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of inventories. Supplier allowances that do not represent reimbursement of specific, incremental and identifiable costs incurred to promote a supplier's goods are also included in cost of inventories (as a reduction of it). Cost of inventory is determined on the weighted average basis.

Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Group operates and generates taxable income. Tax is recognised in the income statement (the Group does not have taxes related to items recognised in other comprehensive income or directly in equity).

Deferred tax

Deferred tax is provided using the liability method on tax loss carry forwards and temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised 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 ventures, 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 recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Business combinations

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

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

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively;
- Liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Company, entered into to replace the share-based payment arrangements of the acquiree, are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net acquisition-date value of identifiable assets acquired exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised in profit or loss as a bargain purchase gain.

When the acquired assets did not constitute a business such transactions are accounted for on a carryover basis, which results in the historical book value of assets and liabilities of the acquired entity being combined with that of the Group.

Financial instruments

Financial assets and financial liabilities are recognized when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and amounts paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Fair value of financial instruments

Fair value of financial instruments which are traded in the active market is estimated at each reporting date on the basis of market quotations or dealer quotes without any deduction for transaction costs. For financial instruments which are not traded in the active market, fair value of the instrument is estimated using valuation techniques that include use of data on market transactions; data on current fair value of other similar instruments; discounted cash flow analyses or other valuation techniques.

The Group uses the following hierarchy to determine and disclose methods of fair value measurement of financial instruments:

- Level 1: prices on similar assets and liabilities determined in active markets (unadjusted);
- Level 2: techniques where all used inputs that significantly affect the fair value are observable directly or indirectly;
- Level 3: techniques where used inputs that significantly affect the fair value are not based on observable market data.

Financial assets

Financial assets are classified into the following specified categories:

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

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

<u>Measurement</u>

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

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

Debt instruments

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash deposits and highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Derivative financial instruments

The Group uses derivative financial instruments (forward currency contracts) to reduce its foreign currency exposure.

Derivative financial instruments are recognised at fair value. The fair value is derived using updated bank quotations. The Group does not use hedge accounting for these derivatives. As a result, such derivative financial instruments are treated as financial assets and liabilities at fair value through profit or loss. Gains and losses recognized for the changes in fair value of forward contracts are included in the foreign exchange (loss)/gain line item in the consolidated statement of comprehensive income.

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets that are measured at amortised cost (represented by cash and cash equivalents, trade and other receivables). The amount of expected credit losses (ECL) is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognizes lifetime ECL for trade and other receivables. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

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

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

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

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

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

<u>Derecognition of financial assets</u>

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

On derecognition of a financial asset other than in its entirety (e.g. when an entity retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the control is retained), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Financial liabilities

Classification as debt or equity

Debt and equity instruments issued by Group entities are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

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

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

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

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

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get for their intended use or sale, are added to the cost of those assets, until such time when the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Value added tax

The Russian tax legislation permits settlement of value added tax ("VAT") on a net basis.

VAT is payable upon invoicing and delivery of goods, performing work or rendering services, as well as upon collection of prepayments from customers. VAT on purchases, even if they have not been settled at the reporting date, is deducted from the amount of VAT payable.

Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

Equity

Equity comprises the following:

- Share capital represents the nominal value of equity shares;
- Additional paid-in capital represents contributions to the property of the Group made by shareholders;
- Retained earnings represents retained profits.

Ordinary shares are classified as equity. Contributions to the property of the Group made by shareholders both in cash or other assets provided to the Group are included in additional paid-in capital within the equity.

Dividends

Dividends are recognized as a liability and deducted from equity when they are declared before or on the reporting date. Dividends are disclosed in the consolidated financial statements when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorized for issue.

State pension plan

The Group's companies contribute to the state pension, medical and social insurance funds on behalf of all its current employees. Any related expenses are recognized in the consolidated profit and loss as incurred.

Provisions

Provisions are recognised when a present obligation (legal or constructive) exists as a result of a past event and where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount can be reliably estimated. Provisions are discounted where the time value of money is considered to be material.

2. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors including expectations of future events that are believed to be reasonable when the financial information was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Critical accounting estimates

Useful lives of items of property, plant and equipment

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

The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end and if expectations differ from previous estimates the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The Group's leasehold improvements in retail stores used under operating leases are depreciated using the straight-line method over their estimated useful life beyond the legal expiry dates of operating lease agreements assuming leases will be renewed. Based on the history of the successful renewals of these agreements, the Group's management assumes a ten-year depreciation period for these leasehold improvements.

Inventories of goods for resale provisions

The Group provides for estimated inventory shrinkage on the basis of historical shrinkage as a percentage of cost of sales. This provision is adjusted at the end of each reporting period to reflect the historical trend of the actual physical inventory count results (Note 6).

