UNBEATABLE VALUE EVERY DAY

Annual Report 2022

Contents

Disclaimer

Since late February 2022, a range of jurisdictions (the US, EU, UK, and a handful of other countries) have begun to impose sanctions against a number of Russian financial institutions and enterprises, as well as whole spheres of the Russian economy and specific individuals. Amidst the ramifications of these sanctions on the Russian economy and the retail sector in particular our Company carries on operating in highly volatile circumstances.

Consequently, the effects on our activities are still to be assessed. We are doing our best to run the business without any turbulence, and we continue sourcing and delivering goods at the best value for our clients.

As of the date of publication, trading in Fix Price GDRs on the London Stock Exchange is suspended for an undisclosed period of time, and the Company cannot particularise with any extent of confidence as to when trading will resume. However, the GDRs listed on the Moscow Exchange are traded.

ABOUT THE COMPANY

Fix Price Group is the largest variety value retailer in Russia with almost 5,700 stores and RUB 277.6 billion in revenue for 2022. The Company provides an affordable and attractive shopping destination, offering a broad range of essential and unique products at several fixed price points

Fix Price at a Glance

2022 Performance Highlights

Continued expansion:
+759 net store openings

Revenue growth:
+20.5% y-o-y

Robust profitability:
EBITDA margin stood at
19.5%
Gross profit margin hit
33.1%
a five-year high for both metrics

Loyalty membership growth:
+28.7% y-o-y

Balance sheet strength:
the IAS 17-based Net Cash to EBITDA ratio was
0.04x

Our Mission

Our mission is to help people live better lives and save money by offering a wide and unique assortment of goods for the whole family at several fixed price points across thousands of Fix Price stores in Russia and its neighbouring countries.

We provide great value to millions of households regardless of their purchasing power.

Our Values

Customer first
Our work is guided by customer satisfaction, and we strive every day to improve our offer and service quality and ensure a unique customer experience

Professionalism, transparency and responsibility
We are confident that professionalism, transparency and responsibility towards our customers, partners, employees, and shareholders help us become a better company

One team
We create a safe and respectful work environment that offers all of our employees opportunities for career development and personal growth

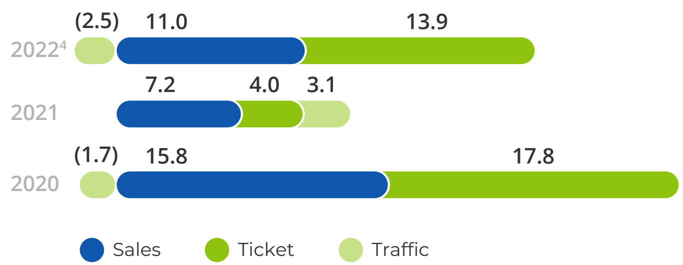
- **One of the fastest-growing variety value retailers globally**
- **The undisputable leader in Russian value retail**
- **Purpose-built from day one to disrupt a large and growing market at scale**
- **An easy-to-roll-out store format standardised for rapid scaling**
- **Strong value across a diverse product offering**
- **Years of solid profitability performance**
- **State-of-the-art IT infrastructure that is constantly upgraded to support growth**

Key Figures

Operational[1]

Total number of stores, DCs[2] and net store openings

LFL performance,[3] %



Selling space, thous. sq. m

Retail revenue, RUB million

NPS dynamics,[5] %

Number of loyalty cardholders, thous.

1 Data for the number of DCs, stores, selling space and the number of loyalty cardholders are year-end
2 Distribution centres
3 LFL sales, average ticket and number of tickets are calculated based on figures from stores operated by Fix Price that have been open for at least 12 full calendar months preceding the reporting date. LFL sales and average ticket are calculated based on retail revenue gross of VAT. LFL figures exclude stores that were temporarily closed for seven or more consecutive days during the reporting period and the comparable period
4 2022 LFL sales and average ticket are adjusted for the appreciation of the rouble by converting monthly LFL sales abroad into roubles at the average exchange rates for each comparable month of 2021
5 Net Promoter Score (NPS) is a metric that measures the willingness of customers to recommend products or services of a company to others. Source: Vector market research conducted in autumn 2020, autumn 2021 and autumn 2022

Financial[1]

Revenue, RUB million

2022	277,644
2021	230,473
2020	190,059

Gross margin, %

2022	33.1
2021	31.8
2020	32.4

EBITDA, RUB million

2022	54,198
2021	44,155
2020	36,788

EBITDA margin, %

2022	19.5
2021	19.2
2020	19.4

Net profit, RUB million

2022	21,411
2021	21,389
2020	17,575

Net (cash) / debt to EBITDA (IAS 17)

2022	(0.04)x
2021	0.4x
2020	0.5x

Key ESG metrics

Total average headcount of the Group[2]

2022	39,013
2021	33,044
2020	31,970

Total GHG emissions (Scope 1, 2 and 3), tonnes of CO_2 equivalent

2022	2,880,643
2021	2,523,197
2020	2,183,473

Total amount of waste sent for recycling, tonnes

2022	28,236
2021	19,411
2020	17,352

[1] Financial data are for the full year
[2] The personnel of Fix Price Group PLC in all countries where it operates, including contractors

Who We Are

Fix Price Group is the largest variety value retailer in Russia,[1] operating under the trademark Fix Price, with almost 5,700 stores and RUB 277.6 billion in revenue for 2022. We provide an affordable and attractive shopping, offering a broad range of essential and unique products at several fixed price points. Currently, there are 5,098 stores in Russia, with another 565 stores in neighbouring countries including Belarus, Kazakhstan, Uzbekistan, Latvia, Georgia, and Kyrgyzstan – all operating under the Fix Price brand.

We are the leader of the Russian VVR market both in terms of store count and sales. According to the retail consultancy INFOLine, Fix Price's share of the total Russian VVR market in 2022 was estimated at 89.6%. [2] We have delivered continued revenue growth over the past several years supported by strong like-for-like sales performance. Our product offering includes our own private labels as well as third-party branded and non-branded goods, comprising c. 2,000 SKUs across approximately 20 categories, including non-food, food and drogerie (household chemicals, cosmetics and hygiene) products.

~5,700
stores

~215 sq.m
average selling space of our typical store

RUB 278
billion revenue in 2022

~2,000 SKUs
across approximately 20 categories

[1] Variety Value Retail (VVR) channel covers stores that sell general merchandise, such as apparel, automotive supplies, dry goods, toys, hardware, home furnishings, and a selection of groceries usually at discounted prices, sometimes at one or more fixed price points

[2] Based on sales including VAT

Our Concept and Differentiation

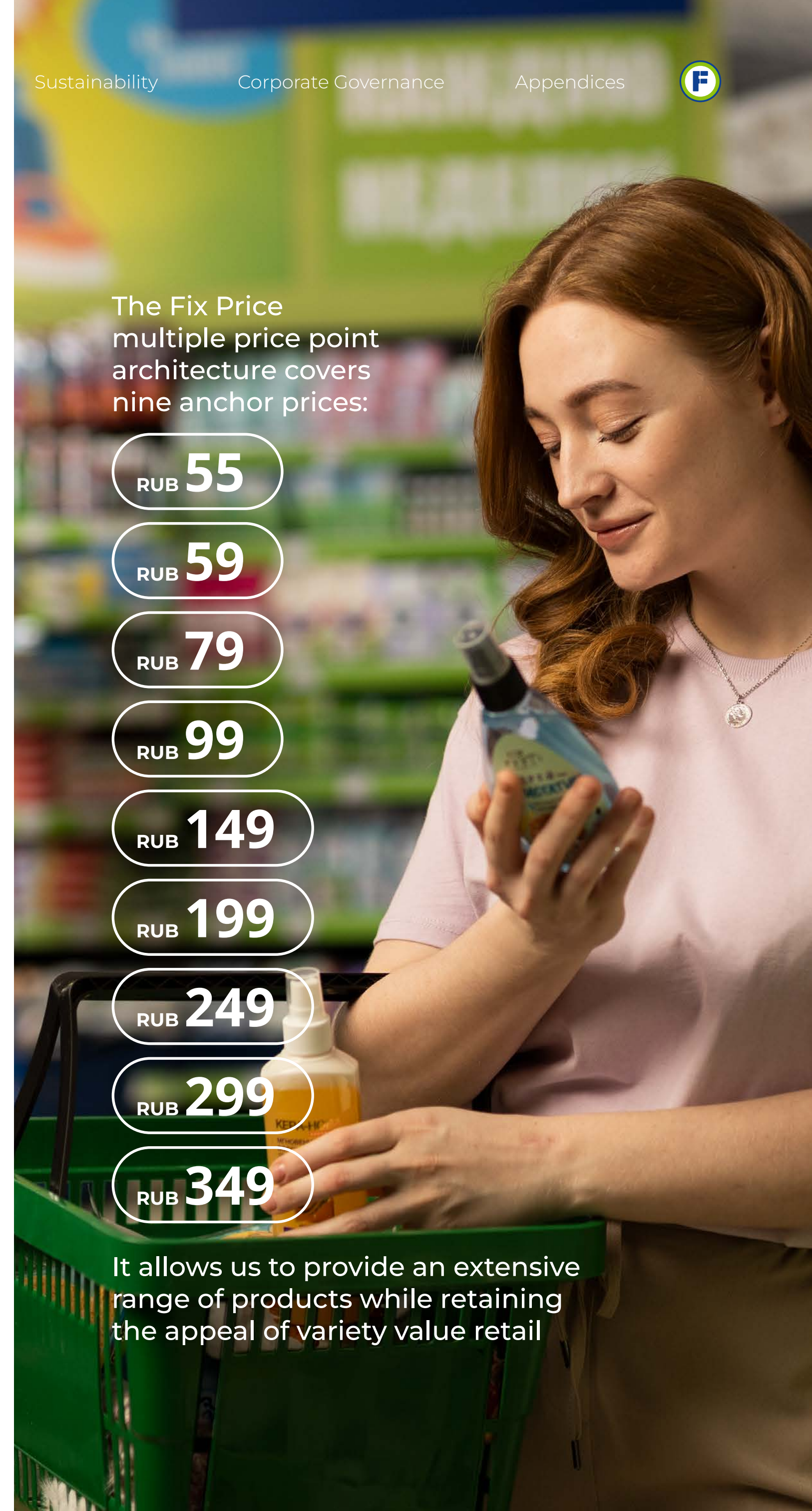
The Company operates a completely standardised store portfolio that is well positioned to drive outstanding unit economics. We have built a one-store format by leveraging a consistent and uniform concept across the entire Fix Price store network. This format encompasses average store size, product assortment, pricing policies, product layout, equipment and marketing, and promotional activities. Such approach allows us to ensure our business remains consistent and scalable, all while driving efficiency gains and building brand recognition with customers. Our typical store has an average selling space of c. 215 square metres and is mainly located in convenient and high-traffic sites in high-density areas, as well as in shopping malls and shopping centres, across a variety of urban areas. In addition, we have been successful in operating stores in smaller localities and plan to continue to expand in those settings.