Tax legislation

The Group operates in various jurisdictions, including the Russian Federation, the Republic of Cyprus and the British Virgin Islands. The tax, currency and customs legislation of those jurisdictions is subject to varying interpretations and tax authorities may challenge interpretations of tax legislation taken by the Group. The Group's contingent liabilities with regards to taxation are disclosed in Note 19.

Critical judgements in applying accounting policies

The Group also makes certain judgements, apart from those involving estimations, in the process of applying accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements are described below.

Asset acquisitions

The Group holds a non-controlling interest in some of its franchisees. As discussed in Note 21, in 2018 the Group entered into a series of agreements with one of its franchisees for the acquisition of lease rights, trade equipment and inventories relating to 133 stores operated by the franchisee. Management applied judgement in accounting for the transaction as an acquisition of assets rather than as a business combination on the basis that no existing processes were transferred to the Group in the transaction and the acquired assets did not constitute a business.

3. NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STATEMENTS

Amendments to IFRSs affecting amounts reported in the financial statements

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these consolidated financial statements:

- IFRS 9 *Financial Instruments*;
- Amendments to IFRS 4: Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*;
- IFRS 15 *Revenue from Contracts with Customers*;
- Amendments to IFRS 2 Clarifications of classification and measurement of share based payment transactions;
- Amendments to IAS 40 *Investment property*;
- Amendments to IFRS 1 and IAS 28 – Annual Improvements to IFRS Standards 2014-2016 Cycle;
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*.

IFRS 9 *Financial Instruments*

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018.

The Group has selected not to restate comparatives on initial application of IFRS 9. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, and were not recognized in the opening consolidated statement of financial position on 1 January 2018 as had been assessed by management of the Group to be immaterial for the consolidated financial statements.

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets.

The adoption of IFRS 9 *Financial Instruments* from 1 January 2018 resulted in certain changes in accounting policies. The new accounting policies are set in Note 1.

Adoption of IFRS 9 didn't have any material impact on the classification and measurement of the Group's financial assets and liabilities. Additionally, it did not have any material impact on the Group's financial position, profit or loss, other comprehensive income or total comprehensive income.

IFRS 15 *Revenue from Contracts with Customers*

The Group has adopted IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Adoption of IFRS 15 resulted in changes in accounting policies and adjustments to the amounts recognized in the consolidated financial statements.

The Group's accounting policies for its revenue streams are disclosed in detail in Note 1.

In accordance with the transition provisions in IFRS 15, management performed assessment of the impact that IFRS 15 might have had on the Group's consolidated financial statements and concluded that the impact would be limited to immaterial changes to the timing of recognition of revenue related to customer loyalty program. The Group didn't apply a fully retrospective approach upon transition to IFRS 15 and didn't book cumulative impact of transition as an adjustment to accumulated deficit as at 1 January 2018 due to immaterial effect on the accumulated deficit.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the standard does not prohibit the Group from using alternative descriptions in the consolidated statement of financial position. The Group applied the term 'deferred revenue' in respect of its contract liabilities.

Apart from providing more extensive disclosures for the Group's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group.

Other new and revised IFRSs adopted in 2018 do not have a material impact on the consolidated financial statements of the Group for the year ended 31 December 2018.

New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 16 *Leases*[1];
- IFRS 17 *Insurance Contracts*[2];
- IFRIC 23 *Uncertainty Over Income Tax Treatments*[1];
- Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3];
- Amendments to IFRS 9 – *Prepayment Features With Negative Compensation*[1];
- Amendments to IAS 28 – *Long-Term Interests in Associates and Joint Ventures*[1];
- Amendments to IAS 19 *Employee Benefits*[1];
- Annual Improvements to IFRSs 2015-2017 Cycle[1].

[1] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.
[3] Effective for annual periods beginning on or after a date to be determined. Earlier application is permitted.

The Group does not expect that the adoption of the Standards listed above will have a material impact on the consolidated financial statements of the Group in future periods, except for the following:

IFRS 16 *Leases*

General effect of the application of IFRS 16 Leases. IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. Effective for annual reporting periods beginning on or after 1 January 2019, IFRS 16 will supersede the current lease guidance, including IAS 17 *Leases* and respective interpretations. The date of initial application of IFRS 16 by the Company is 1 January 2019.

The Group has opted for the modified retrospective application of IFRS 16.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

Effect of the new definition of leases. The Group intends to use the practice suggested when transitioning to IFRS 16, which allows not to determine whether the contract is or contains lease provisions. Accordingly, the definition of leases in accordance with IAS 17 and IFRIC 4 will still apply to lease contracts made or amended before 1 January 2019.

Changes in the definition of leases refer primarily to the control concept. IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Control should be exercised when the customer has:

- The right to obtain substantially all of the economic benefits from use of the identified asset; and
- The right to use such asset.