The key pillars that make Fix Price stand out from the competition are our market-leading position based on our unique customer proposition; our stores' format, which holds significant future growth potential; our consistently strong performance against financial and operational KPIs; and our cutting-edge IT solutions. We also strive to provide an exciting treasure hunt experience for our customers. When delivering our customer proposition, we aim to surprise consumers with new and exciting goods at affordable prices. We believe that we help make our customers' everyday lives better by offering an enjoyable shopping experience at all Fix Price stores.

Regular customer feedback ensures Fix Price is able to give customers what they want. We aim to deliver a constantly refreshed product range by launching c. 50 new products every week, with approximately 67% of our product assortment updated up to six times per year.

Fix Price's product assortment is supported by our strong private label offering, which comprises

1/3
of overall retail sales



The Fix Price multiple price point architecture covers nine anchor prices:

RUB 55
RUB 59
RUB 79
RUB 99
RUB 149
RUB 199
RUB 249
RUB 299
RUB 349

It allows us to provide an extensive range of products while retaining the appeal of variety value retail

A Format that Supports Significant Future Growth Potential

Over the past few years, we have been scaling our business in a turbulent and rapidly changing environment, responding prudently to external challenges to meet our growth and profitability commitments. Moreover, we have been able to capitalise on the ongoing sea change in Russian consumers' behaviour towards favouring greater value offerings.

We believe there is further potential to expand our operations in Russia as well as in its neighbouring countries. The total store potential for the Russian variety value retail market is estimated at approximately 15,600 stores (including Fix Price stores already operating), which is nearly 3x higher than the Group's current store count in Russia.[1] Looking outside of Russia, we expect the total store potential to be approximately 3,000 combined for the respective VVR markets in Belarus and Kazakhstan (including Fix Price stores already operating).[1]

1 Source: INFOLine

2 Based on information available in open access about publicly traded US and international dollar stores / value retailers, including Dollar General, Dollar Tree, Five Below, Grocery Outlet, Ollie's, B&M, Dino, and Dollarama

Consistently Strong Performance against Financial and Operational KPIs

We have consistently been one of the leading publicly traded variety value retailers globally by revenue growth and profitability for several years running.[2]

Fix Price has grown its revenue at a CAGR of 21% (in FY 2022 vs FY 2020), driven by strong like-for-like sales performance and a rapid expansion of store network. Top-line growth has been supported by historically robust 19% plus EBITDA margins.

~18,600

White space store number potential in Russia, Belarus and Kazakhstan

Cutting-edge IT Solutions and Social Responsibility at the Heart of What We Do

State-of-the art integrated IT systems provide Fix Price with seamless control over the entire supply chain, resulting in high operational scalability and substantial cost savings. The use of data mining and analysis of consumer preferences gleaned from our loyalty card programme allow us to make smart merchandising, procurement and marketing decisions. We drive standardisation, agile sourcing and tech-enabled automation across all stores to deliver operational excellence.

The Company also views social responsibility as an integral part of our culture. We supply a wide range of essential products across all 80 regions within our footprint in Russia and enable our customers to advance their quality of life by providing equal access to our compelling assortment at the best value. We have established rigorous quality control, risk management and corporate governance procedures.

History and Development

2007

Fix Price is founded with the aim to offer Russian families a broad range of essential goods at a fixed, low price, pioneering the variety value retail concept in Russia and creating an affordable and attractive shopping destination

LLC Best Price, Fix Price's principal operating subsidiary, is incorporated, and **the first Fix Price store** opens in Moscow

2010

Fix Price launches **a franchise programme** in Russia, which rapidly expands our presence across the country

Fix Price launches its **first private label offering**

2013

Fix Price launches the Fix Price Club **loyalty programme**

2015

Fix Price doubles its network size, reaching over

2,000

stores including

1,681

Company-operated stores and

397

franchise stores

2016

Fix Price introduces **multiple fixed price points** for its merchandise, providing additional pricing flexibility to address the market environment and external factors, primarily FX volatility and inflation, as well as to expand its assortment proposition

Fix Price embarks on its **expansion into other countries,** granting franchise licences to open Fix Price stores in Georgia and Kazakhstan

2017

Franchise programme is launched in Belarus and Latvia

2018

Fix Price implements a **click-and-collect shopping option,** pivoting off the rapid growth in online shopping. Fix Price customers can now order online and collect their purchases from a convenient Fix Price store nearby

2019

Fix Price opens its **3,000th** store

Fix Price continues its expansion internationally, launching stores in Kyrgyzstan

2020

Fix Price opens its **4,000th** store

Fix Price opens its first store in Uzbekistan

Updating customer communications through brand ambassador integration

2021

Fix Price completes **an Initial Public Offering** of GDRs on the London and Moscow stock exchanges

2022

~5,700 stores

10 DCs

21.9 million loyalty cardholders

2022 Highlights

January

Fix Price signs an agreement with the industrial developer PNK Group to build a new DC. With a total area of

~68,000 sq.m,

the new DC will be built in Domodedovo, south of Moscow, and starts operating in Q1 2023

February

Fix Price makes its first ESG disclosure: a presentation on the Company's main ESG-related activities and a data book outlining key ESG metrics

The consultancy Romir ranks Fix Price the top stationery retailer by sales in 2021

The Fix Price Board of Directors approves the redomiciliation to Cyprus. Following the move, the holding entity intends to merge with Kolmaz, its Cyprus-incorporated subsidiary

March

Fix Price opens its first store in the Nenets Autonomous District

Fix Price opens its

5,000th

store

April

Fix Price publishes its first Annual Report

Fix Price launches paperless receipts

May

Fix Price Group announces its incorporation in the Republic of Cyprus and dissolves its British Virgin Islands entity

June

Fix Price installs its

500th

self-service checkout

July

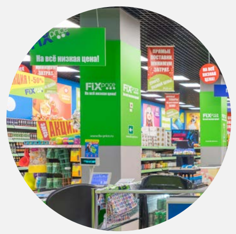
Fix Price publishes its first Sustainability Report

August

Fix Price launches a new,

~40,000 sq.m

leased DC in the Samara Region, bringing the number of DCs to nine



September

Fix Price's loyalty programme sees its

20 millionth

registered member

Fix Price reopens its second DC in Novosibirsk. The

~23,400 sq.m

DC helps optimise logistics to Kazakhstan

October

Fix Price Group PLC merges with its subsidiary Kolmaz Holdings Ltd

Fix Price contracts PNK Group, a Russian industrial developer, to construct a new DC. The new warehouse will take up an area of

~68,000 sq.m

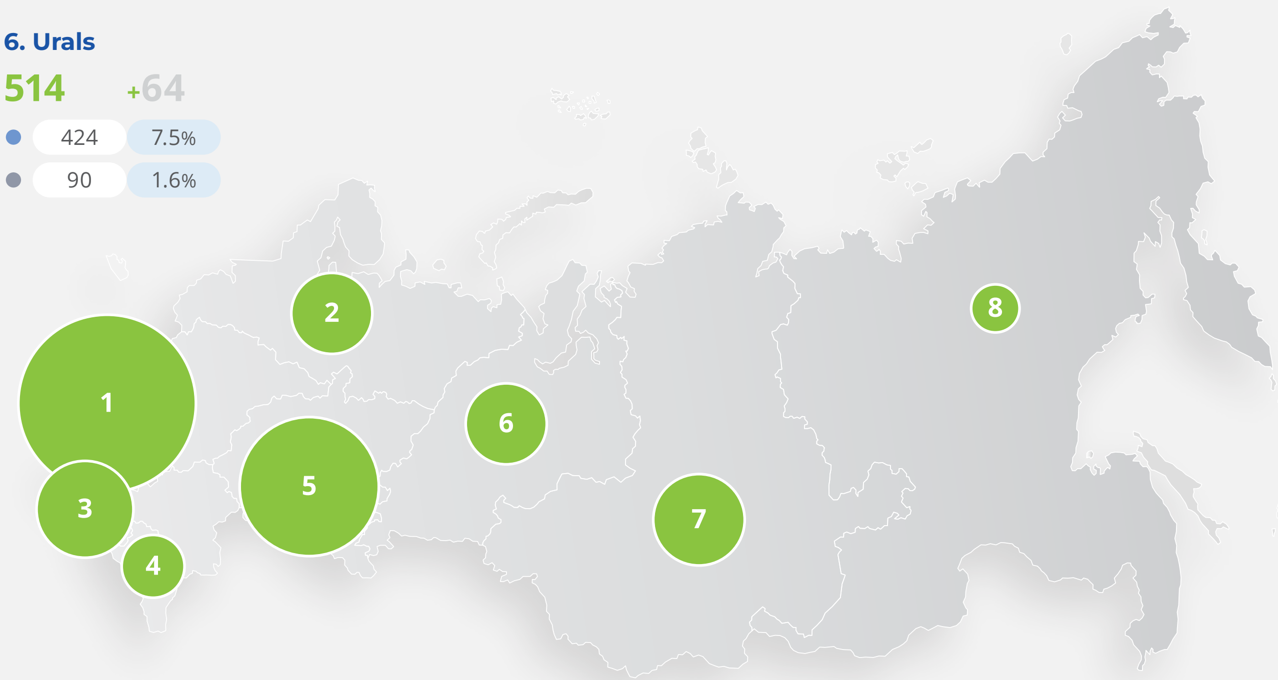
at PNK Park Siberian

Tract, a new industrial park in Yekaterinburg.

Once construction is completed, the DC will become the property of Fix Price and will be launched in Q4 2023

Store Portfolio and Locations

Total	5,663	+759	5,039	89.0%	624	11.0%
Russia	5,098	+653	4,575	80.8%	523	9.2%
1. Central	1,468	+177	1,456	25.7%	12	0.2%
2. Northwestern	521	+60	388	6.9%	133	2.3%
3. Southern	636	+84	608	10.7%	28	0.5%
4. North Caucasus	200	+26	179	3.2%	21	0.4%
5. Volga	1,064	+136	1,048	18.5%	16	0.3%
6. Urals	514	+64	424	7.5%	90	1.6%
7. Siberian	595	+83	472	8.3%	123	2.2%
8. Far Eastern	100	+23	0	0.0%	100	1.8%
Kazakhstan	235	+63	211	3.7%	24	0.4%
Uzbekistan	19	-23	0	0.0%	19	0.3%
Latvia	36	+12	0	0.0%	36	0.6%
Georgia	6	+2	0	0.0%	6	0.1%
Kyrgyzstan	6	+1	0	0.0%	6	0.1%
Belarus	263	+51	253	4.5%	10	0.2%



293
Average total store size (sq.m)[1]

216
Average store selling space (sq.m)[1]

4.8
Average net investment (RUB million)[2]

7.2
Average IAS 17-based store EBITDA (RUB million)[3]

~2,000
SKUs

10
Average payback period (months)[4]

149
Average store-level ROIC (%)[5]

1 For Company-operated stores
2 Average net investment is the average capital expenditure required to open a new Russia-based Company-operated store, including IT equipment and intangible assets (e.g. software licences) (based on capital expenditures for stores opened in 2022)
3 Average IAS 17-based store EBITDA is calculated as store revenue less store level expenses associated with the cost of goods sold, transportation costs, shrinkage costs, staff costs, operating lease expenses, bank charges, security costs, maintenance costs, advertising expenses, utility expenses, and other operating expenses for the first full 12 calendar month period after opening (based on Company-operated Russian stores that were opened during 2021, were operating as of 31 December 2022 and repaid the average net investment [i.e. where the cumulative IAS 17-based store EBITDA since store opening exceeded RUB 4.8 million])
4 Average payback period is defined as the time period required for the cumulative IAS 17-based store EBITDA from a new Russia-based Company-operated store 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 defined as average IAS 17-based store EBITDA as per Note 3 above divided by average net investment, as per Note 2 above, expressed as a percentage

- Total number of stores
- Number of Company-operated stores
- Number of franchise stores
- % of total number of stores
- Net store openings, 2022

Our Approach to ESG

Fix Price understands the importance of the ESG agenda and has succeeded in raising ESG awareness among its employees and stakeholders. In 2021, the Company conducted a thorough assessment of Fix Price's ESG practices. We then identified four key strategic priorities, which were approved by the ESG Committee, – and what we have dubbed the 4Ps: Product, People, Partners, and Planet. The Company charted a roadmap and is assessing initiatives that will enable it to carry out viable changes and contribute to these priority areas.

UN Sustainable Development Goals

When defining our 4Ps, we considered the scope for delivering on the Sustainable Development Goals (SDGs) established by the United Nations. Out of the total seventeen, we selected seven SDGs where Fix Price can deliver the largest impact and divided them into two groups: primary and secondary SDGs.

Primary SDGs
embrace three goals where Fix Price can make the biggest contribution:

SDG 8
Decent Work and Economic Growth

SDG 12
Responsible Consumption and Production

SDG 13
Climate Action

Secondary SDGs
comprise four goals that are still core priorities for us, but to which, due to the specifics of our business, we can only offer a more limited contribution:

SDG 2
Zero Hunger

SDG 3
Good Health and Well-Being

SDG 5
Gender Equality

SDG 10
Reduced Inequalities

CEO Statement

The year of 2022 was one of the most challenging years in Fix Price's history, but despite this, we pushed forward with our corporate strategy, delivering sound operating and financial results. We achieved a solid revenue growth, while the EBITDA margin exceeded our 2021 IPO guidance. We further reduced our historically low net debt and fortified the Company's financial position.

First, I would like to thank all my colleagues for their unwavering commitment to serving our customers, effectively responding to the changing environment throughout the year, and creating a strong alignment between our value-driven assortment and consumer demand. Moreover, I am grateful to all our customers for the confidence they continued to show in our Company over the year. Our successful efforts to offer the best value across the entire product range enabled us to increase our number of loyal customers by 29% year-on-year to 22 million.

Dmitry Kirsanov,
CEO

Overcoming Challenges to Become a Stronger Company

In the past year, Fix Price put tremendous work into ensuring the smooth operation of our logistics and supply chain. For instance, in 2022, we secured shipments of priority goods through stable transportation routes and started to cooperate more closely with freight forwarders and small and medium carriers to test new sea routes. We also continued to explore sourcing opportunities with new local and foreign producers to stay flexible in case of possible changes of the suppliers' strategy regarding the Company's target markets.

The efficiency and speed of our geographical expansion, our low pricing model and the quick rotation of our product range are driven by our sourcing capabilities and distribution platform. In 2022, we increased the total number of distribution centres (DCs) from eight to ten as we launched our own DC in Novosibirsk with a total area of 23,387 square metres, in addition to leasing a DC in the Samara Region with a total area of 37,162 square metres. The total space of our modern distribution centres reached approximately 343,000 square metres.

10
modern DCs

~343,000 sq.m
total DC space

+2
DCs in 2022

+60,549 sq.m
of total DC space in 2022

Moreover, we continued to actively expand our retail network and deliver on the targets for net store openings announced during the Company's IPO. In 2022, we opened 671 Company-operated stores (+15.4% year-on-year) and 88 franchise stores (+16.4% year-on-year). Thus, the total number of stores grew by 759, exceeding our full-year net opening guidance of 750 new stores. At the same time, the total selling space of Fix Price stores grew by 168,520 square metres (+15.9% year-on-year). We carried this momentum into 2023 by opening our first stores in Mongolia in January, boosting our international presence to eight countries.