The Group will use the definition of leases and related IFRS 16 guidance with respect to all lease contracts made or amended on 1 January 2019 or later (regardless of whether the Company is a lessor or a lessee under the lease contract).

Impact on lessee accounting.

Operating leases: IFRS 16 will change the accounting for leases previously classified as operating leases in accordance with IAS 17 (off-balance sheet) by the Company.

Upon initial application of IAS 16 to all lease contracts (except for those mentioned below), the Company should:

(a) Recognise the right-of-use assets and lease liabilities initially measured at the present value of future lease payments in the statement of financial position;
(b) Recognise depreciation of the right-of-use assets and interest on lease liabilities in the statement of comprehensive income;
(c) Split the amount of cash used for repayment of the principal (included in financing activities) and interest (included in operating activities) in the statement of cash flows.

Lease incentives (e.g. grace period) will be recognised as part of measurement of the right-of-use assets and lease liabilities, while under IAS 17 lease incentives were recognised as a reduction of lease expenses during the lease term on a straight-line basis.

Under IFRS 16, the right-of-use assets will be measured for impairment in accordance with IAS 36 *Impairment of Assets*. This requirement will supersede the previous requirement regarding the recognition of the provision for onerous lease contracts.

For low value assets (PCs, office furniture, etc.), the Group will recognise lease expenses on a straight-line basis as permitted by IFRS 16.

The Group plans to adopt the standard using a modified retrospective transition method without recalculation of the comparative information for the previous period.

The Group has started an assessment of the impact on its consolidated financial statements. The Group expects material impact on the financial statements, however it is not practicable to provide a reasonable estimate of the effect IFRS 16 until the Group completes the review.

(in millions of Russian roubles)

4. RECLASSIFICATION OF COMPARATIVE INFORMATION

In order to improve presentation of certain line items and for better comparability of the financial statements with the Group's industry peers the management of the Group decided to make the following presentation changes in Consolidated Statement of Comprehensive Income and Consolidated statement of Cash Flows for the year ended 31 December 2018.

Other operating income that includes revenue from operating activities, which are not related to principal activities of the Group, such as income from the sale of waste materials, rental and advertising activities was presented as a separate line of Consolidated Statement of Comprehensive Income for the year ended 31 December 2018.

Interest received was presented within Net cash flows from operating activities of Consolidated statement of Cash Flows instead of Net cash flows used in investing activities as it was presented in 2017.

The cumulative effect of reclassifications of corresponding information for the year ended 31 December 2017 is presented below:

Consolidated Statement of Comprehensive Income	**As previously reported**	**Reclassification**	**As reclassified**
Revenue	80 704	(52)	80 652
Other operation income	-	52	52

Consolidated Statement of Cash Flows	**As previously reported**	**Reclassification**	**As reclassified**
Net cash used in investing activities			
Interest received	56	(56)	-
Net cash used in operating activities			
Interest received	-	56	56

5. REVENUE

Revenue for the years ended 31 December 2018 and 2017 consisted of the following:

	2018	**2017**
Retail revenue	94,123	69,405
Wholesale revenue	14,640	11,247
	108,763	**80,652**

6. COST OF SALES

Cost of sales for the years ended 31 December 2018 and 2017 consisted of the following:

	2018	**2017**
Cost of goods sold	72,092	54,119
Transportation and handling costs	1,709	1,229
Inventory write-down due to shrinkages and write off to net realisable value	1,037	1,088
	74,838	**56,436**

(in millions of Russian roubles)

7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended 31 December 2018 and 2017 consisted of the following:

	2018	2017
Staff costs	9,105	6,764
Operating lease expenses	7,299	5,790
Depreciation and amortisation	1,464	757
Security services	901	722
Bank charges	790	477
Repair and maintenance costs	647	408
Advertising costs	446	444
Utilities	405	388
Other expenses	430	409
	21,487	**16,159**

Operating lease expenses relate to operating leases of stores, distribution centres and office premises with terms from 1 to 7 years (see Note 19).

Staff costs included statutory social security and pension contributions (defined contribution plan) in amount of RUB 1,263 million and RUB 975 million during the years ended 31 December 2018 and 2017, respectively.

8. TAXATION

	2018	2017
Current tax expense	2,968	1,704
Deferred tax expense	173	176
Income tax expense	**3,141**	**1,880**

The Russian statutory income tax rate was 20% during the years ended 31 December 2018 and 2017. Income generated in other jurisdictions was subject to a different tax rate.

Income before taxation for financial reporting purposes is reconciled to tax expense as follows:

	2018	2017
Profit before tax	12,269	7,443
Theoretical tax expenses at 20%, being statutory rate in Russia	**(2,454)**	**(1,489)**
(Expenses)/income subject to income tax at rates different from 20%	(475)	119
Inventory shrinkage that is non-deductible for tax purposes	(8)	(215)
Withholding tax on intra-group dividends	(150)	(260)
Other non-deductible expenses	(54)	(35)
Income tax expense	**(3,141)**	**(1,880)**

Withholding tax is applied to dividends distributed by the Group's Russian subsidiary at the rate of 5% on gross dividends declared; such tax is withheld at source by the respective subsidiary and is paid to the Russian tax authorities at the same time when the payment of dividend is effected.