7
countries of presence in 2022

+759
stores (net) in 2022 exceeding the IPO guidance

5,663
total number of stores

All Fix Price stores prioritise the use of locally produced equipment, while our IT solutions are supported in-house. This has enabled us to successfully expand our store network and mitigate disruptions to the supply chain. Furthermore, in 2022, despite challenges in sourcing construction materials and price hikes, the store opening CAPEX growth remained below non-food inflation. We were able to keep lead times for new store openings unchanged thanks to improved project documentation and our strong negotiating power with landlords.

Solid Performance Driven by a Resilient Business Model

Throughout 2022, we grew our like-for-like (LFL) sales by 10.1%, in line with our 2021 IPO projections, once again demonstrating the success of our business model despite the adverse external environment. We also recorded a 12.9% increase in the LFL average ticket, with a cumulative growth rate of 22.8% in LFL sales of food and drogerie (household chemicals, cosmetics and hygiene) across stores in Russia. However, LFL traffic dipped by 2.5% amid cautious consumer sentiment and a decline in real disposable income in 2022.

Revenue in 2022 increased by 20.5% to RUB 277.6 billion, driven by the expansion of our store network and growth in LFL sales. We were able to achieve this by being proactive with our inventory and delivering an attractive value proposition to our customers.

At the same time, EBITDA grew by 22.7% to RUB 54.2 billion. The EBITDA margin increased by 36 bps to a record high of 19.5% (above the IPO guidance), driven by a significant improvement in gross margin, partly offset by higher selling and administrative expenses. Meanwhile, net profit was flat year-on-year at RUB 21.4 billion.

Maintaining Transparency for Investors and Shareholders

As always, we remained committed to transparency, making every effort to maintain the trust of our stakeholders. Although the year was challenging on almost every industry, we continued to follow best practices in information disclosure, publishing our financial and operating results on a regular basis, in line with our standard practice.

Due to market turbulence and regulatory changes during the reporting period, the Board of Directors temporarily suspended the Group's dividend policy in September 2022. At the same time, we intend to continue paying dividends in the future and will announce the updates on this matter in due course.

Well-Established Corporate Governance and Management Systems

Over the reporting period, we continued to build a robust governance system in line with best practices to safeguard the rights of shareholders and other stakeholders. An important milestone was the decision to change the Company's jurisdiction of incorporation from the British Virgin Islands to the Republic of Cyprus in order to simplify the holding structure. Following the redomiciliation, which was completed in May 2022, the Company merged with its Cyprus subsidiary Kolmaz Holdings Ltd to become a single successor entity.

Another highlight in our corporate governance was the adoption of a new approach to managing business processes and their interfaces with internal control and risk management systems, as we seek to boost our business performance amid a rapidly changing external environment. In 2022, we launched the Processes Help project, which aims to optimise our business processes and bolster productivity while maintaining our high standards of quality and leveraging costs.

Delivering on ESG

Fix Price is committed to making ESG an integral part of the Company's day-to-day operations. In 2022, we continued to deliver on our key strategic priorities, the 4Ps – Product, People, Partners, and Planet.

We initiated the process of disclosing information guided by the TCFD[1] framework and continued tracking our greenhouse gas (GHG) emissions.

In 2022, we also introduced eco-friendly bags containing 40% recycled polyethylene, which became extremely popular with our customers, and continued funding the Future Champions League charitable endowment supporting young football players.

Ready for Future Growth

Despite the challenges stemming from the current geopolitical and economic turbulence, we are determined to take our social responsibility even further and will continue to care about our customers. We intend to provide them with relevant and exciting new products at the best prices and continue to fully meet their preferences and needs. We believe that we can help our customers live better lives every day, and are confident that this approach will also benefit our shareholders and other stakeholders.

I would like to thank the Board of Directors for their strategic vision, and all the members of the Fix Price team for their contribution to delivering such superb results during these challenging times. I believe that these achievements give us reason to be optimistic about the future of our business as we continue to move from strength to strength.

[1] Task Force on Climate-related Financial Disclosures (TCFD)

STRATEGIC REPORT

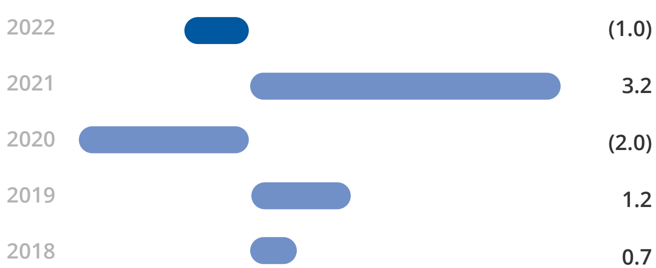
Fix Price’s key strategic pillars are the leading position on the Russian VVR market, top team with strong industry expertise, unique customer value proposition, operational excellence, substantial growth potential and best-in-class financial KPIs

Market Overview

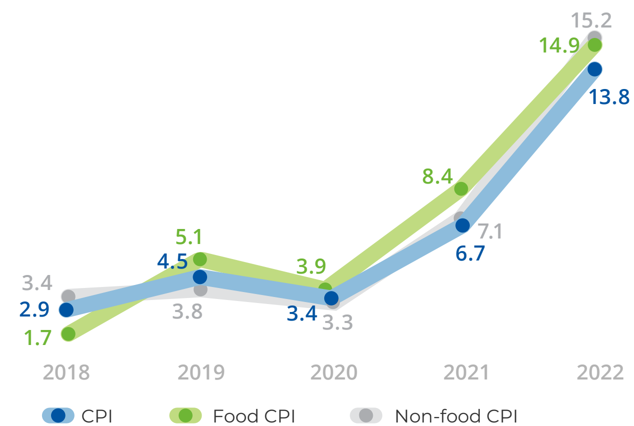
Russian Macroeconomic Situation and Retail Market[1]

Russia's real GDP in 2018–2022, % change

Real disposable income in Russia in 2018–2022, % change



Consumer inflation (CPI change[2]) in Russia in 2018–2022, %



~90%[3]

market share, making Fix Price undisputed leader in the Russian variety value retail (VVR) segment

The year 2022 proved to be extremely challenging for the whole Russian economy. The real GDP decreased by 2.1% in 2022, with annual consumer inflation (CPI change) at 13.8% vs 6.7% in 2021. Food inflation accelerated to 14.9% in 2022 compared to 8.4% in 2021, while non-food inflation rose to 15.2% in 2022 from 7.1% in 2021 amid supply chains disruptions. With sharp fluctuations in the national currency during 2022 (especially in Q2 2022), the average annual USD/RUB exchange rate was 68.5 compared to 73.7 in 2021.

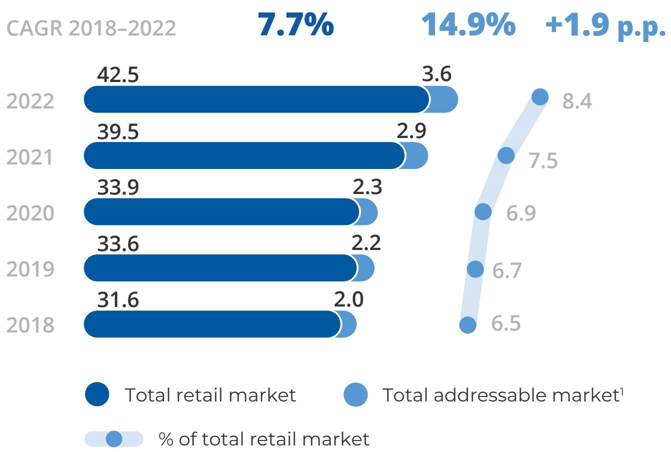
At the same time, the labour market saw an improvement, with unemployment falling to 4.0% in 2022 compared to 4.8% in 2021. However, the real disposable income dipped by 1.0%, with consumer confidence remaining at quite low levels throughout the year.

Against this background, Russia's retail trade turnover increased by 7.7% in nominal terms (while declining by 6.7% in real terms) to RUB 42.5 trillion, with a CAGR of 7.7% over the past five years.

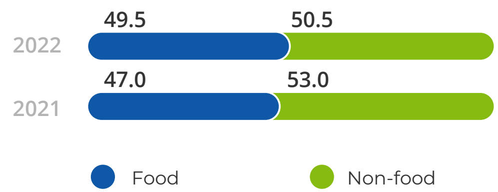
On the whole, 2022 saw changes in consumer behaviour towards a more rational approach to buying food and non-food items amid market turbulence and low levels of consumer confidence. Price sensitivity increased noticeably, causing an influx of new customers to the variety value retail (VVR) market, which, against this background, only cemented itself as one of the fastest growing retail channels in Russia, with an annual increase of c.22% in 2022.[3]

[1] All figures in this section are based on Russian official data (including preliminary estimates) published by the Federal State Statistics Service (Rosstat) as of the date of this Report, unless otherwise noted
[2] The Consumer Price Index (CPI) change calculated as average for the year
[3] Source: INFOLine, 2022

Russian total retail market and total addressable market (TAM) in 2018–2022, RUB trn



Russian retail market structure in 2021–2022, %



In 2022, the share of food products in the retail trade turnover grew slightly to 49.5%, while the share of non-food products tapered to 50.5%, compared with 47.0% and 53.0% in 2021, respectively.