Deferred tax assets and liabilities as of 31 December 2018 and 2017 are calculated for all temporary differences under the balance sheet method using the Russian statutory tax rate of 20%.

(in millions of Russian roubles)

Movements in the deferred tax assets and liabilities for the year ended 31 December 2018 were as follows:

	31 December 2017	Charged to profit or loss	31 December 2018
Tax effects of deductible temporary differences			
Trade and other payables	13	(13)	-
Deferred tax assets	**13**	**(13)**	**-**
Tax effects of taxable temporary differences			
Inventories	(33)	(17)	(50)
Property, plant and equipment	(276)	(66)	(342)
Intangible assets	(77)	(56)	(133)
Investments in associates	(17)	(8)	(25)
Trade and other receivables	-	(39)	(39)
Other	9	26	35
Deferred tax liabilities	**(394)**	**(160)**	**(554)**
Net deferred tax liabilities	**(381)**	**(173)**	**(554)**

Movements in the deferred tax assets and liabilities for the year ended 31 December 2017 were as follows:

	31 December 2016	Charged to profit or loss	31 December 2017
Tax effects of deductible temporary differences			
Trade and other payables	(24)	37	13
Deferred tax assets	**(24)**	**37**	**13**
Tax effects of taxable temporary differences			
Inventories	26	(59)	(33)
Property, plant and equipment	(167)	(109)	(276)
Intangible assets	-	(77)	(77)
Investments in associates	(6)	(11)	(17)
Other	(34)	43	9
Deferred tax liabilities	**(181)**	**(213)**	**(394)**
Net deferred tax liabilities	**(205)**	**(176)**	**(381)**

Temporary differences in property, plant and equipment represent timing differences due to different useful lives adopted for tax and accounting purposes. Temporary differences in inventories relate to the allocation of transportation and handling costs and vendor rebates and bonuses to inventory balance.

As of 31 December 2018 and 2017 the Group has not recognised a deferred tax liability in respect of taxable temporary differences associated with investments in subsidiaries as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

9. KEY MANAGEMENT REMUNERATION

The total compensation relating to the key management personnel of the Group amounted to RUB 385 million and RUB 213 million during the years ended 31 December 2018 and 2017, respectively. The amount of compensation includes all applicable taxes and contributions. All compensations were represented by short-term employee benefits as defined in IAS 19 *Employee Benefits*.

(in millions of Russian roubles)

10. PROPERTY, PLANT AND EQUIPMENT

Movements in the carrying amount of property, plant and equipment during the years ended 31 December 2018 and 2017 were as follows:

	Buildings	Trade and other equipment	Leasehold improve-ments	Other	Assets under construction and uninstalled equipment	Total
Cost						
At 1 January 2017	**1,890**	**4,516**	**4,002**	**55**	**4**	**10,467**
Additions	-	-	-	-	1,399	**1,399**
Transfers	-	829	559	4	(1,392)	**-**
Disposals	-	(81)	(85)	(2)	(1)	**(169)**
At 31 December 2017	**1,890**	**5,264**	**4,476**	**57**	**10**	**11,697**
Additions					2,594	**2,594**
Transfers	23	1,481	1,076	9	(2,589)	**-**
Disposals	-	(146)	(128)	(1)	(1)	**(276)**
At 31 December 2018	**1,913**	**6,599**	**5,424**	**65**	**14**	**14,015**
Accumulated depreciation and impairment						
At 1 January 2017	**109**	**1,842**	**1,159**	**29**	-	**3,139**
Depreciation charge	36	388	241	6	-	**671**
Disposals	-	(66)	(25)	(2)	-	**(93)**
At 31 December 2017	**145**	**2,164**	**1,375**	**33**	**-**	**3,717**
Depreciation charge	19	816	485	6	-	**1,326**
Disposals	-	(97)	(40)	-	-	**(137)**
At 31 December 2018	**164**	**2,884**	**1,820**	**39**	**-**	**4,907**
Net book value						
At 31 December 2017	**1,745**	**3,100**	**3,101**	**24**	**10**	**7,980**
At 31 December 2018	**1,749**	**3,715**	**3,604**	**26**	**14**	**9,108**

Buildings primarily represent by distribution centers that are owned by the Group.

At 31 December 2018 and 2017 land and buildings in amount of RUB 832 million and RUB 757 million have been pledged as collateral for bank loans (refer to Note 16).