The share of the modern grocery formats in the total retail market continued to expand and reached 79.6% in 2022 (+1.6 pps y-o-y), while the share of the Top-10 FMCG retailers grew by 1.8 pps to 38.5%. The modern formats were gaining pace thanks to the attractive value proposition and the improved customer service.

Furthermore, e-commerce has shown significant growth, with a CAGR of approximately 32% from 2018 to 2022, driven by the emergence of express delivery services and marketplaces.

[1] Total addressable market (TAM) consists of retail products that have a similar price and assortment to VVR products but are currently available through various retail channels. Source: INFOLine

Total Addressable Market[1]

The total addressable market (TAM) consists of retail products that have a similar price and assortment to VVR products but are currently available through various retail channels. In 2022, the estimated volume of the addressable market was RUB 3.6 trillion, representing 8.4% of the total retail market in Russia. Non-food categories consistently made up more than half of the total addressable market.

The channel mix has also shifted in recent years, with neighbourhood and variety value stores gaining ground, while traditional trade has seen a decline in its market share.

Diligent approach to TAM estimation for 2022[2]

1. Total retail market

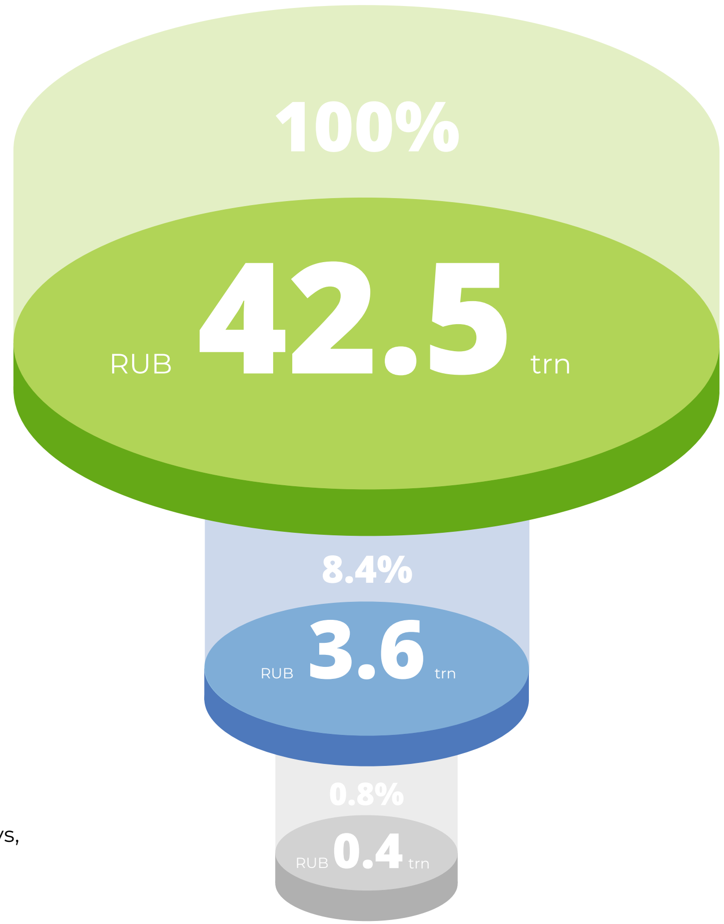
Total retail market including all channels, categories and regions (grocery and non-grocery segments)

2. Total addressable market

Goods that are relevant for variety value retail in price terms taking into account the profile of variety value retail customers, with an assortment mix limited by average store space and relevant categories

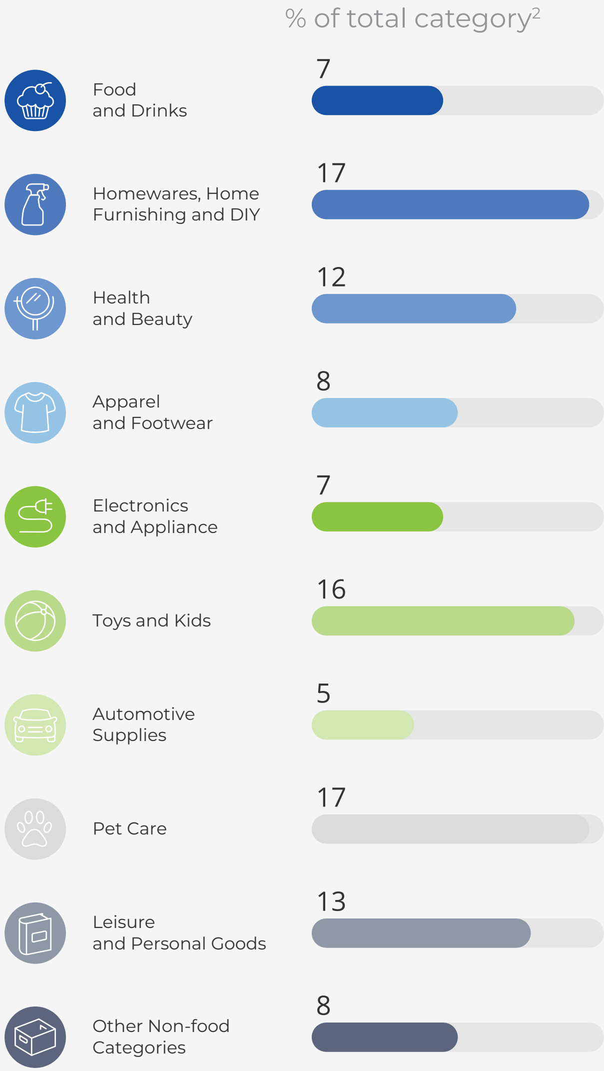
3. Variety value retail channel

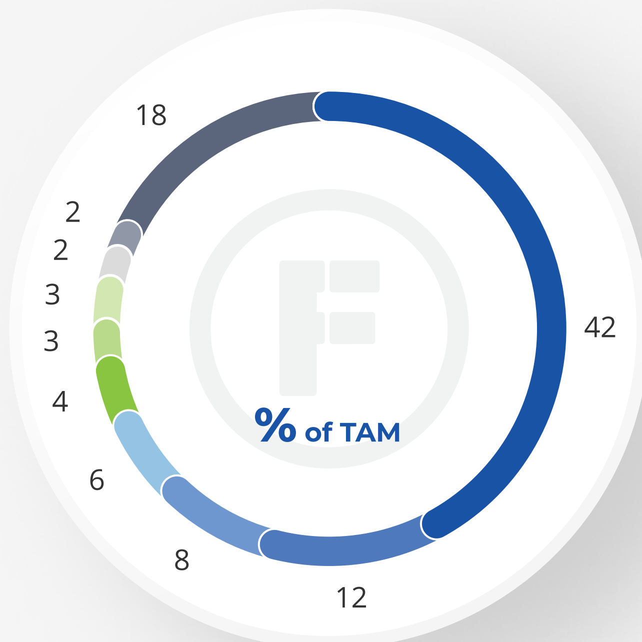
Variety Value Retail channel covers stores that sell general merchandise, such as apparel, automotive supplies, dry goods, toys, hardware, home furnishings, and a selection of groceries usually at discounted prices, sometimes at one or more fixed price points



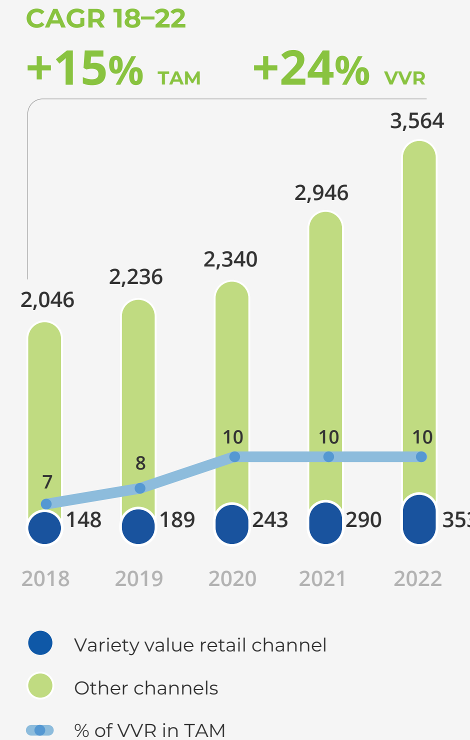
1 All figures in this section are based on INFOLine data unless otherwise noted
2 Including VAT

TAM[1] relevant products across categories





Sustainable growth of the TAM[1] and VVR[3] channel, RUB billion



The VVR channel's share in the target market is about 10%, and this format is projected to become one of the largest channels in terms of market share, while the traditional and fragmented trade will continue to decline.[4]

1 Total addressable market
2 Calculated as Total Addressable Market for the specific category divided by the respective category value in the total retail market
3 Variety value retail channel
4 Source: INFOLine

Variety Value Retail Market[1]

Fix Price, the largest modern retail player in the VVR channel, opened its first store in Russia in 2007. Since then, the market has grown considerably, but its size is still remarkably smaller than in other countries where the VVR format is also widely-spread.