11. INTANGIBLE ASSETS

Movements in the carrying amount of intangible assets during the years ended 31 December 2018 and 2017 were as follows:

	Lease rights	Other	Total
Cost			
At 1 January 2017	**495**	**181**	**676**
Additions	78	47	**125**
Disposals	(3)	-	**(3)**
At 31 December 2017	**570**	**228**	**798**
Additions	959	130	**1,090**
Disposals	(6)	-	**(6)**
At 31 December 2018	**1,523**	**358**	**1,881**
Accumulated amortisation and impairment			
At 1 January 2017	**22**	**58**	**80**
Amortisation charge	59	27	**86**
Disposals	-	-	**-**
At 31 December 2017	**81**	**85**	**166**
Amortisation charge	85	53	**138**
Disposals	-	-	-
At 31 December 2018	**166**	**138**	**304**
Carrying amount			
At 31 December 2017	**489**	**143**	**632**
At 31 December 2018	**1,357**	**220**	**1,577**

(in millions of Russian roubles)

Additions to lease rights in 2018 are represented by lease rights purchased by the Group from one of its franchisees (Note 21).

Other intangible assets are mostly represented by software, patents, etc.

12. INVENTORIES

The Group inventory balance comprised of merchandise inventories. Amount of inventory write-off due to shrinkages and write-down to net realisable value during the years ended 31 December 2018 and 2017 are disclosed in Note 6.

13. RECEIVABLES AND OTHER FINANCIAL ASSETS

	31 December 2018	31 December 2017
Trade receivables from franchisees, net of allowance	666	1,637
Forward foreign exchange contracts (Note 20)	194	-
Other receivables, net of allowance	173	412
	1,033	**2,049**

In 2018 and 2017 some the Group's trade and other receivables were redeemed through a series of non-cash transactions. The details are disclosed in the consolidated statement of cash flows for the year ended 31 December 2018 in the section entitled "Non-cash transactions".

The Group measures the allowance for losses on trade receivables on an ongoing basis in an amount equal to expected lifetime credit losses. Expected credit losses on trade receivables are measured based on the historical defaults and an analysis of the current financial position of the debtor, adjusted for debtor-specific factors, the general industry-specific economic conditions in which the debtor operates and assessment of current and projected development of this conditions as at the reporting date.

The following table summarizes the changes in the allowance for doubtful trade receivables and other receivables:

	2018	2017
Balance at beginning of the year	(20)	(14)
Additional allowance recognised on trade receivables and other receivables	(8)	(6)
Write-offs against allowance for doubtful other receivables	-	-
Balance at the end of the year	**(28)**	**(20)**

14. CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Bank current accounts – Russian roubles	2,270	490
Cash in transit – Russian roubles	1,345	1,350
Cash in hand – Russian roubles	209	172
Bank current accounts – Euro and CNY	1,183	2,378
Deposits – Russian roubles	619	1,601
Other cash and cash equivalents (RUB and EUR/USD instruments)	256	111
	5,882	**6,102**

Cash in transit represents cash collected by banks from the Group's stores and not deposited in bank accounts as at 31 December. As of 31 December 2018 Russian rouble denominated deposit bank accounts in the amount of RUB 618 million had interest rates of 4.81% and a 11 day maturity period. As of 31 December 2017 Russian rouble denominated deposit bank accounts in the amount of RUB 1,601 million had interest rates of 7.05% and a 12 day maturity period. Russian rouble and US denominated balances in current bank accounts are normally interest free.

(in millions of Russian roubles)

15. EQUITY

Ordinary shares

Each ordinary share ranks pari passu with each other ordinary share and each share carries one vote.

	31 December 2018	31 December 2017
Allotted, called up and fully paid 50,000 ordinary shares of USD 1 each (2017: 50,000)	50,000	50,000
	50,000	**50,000**

Additional paid-in capital

No contributions into equity were made by shareholders of the Group in 2018 and 2017.

Dividends

Interim dividends for 2018 of RUB 132.66 thousand per share, amounting to a total dividend of RUB 6,633 million were announced in September 2018. In 2017 the Group declared dividends of RUB 88.14 thousand per share, amounting to a total dividend of RUB 4,407 million.

During 2018 the Group's dividends payable were partially redeemed through a series of non-cash transactions. The details are disclosed in the consolidated statement of cash flows for the year ended 31 December 2018 in the section entitled "Non-cash transactions".

16. LOANS AND BORROWINGS

Terms and conditions in respect of loans and borrowings as of 31 December 2018 are detailed below:

Source of financing	Currency	Maturity date	Interest rate at 31 December 2018	31 December 2018
Bank loans (A)	RUB	2019	9.9%	501
				501

(A) At 31 December 2018 this bank loan was secured by the pledge of land and buildings (Note 10).