The landscape of the VVR segment of the retail market has changed significantly over the years, with various specialist players entering and then leaving the market. In the recent years, the majority of VVR specialist players has ceased operations in Russia.

In 2022, the VVR market accounted for 0.8% of the total retail market in Russia that speaks of an outstanding significant potential for further growth.

218 mln+
population in Russia and other core countries of operation[2]

70%
of Russian population are immediate target customers[3]

251 mln+
population in the CIS and neighbouring countries[4]

72%
of customers are sensitive to prices[5]

1 All figures in this section are based on INFOLine data unless otherwise noted
2 World Bank as of 2021, including Fix Price's current countries of operation: Russia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Latvia and Uzbekistan
3 Referring to population earning USD 640 or less, Rosstat as of 2022, converted at 31 December 2022 exchange rate of 70.34 (USD/RUB)
4 World Bank as of 2021; includes the CIS countries (Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan and Uzbekistan), Georgia and Latvia
5 According to customer survey by NielsenIQ: FMCG market 2022 main trends

Fix Price is the market leader in the Russian variety value retail

Company	Number of stores, end of period		Market share[1]		Year of market entry / exit
	2017	2022	2019	2022	
Fix price	2,477	**5,098**[2]	89.4%	**89.6%**	2007
Галамарт	181	**508**[2]	8.9%	**10.4%**	2009
Home market / ЗАОДНО[3]	116	Closed			2013 / 2021
Хозяюшка	22				2010 / 2019
еврошоп	27				2015 / 2018
охапка	50				2012 / 2018

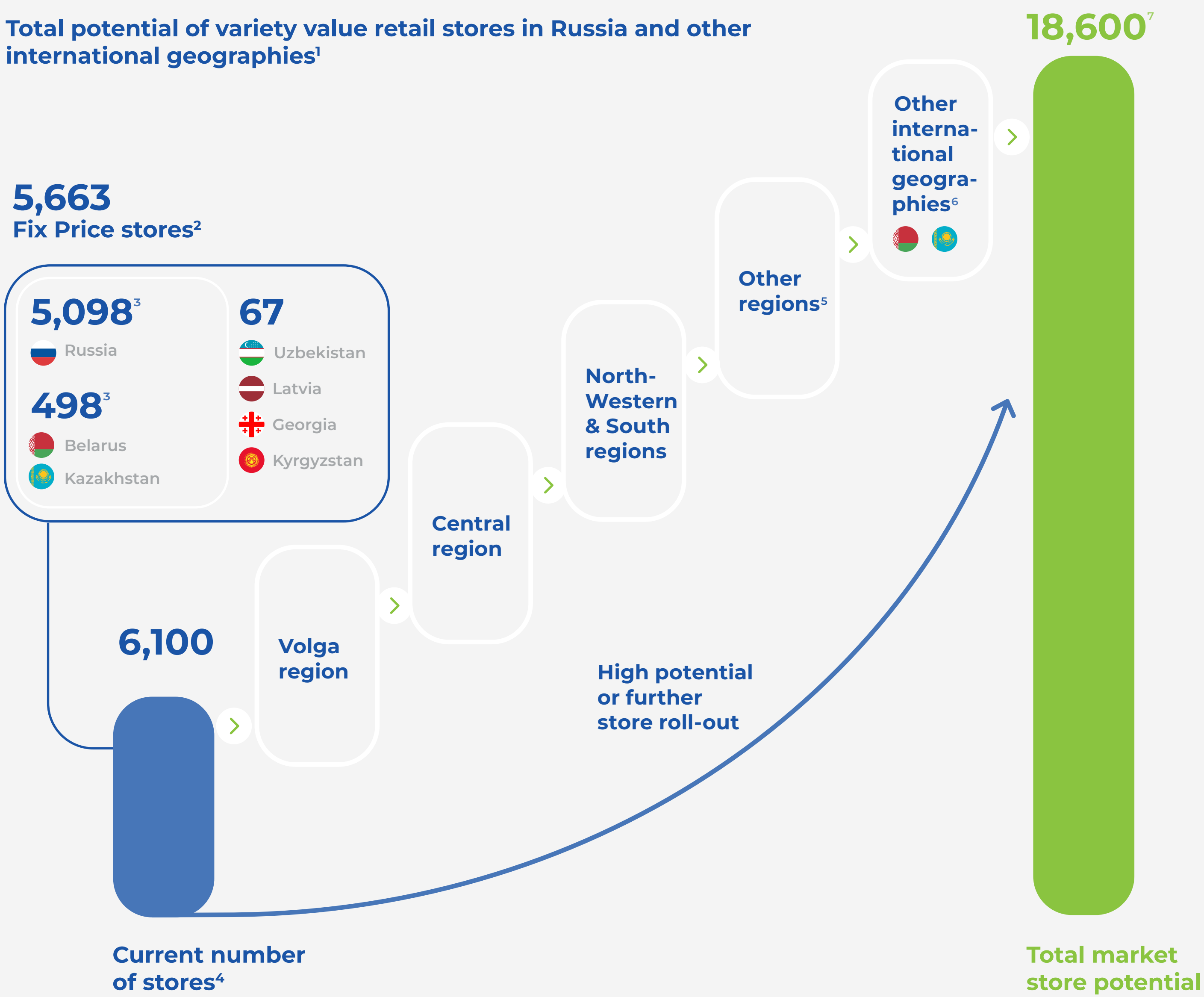
1 Based on sales, including VAT
2 Number of Fix Price and Galamart stores in Russia
3 Home market and Zaodno merged before exiting the business

Opportunities for Expansion

According to INFOLine, there is significant potential for growth in the VVR market, with an estimated capacity to expand to around 18,600 stores in Russia and nearby countries such as Kazakhstan and Belarus. This number is roughly 3 times greater than the current number of existing stores.

In order to build upon our initial success in Russia and neighbouring countries, we plan to continue our medium-term growth strategy by expanding into new areas and driving our revenue increase by providing a unique value proposition that meets the changing needs of our customers, and by creating a pleasant in-store experience for every customer.

Total potential of variety value retail stores in Russia and other international geographies[1]



1 "Other international geographies" refers to Kazakhstan and Belarus
2 Number of Fix Price stores as of Dec'22
3 5,596 stores in the selected Fix Price countries of operation (Russia, Belarus and Kazakhstan)
4 "Current number of stores" in the VVR channel refers to Russia and other international geographies of Belarus and Kazakhstan (analysed by INFOLine)
5 Siberian, Urals, Far East and North-Caucasus regions
6 Belarus and Kazakhstan
7 Total store potential for Russia and other international geographies of Belarus and Kazakhstan (for Fix Price and competitors, incl. existing stores)

Strategic Pillars

Our Key Success Drivers	Competitive Edge	Track Record		
The leader in a large and growing market	Fix Price is the leader in the Russian variety value retail market with an approximately 90% market share. We also consistently post one of the fastest organic growth rates globally compared to peers[1]	**16 years** of business growth **~5,700 stores**	**80** Russian regions of presence **6** neighbouring countries	**~90%** market share in the variety value retail market in Russia
A unique customer value proposition	Fix Price's policy is to be the price leader across our broad assortment, bringing significant savings to consumers compared to other offline and online retailers. We provide remarkable value across a diverse, unique and ever-changing product range in an engaging treasure hunt-style shopping experience, helping customers live a better life	**60%** high NPS **~21.9 million** registered loyalty cardholders	**56%** of retail sales in 2022 were generated by Fix Price loyalty cardholders	**~2/3** of retail sales are made up of general merchandise / changing assortment rotated up to 6 times a year
Operational excellence	Fix Price's efficient business model is driven by lean decision making and a nimble management approach with a standardised store network, highly automated operations, centralised logistics and efficient procurement and sourcing	A "one store" format: a consistent and uniform concept across the entire chain, with the same assortment and prices, and a similar look and feel	**10** DCs including 6 owned and 4 leased centres **~343,000 sq.m** total DC space	**>500** local and international supplier base **SAP ERP** on-premise backbone deployed since day one

[1] Based on information available in open access about publicly traded US and international dollar stores / value retailers, including Dollar General, Dollar Tree, Five Below, Grocery Outlet, Ollie's, B&M, Dino, and Dollarama

Our Key Success Drivers	Competitive Edge	Track Record		
Substantial growth potential	The total store potential for the Russian variety value retail market is estimated at approximately 15,600 stores[1] (including Fix Price stores), which is nearly 3.1x higher than the Company's current store network in Russia. Outside of Russia, we target market capacity of approximately 3,000 stores[1] across Belarus and Kazakhstan for the respective VVR markets	**759** net store openings in 2022 **+21% CAGR** revenue growth in FY 2022 vs FY 2020	**Standardisation** across the store network enabling rapid and wide-reaching roll-out	
Best-in-class financial KPIs	We are one of the leading publicly traded variety value retailers globally by revenue growth and profitability[2]	**19.5%**[3] robust EBITDA margin	**10 months** average store payback period	**RUB 4.8 million** average pre-opening CAPEX per store in 2022
A top team with strong industry expertise	The Company benefits from founders and management with substantial prior experience at discount and non-food retailers, an entrepreneurial spirit that is fostered at all levels, and a flat corporate structure that empowers rapid and effective decision making	Top management with proven track record and low turnover	Governance policies developed in cooperation with an international law firm to ensure transparency and compliance with corporate governance and sustainability best practices	Targeted management incentives and KPIs, LTI aimed to achieve the strategic goals of the Company

1 Source: INFOLine
2 Based on information available in open access about publicly traded US and international dollar stores / value retailers, including Dollar General, Dollar Tree, Five Below, Grocery Outlet, Ollie's, B&M, Dino, and Dollarama
3 For FY 2022 based on IFRS 16

Business Model

Undisputed No.1

position in the Russian variety value retail market

>39,000
of personnel, a highly experienced and consistent team

~500
suppliers, **c. 77%** of purchases sourced domestically

5,663
stores in Russia and neighbouring countries

Best-in-class
profitability and robust EBITDA

10
DCs infrastructure with total space **of 343 thous. sq.m**

A scalable store format
with low CAPEX requirement

Key pillars of our business success

- Unique CVP
- Agile sourcing
- Efficient store management model
- Strict cost control
- Smart & streamlined logistics
- Well-developed tech platform

Stakeholder value creation

For our customers
Equal access to wide assortment boosting the quality of life of our customers, no matter where they live

For our personnel
- Career opportunities
- Talent development
- Safe and healthy work environment

For our shareholders
Commitment to transparent and responsible management and long-term value creation

For our partners
Opportunities for growth, scale and stability

For our communities
- Good corporate citizenship is part of DNA
- Reliable supply of essential products to all regions of operation

Unique Customer Value Proposition

Strong Value across a Diverse Product Offering

~2,000 SKUs
across 20 different categories

28%
private label products

38%
major brands

34%
no-name brands

Fix Price sells a broad range of products, offering approximately 2,000 SKUs across 20 different categories, including household goods, cosmetics and hygiene, stationery and books, clothing, toys, household chemicals, as well as shelf-stable food and drinks. We maintain a variety of private labels, major brands and no-name products which accounted for approximately 28%, 38% and 34% of 2022 retail sales, respectively.

Fix Price continues to promote treasure-hunt shopping experiences. Thanks to our scale, expertise and involvement into the production process we find ways to offer much more attractive prices on comparable products that provokes “WOW!” effect and prompts traffic and excitement.

Consumables and regular products make up around a third of retail sales at Fix Price, while the remaining two-thirds of retail sales come from general merchandise and new products. Fix Price strives to be the price leader across all product categories and SKUs, encompassed by our Company strategy.

We aim to provide our customers with remarkable savings vs competitors’ prices. A basket filled with products from Fix Price is generally cheaper than the same basket filled with comparable goods at other Russian food and non-food brick-and-mortar retailers and e-grocers. We do all we can to offer outstanding value across our nine highly competitive anchor price points, which as at 2022-end all sat under RUB 350.

Fix Price maintains strong value across a diverse product offering for its customers, which is supplemented by a relentless focus on EDLP,[1] a constantly changing assortment, a balanced product portfolio and a well-diversified mix. Our loyalty card programme adds further value thanks to a number of attractive benefits

[1] Everyday low prices

Food | Non-food | Drogerie

Food & Drink	28%
Cosmetics and Hygiene	18%
Stationery & Books	6%
Clothes	5%
Accessories	3%
Household goods	18%
Household Chemicals	8%
Toys	4%
Party & Celebration	5%
Others[2]	5%

[2] Others refer to electronics, healthy lifestyle, car accessories, pet supplies and other general merchandise

Our product mix is driven by frequent SKU rotation

We offer approximately

50

new products every week, with roughly

67%

of the retail sales generated by the assortment refreshed up to six times a year

The remaining

33%

of the retail sales are generated by regular products such as toilet tissue, aluminium foil, rubbish sacks, etc., which we are unlikely to change as customers buy them regularly

Product Range

The Company typically launches eight seasonal product collections per year dedicated to Russian holidays such as the New Year, Christmas, Halloween, Valentine's Day, 1st of September (back-to-school period), 23rd of February (Defender of the Fatherland Day), 8th of March (International Women's Day) and Easter, as well as gardening supplies. By keeping Fix Price stores fresh and exciting and introducing a treasure hunt element to our CVP, we aim to surprise customers and encourage them to make repeat visits.

Fix Price primarily offers non-perishable food: products that do not require refrigeration and, hence, have a longer shelf life. This approach allows us to operate at one temperature zone across all of our distribution centres, resulting in lower capital expenditure requirements. Perishable food products that require special storage conditions (such as ice cream) are delivered by vendors directly to our stores.

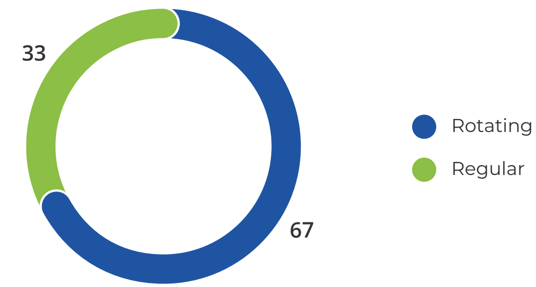
The Company's product range is built on a rigorous SKU count intended to satisfy customer demands while at the same time optimising inventory turnover and minimising slow-moving stock. We have a robust "test-to-shelf" process for new SKUs, based on a rapid decision-making process and implemented by a highly competent procurement team. Our product range is regularly reviewed based on market developments, customer behaviour, information from suppliers, etc.

In 2022, we also continued to explore sourcing opportunities with some local producers, as well as with foreign ones (e.g. from Turkey), to expand our product offering in the most popular categories and mitigate risks associated with suppliers changing their strategy regarding our markets of operation.

Product Categories

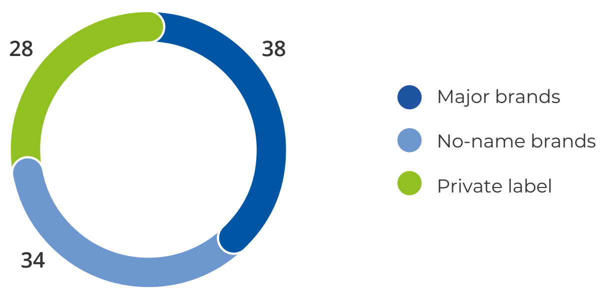
The consumables / regular category covers products available year-round on our shelves. First and foremost, it consists of food, groceries, confectionary, drinks and snacks, household goods, household chemicals, and cosmetics and hygiene products. The general merchandise / changing products category includes non-food products, such as toys, stationery and books, clothing, party and celebration supplies, as well as accessories.

Fix Price's retail sales mix by rotation type, %



Our product assortment management approach looks to drive both store traffic and margin growth. Products in the consumables / regular category have historically been key traffic drivers, given that they are products that people tend to need on a regular basis. On the other hand, products in the general merchandise / changing products category have been key margin drivers, typically comprising non-food categories with higher unit prices and higher gross margins across the assortment.

Fix Price's product portfolio by category in 2022, %



Products of major brands represent about 38% of our product range (as a percentage of retail sales), with no-name branded and private-label products accounting for c. 34% and c. 28%, respectively.

Major brands

Thanks to its outstanding market position and purchasing power, Fix Price is able to negotiate custom features for third-party branded products with our suppliers, including packaging, size, design, taste, weight, and much more. Customisation and scale allow us to offer more attractive prices to our customers. Major branded products continue to play an important role in our offering and occupy a sizeable section of the product mix, especially for food, cosmetics and hygiene products.

No-name brands

Lesser known brands and no-name products are the most appropriate category for testing and rotation given that there are typically no ongoing obligations to continue production with suppliers. By offering such products, we also enjoy additional flexibility to respond to consumer trends and needs as we can rapidly launch new products.