Terms and conditions in respect of loans and borrowings as of 31 December 2017 are detailed below:

Source of financing	Currency	Maturity date	Interest rate at 31 December 2017	31 December 2017
Bank loans (B)	RUB	2018-2019	9.95-11.95%	3,506
Non-bank loans	RUB	2017	10%	8
				3,514

(B) At 31 December 2017 this bank loan was secured by the pledge of land and buildings (Note 10).

As at 31 December 2017 the Company pledged to the bank 25% plus one share of its investments in the subsidiaries Wikolia Investment Ltd and Kolmaz Holdings Ltd. In addition, the Company pledged to the bank 25% of its investments into subsidiary LLC Best Price. The investments were pledged under the loan agreement signed with the bank by one of the Group's shareholders.
As at 30 June 2018 the pledge of 25% plus one share in the Company's subsidiaries Wikolia Investment Ltd and Kolmaz Holdings Ltd and 25% of the Company's investments into subsidiary LLC Best price was released.

(in millions of Russian roubles)

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 statement of cash flows as cash flows from financing activities.

	01/01/2018	Financing cash flows (i)	Other changes (ii)	31/12/2018
Bank loans	3,506	(2,999)	(6)	501
Non-bank loans	8	-	(8)	-
	3,514	(2,999)	(14)	501

	01/01/2017	Financing cash flows (i)	Other changes (ii)	31/12/2017
Bank loans	4,341	(833)	(2)	3,506
Non-bank loans	101	(93)	-	8
	4,442	(926)	(2)	3,514

(i) The cash flows from bank loans and other borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the consolidated statement of cash flows.

(ii) Other changes include interest accruals and payments.

The Group's loan agreements contain certain restrictive covenants, including requirements to comply with specified financial ratios. Some of these ratios use non-IFRS measures, such as Net Debt and EBITDA; a reconciliation of these measures is shown in Note 22.

The Group's failure to comply with restrictive covenants may result in a claim for immediate repayment of the corresponding debt. As of 31 December 2018 and 31 December 2017 the Group was in compliance with all financial covenants stipulated by its loan agreements.

17. PAYABLES AND OTHER FINANCIAL LIABILITIES

Payables as of 31 December 2018 and 2017 consisted of the following:

	31 December 2018	31 December 2017
Trade payables	17,695	12,605
Forward foreign exchange contracts (Note 20)	-	66
Deferred revenue	81	37
Other payables	125	177
	17,901	**12,922**

Trade payables are normally settled not later than their 120 days term.

18. COMMITMENTS

Operating leases

The vast majority of the Group's operating lease commitments relate to the property comprising its store network.

Other lease contracts relate to warehouses and offices. The leases are separately negotiated and no subgroup is considered to be individually significant nor to contain individually significant terms. The Group was not subject to non-trivial contingent rent agreements at the year end date. Lease contracts for retail premises are cancellable by voluntary agreement of the parties or by payment of an insignificant termination compensation. The expected annual operating lease payments under these agreements amount to approximately RUB 9 billion.

Capital commitments

There were no contractual capital commitments not provided within the Group financial statements as at 31 December 2018 (as at 31 December 2017 – RUB 99 million).

19. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

Operating environment of the Group

The Group sells products that are sensitive to changes in general economic conditions that impact consumer spending. Future economic conditions and other factors, including sanctions imposed, consumer confidence, employment levels, interest rates, consumer debt levels and availability of consumer credit could reduce consumer spending or change consumer purchasing habits. A general slowdown in the Russian economy or in the global economy, or an uncertain economic outlook, could adversely affect consumer spending habits and the Group's operating results.

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

The Russian economy has been negatively impacted by high volatility in oil prices and sanctions imposed on Russia by a number of countries. The rouble interest rates remained high.
The combination of the above resulted in reduced access to capital, a higher cost of capital and uncertainty regarding economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

Legal proceedings

In the ordinary course of business, the Group may be a party to various legal and tax proceedings, and be subject to claims. In the opinion of management, the Group's liability, if any, in all pending litigation, other legal proceeding or other matters, will not have a material effect on the financial condition, results of operations or liquidity of the Group.

Taxation

The Group's main subsidiary, from which the Group's income is derived, operates in Russia. Russian tax, currency and customs legislation can be interpreted in different ways and is susceptible to frequent changes. The interpretation made by management of the legislation in question as applied to the operations and activities of the Group may be challenged by the relevant regional or federal authorities.

In addition, certain amendments to tax legislation entered into force from 2015 which are aimed at combating tax evasion through the use of low-tax jurisdictions and aggressive tax planning structures. In particular, those amendments include definitions of the concepts of beneficial ownership and tax residence of legal entities at their actual place of business, and an approach to the taxation of controlled foreign companies.

These changes, as well as recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in past may be challenged as not having been in compliance with Russian tax laws applicable at the relevant time. In particular, the Supreme Court issued guidance to lower courts on reviewing tax cases providing a systematic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of tax authorities' scrutiny. As a result, significant additional taxes, penalties and interest may be levied on the Group.

As at 31 December 2018 management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained. Management estimates that the Group's possible exposure in relation to the aforementioned tax risks will not exceed 9% of the Group's total assets as at 31 December 2018.

20. FINANCIAL RISK MANAGEMENT

The Group uses various financial instruments, including bank loans, cash, derivatives and various items, such as trade receivables and trade payables that arise directly from its operations.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. The Group reviews and agrees policies for managing each of these risks and they are summarised below.

The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below.

Market risk

Market risk encompasses three types of risk, being currency risk, fair value interest rate risk and commodity price risk. Commodity price risk is not considered material to the business as the Group's sensitivity to commodity prices is insignificant. The Group's exposure to fair value interest rate risk is minimal as the Group does not enter floating rate loan contracts.

Currency risk

The Group is exposed to translation and transaction foreign exchange risk arising from exchange rate fluctuation on its purchases from overseas suppliers. In relation to translation risk, this is considered material to the business as amounts owed in foreign currency are medium term of up to 120 days and are of a relatively significant nature. A proportion of the Group's purchases are priced in Chinese Yuans and the Group uses forward currency contracts to minimise the risk associated with that exposure. In order to manage the Group's exposure to currency risk, the Group enters into forward foreign currency contracts. No transactions in derivatives are undertaken of a speculative nature.

As of 31 December 2018 the fair value of assets related to forward foreign exchange contracts aimed at currency risk management amounted to RUB 194 million and recognised within Trade and other receivables (as of 31 December 2017 RUB 66 million was recognised within Trade and other payables). During 2018 gain from forward foreign exchange contracts amounted to RUB 39 million (2017: RUB 155 million loss), and were included in the foreign exchange (loss)/gain line item in the consolidated statement of comprehensive income.

100% of the Group's sales to retail and wholesale customers are priced in Russian roubles, therefore there is no currency exposure in this respect.

(in millions of Russian roubles)

Foreign currency sensitivity

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities as at 31 December 2018 and 2017 is as follows:

	Assets		Liabilities	
	31 December 2018	**31 December 2017**	**31 December 2018**	**31 December 2017**
CNY	-	-	4,573	2,037
EUR	1,312	1,491	-	-

The impact on the Group's profit before tax is largely due to changes in the fair value revaluation of creditors held on account with our Chinese Yuan suppliers.

The following table demonstrates the sensitivity (net of tax) to a reasonably possible change in the Chinese Yuan period end exchange rates with all other variables held constant.

		31 December 2018	**31 December 2017**
Change in RUB/CNY	+10%	(457)	(204)
Change in RUB/CNY	-10%	457	204

The following table demonstrates the sensitivity (net of tax) to a reasonably possible change in the Euro period end exchange rates with all other variables held constant.

		31 December 2018	**31 December 2017**
Change in RUB/EUR	+10%	131	149
Change in RUB/EUR	-10%	(131)	(149)

These calculations have been performed by taking the year end translation rate used on the accounts and applying the change noted above. The balance sheet valuations are then directly calculated.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's principal financial assets are cash and trade receivables. The credit risk on liquid funds (see the table below) is managed by the Group's treasury. The credit risk associated with cash is limited as the main counterparties are reputable Russian or international banks with high credit ratings.

Credit risk is further limited by the fact that all of sales retail transactions are made through the store registers, direct from the customer at the point of purchase, leading to a zero trade receivables balance from retail sales.

Therefore the principal credit risk arises from the Group's trade receivables. In order to manage credit risk, the Group sets limits for wholesale customers (franchisees) based on their payment history. New wholesale customers typically pay in advance. Credit limits are reviewed by franchisees managers on a regular basis in conjunction with debt ageing and collection history. Provisions against bad debts are made where appropriate.

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

(in millions of Russian roubles)

The table below shows the balances that the Group has with its major banks as at the balance sheet date:

Bank	Country of incorporation	Rating	Carrying amount as at 31 December 2018
Gazprombank	Russia	Ba2	1,331
Sberbank of Russia	Russia	Ba1	1,137
VTB Bank	Russia	Ba1	1,048
LGT	Switzerland	Aa2	771
Total			**4,287**

Liquidity risk

Any impact on available cash and therefore the liquidity of the Group could have a material effect on the business as a result.

The Group's borrowings are subject to quarterly banking covenants against which the Group has had significant headroom to date with no anticipated issues based upon forecasts made. Short term flexibility is achieved via the Group's rolling credit facility. The following table shows the liquidity risk maturity of financial liabilities grouping based on their remaining period at the balance sheet date. The amounts disclosed are the contractual undiscounted cash flows:

	On demand or less than 1 year	1 to 5 years	Over 5 year	Total
As of 31 December 2018				
Loans and borrowings	501	-	-	**501**
Trade and other payables	17,820	-	-	**17,820**
	18,321	**-**	**-**	**18,321**
As of 31 December 2017				
Loans and borrowings	3,118	501	-	**3,619**
Trade and other payables	12,848	-	-	**12,848**
	15,966	**501**	**-**	**16,467**

Fair value

The fair value of the financial assets and liabilities of the group are not materially different from their carrying value as per the table below. These all represent financial assets and liabilities measured at amortised cost except where stated as measured at fair value through the profit and loss.

	31 December 2018		31 December 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and cash equivalent	5,882	5,882	6,102	6,102
Loans receivable	-	-	143	143
Trade and other receivables	839	839	2,049	2,049
Forward foreign exchange contracts	194	194	-	-
Liabilities				
Loans and borrowings	501	501	3,514	3,514
Trade and other payables	17,820	17,820	12,782	12,782
Forward foreign exchange contracts	-	-	66	66

Fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate their carrying amounts due to their short maturity.

Foreign exchange contracts are recognised at fair value and classified as Level 1 instruments. The fair value data is provided by banks, based on the updated quotations source (e.g. Bloomberg).

(in millions of Russian roubles)

21. RELATED PARTY TRANSACTIONS

In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. Management considers that the Group has appropriate procedures in place to identify, account for and properly disclose transaction with related parties.

Related parties include immediate and ultimate shareholders of the Group, franchisees where the Group has a non-controlling ownership stake, as well other related parties under common control.

Transactions with related parties for the year ended 31 December 2018 and for the year ended 31 December 2017:

	2018	2017
Associates:		
Sales of goods	5,329	5,947
Royalty fees	215	239
Other*:		
Dividends declared	(5,992)	(3,986)
Payment of dividends	(2,344)	(3,560)
Loans issued	(3,985)	(705)
Repayment of loans receivable	358	427

In 2018 and 2017 some the Group's trade and other receivables were redeemed through a series of non-cash transactions. The details are disclosed in the consolidated statement of cash flows for the year ended 31 December 2018 in the section entitled "Non-cash transactions".

At 31 December 2018 and at 31 December 2017 the outstanding balances with related parties were as follows:

	31 December 2018	31 December 2017
Associates:		
Trade and other payables	(472)	-
Trade and other receivables	200	1,448
Advances from customers	(105)	(83)
Other*:		
Dividends payable	-	(491)
Loans receivables	-	143
Trade and other payables	-	(3)

* Other related parties comprise immediate and ultimate shareholders of the Company as well as entities controlled by the shareholders.

(in millions of Russian roubles)

Purchase of assets from associate

In 2018 the Group entered into an agreement with one of its associates and franchisees, LLC "Best Price Novosibirsk", for the acquisition of store leases, trade equipment and inventories relating to substantially all stores operated by the franchisee. Overall in 2018 the Group acquired 133 stores from the franchisee for cash consideration of RUB 1,538 million. The carrying amounts of assets recognized by the Group related to this purchase were as presented.

	Cost
Property, plant and equipment (trade equipment)	162
Intangible assets (store lease acquisition costs)	965
Inventory	411
Total purchases from related parties	**1,538**

For details on the remuneration of key management personnel please refer to Note 10.

22. CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment or return capital to shareholders.
In managing its capital structure, as well as its financial covenants, the Group uses the following definition of EBITDA and Net Debt. Net Debt and EBITDA are non-IFRS performance measures. The Group defines Net Debt as loans and borrowings less cash and cash equivalents. EBITDA is defined as profit for the year adjusted for depreciation of property, plant and equipment, amortisation of intangible assets, income tax expenses, loss/(gain) on disposals of property, plant and equipment and intangible assets, interest income, interest expense and foreign exchange loss/(gain), net.

While the amounts included in Net Debt and EBITDA calculations have been derived from the Group's consolidated financial statements, Net Debt and EBITDA are not financial measures calculated in accordance with IFRS. They are presented here only to meet the disclosure requirements for capital management and the methodology of monitoring employed by the Group:

	31 December 2018	31 December 2017
Loans and borrowings	501	3,514
Less cash and cash equivalents	(5,882)	(6,102)
Net debt	**(5,381)**	**(2,588)**
Profit for the year	9,128	5,563
Income tax expense	3,141	1,880
Depreciation of property, plant and equipment and amortisation of intangible assets	1,464	757
Loss on disposals of property, plant and equipment	7	67
Interest income	(87)	(82)
Interest expense	205	364
Foreign exchange loss, net	343	456
EBITDA	**14,201**	**9,005**

Net Debt and EBITDA have limitations as analytical tools and other companies may calculate Net Debt and EBITDA differently.

23. POST BALANCE SHEET EVENTS

In January 2019 all land and buildings have been released from the pledge as collateral for bank loan.

In February 2019 the Group completed construction of new warehouse premises of RUB 623 million.

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