Private labels

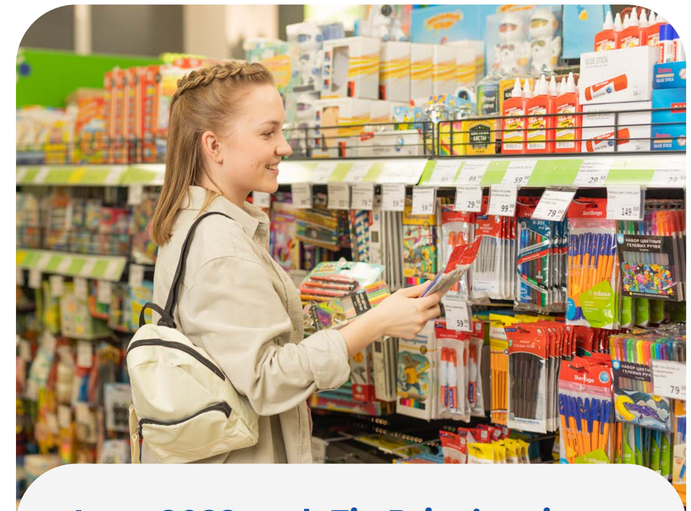
Private labels are integral to the Company's business strategy as they allow us to provide a broad product offering in each consumer category and stand out from the competition. In terms of quality and appearance, our private labels are on par with third-party branded products widely available in the market.

We focus on securing an exceptional pricing proposition for our private-label brands as a result of our efficient supply chain management and strong relations with our key suppliers.

Fix Price has a dedicated specialist private label team that works in our category management department to determine the best private label product mix and in our marketing team to determine the optimum private label advertising strategy.

We extensively promote our private labels using a number of marketing tools. In particular, the Company has registered several domain names dedicated specifically to our private labels and actively promotes them on their respective websites. The Company may occasionally rebrand particular private labels to give well-known products a new lease of life.

Fix Price primarily sources private label products from foreign, mainly Chinese, suppliers.



As at 2022 end, Fix Price's private label portfolio encompassed approximately 60 brands

Our most popular private-label brands include:

- Cotte, O'Kitchen, Flarx, Homestar, and Manfort (consumables / regular assortment)
- Play the Game and Kid's Fantasy (toys within the general merchandise / changing assortment)
- Greenart, With Love, and Snezhnoye Kruzhevo (party and celebration supplies within the general merchandise / changing assortment)

Each of these private labels has its own development strategy, including the specific product mix and target customer group.

Pricing

We offer our products at several fixed, low price points that resonate with our target demographic and other value-oriented customers. In 2022, approximately 87% of our product range was priced RUB 99 or less, including fractional prices. Products offered at higher price points (RUB 249, RUB 299 and RUB 349) are often referred to as "WOW" products and encompass, for example, toys and home decor items. The WOW products are aimed at making our customers say to themselves: "It can't be that cheap!", as similar products are usually more expensive at other retail chains and online.

~87%

of our product range is priced under RUB 99

We aim to ensure that customers have a strong sense of the low prices and affordable products available at our stores at nine principal price points. The Company continuously monitors prices for similar products offered by other retail chains to guarantee that we have the most attractive pricing proposition to customers.

Multiple price points allow us to be more flexible in responding to the changing market environment by introducing new SKUs at higher price points or by optimising the cost base. If an existing SKU's margin is not strong enough, our approach is to review the relevant product by introducing a slightly different item at a higher price point or to keep the same price point but optimise the SKU's cost base by focusing on packaging costs and product quantity characteristics without compromising on quality. We have fostered strong expertise in how to use these tools efficiently to maintain quick inventory turnover and continuous assortment rotation.

Our assortment decisions are based on an in-depth analysis of historical data and forecasting. When setting prices for products, we consider market developments and customer behaviour. Fix Price has also been able to achieve significant cost efficiencies to support our pricing as a result of our effective use of logistics infrastructure.

Convenient Shopping Experience and Customer Satisfaction

We aim to open stores in locations where we can benefit from convenient access and high footfall. We strive for a carefully tailored, engaging and pleasant in-store atmosphere which enhances the shopping experience and reinforces our price image.

According to a Vector Study conducted in 2022, 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%. We have some of the industry's leading NPS scores, with our customers expressing high levels of satisfaction with Fix Price stores in terms of in-store experience (service, cleanliness, etc.), and 89% of respondents satisfied with our store format in general.

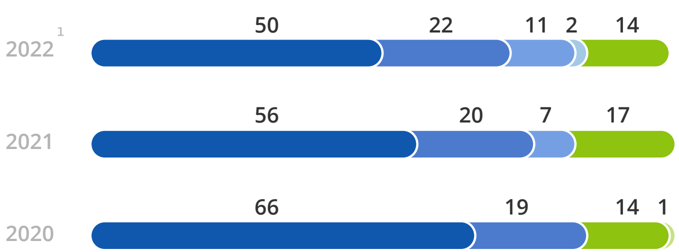
60%

Net Promoter Score

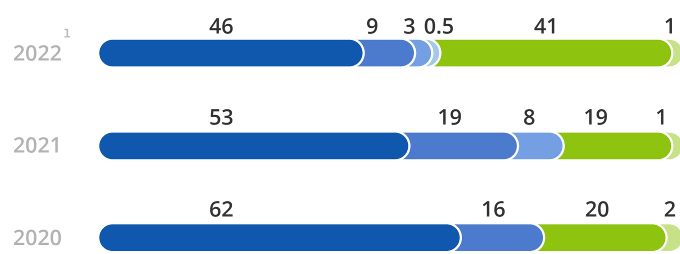
89%

of respondents were satisfied with our store format

Fix Price's price points as % of retail sales in 2020–2022



Fix Price's price points as % of SKUs in 2020–2022



[1] Due to rounding, the sum of price points as % of retail sales and SKUs may not be equal to 100%

Fast-growing Loyalty Programme with Highly Attractive Benefits

Fix Price has a popular and effective customer loyalty programme with around 21.9 million registered cardholders. In 2022, the total number of registered programme members increased by 4.9 million (or 29%), with transactions using loyalty cards accounting for 56% of retail sales,[1] on the back of advertising and promotional campaigns for the members. The share of active users[2] was 54%, creating a win-win scenario for customers and the Company.

~22 million
registered cardholders

The average ticket of loyalty cardholders was approximately 1.8x higher than the average ticket of non-cardholders in 2022, while loyalty programme members visited our stores on average 15% more often than other customers. According to the Vector Study, Fix Price loyalty cardholders visit our stores four times a month on average. The benefits that the loyalty programme offers also translate to high levels of Fix Price brand recognition among our clients.

We offer our customers to buy cards at checkout for RUB 55 or register a virtual loyalty card via our mobile app or on our website. This allows them to earn up to 30% of their total spend as bonus points, which they can store and spend to obtain an up to 50% discount on their next purchases. Each Fix Price store sells approximately four loyalty cards per day.

Cardholders are also put in the running for exclusive offers. The programme enables cardholders to participate in various promotions and partner offers as well as to take advantage of tailored offers, including extra bonus points on their favourite products and one-off bonus points from various Fix Price events.

We regularly communicate with our loyalty programme members via e-mail, text message and push notification, and we also run surveys for new products, pricing and much more. The purchase history of cardholders offers the Company valuable insights, and we use it to identify spending patterns, receive instant feedback and make data-driven marketing strategy decisions aimed at further increasing customer satisfaction and driving sales growth.

Loyalty cardholders' average ticket is 1.8x higher than the average ticket of non-holders

[1] Loyalty programme data are calculated for Fix Price stores operating in Russia
[2] Loyalty programme members who make at least one purchase per month

Focus on Customers

At Fix Price, we put our customers first and keep them at the heart of all our decisions. Our team has substantial experience and strives to deliver an offering to our customers that is attractive and good value in terms of price, product range, quality, availability, service, and shopping experience.

Fix Price's Target Market and Consumer Trends

The typical Fix Price store primarily targets families with children and middle- and low-income customers. Our value proposition is designed in a way to encompass people with a monthly income under RUB 45,000 (approximately 70% of the Russian population based on Rosstat data[1]), while we continue to attract higher-income customers thanks to our broad product range and offering of WOW products. The share of these customers in 2022 was 4 pps [2] higher than in 2021.

Women remained the majority of shoppers in our stores (68% of the audience), while married women aged 25 to 55 with one or two children made up the core group (>56%) within this target market.[3] Certain customer categories grew in 2022 versus 2021: for example, the share of white-collar workers and managers increased by 4 pps each and the share of pensioners increased by 3 pps.[2]

Consumer behaviour continued to evolve in 2022, as pressure on households' real disposable income paved the way for more rational shopping and trading down, while price sensitivity rose noticeably. Fix Price is becoming a top pick amid the prevailing consumer sentiment due to our low price offering and extensive product range proposition. A 2022 NielsenIQ Survey[4] highlights the subsequent changes in the consumer behaviour of Russian customers: 61% of customers tend to choose stores with low prices, 41% look for discounted products, 37% focus on basic consumables while limiting spending, and 26% lean towards cheaper brands. Based on Vector Market Research surveys, 83% of shoppers would consider visiting our stores because of our low price offering which remains, alongside our wide assortment, the primary reason why they would recommend us.

Occupation

Share of office workers and managers increased by 4 pps each in 2022 compared to 2021[2]

Office workers | Students | Blue-collar | Pensioners

Share of pensioners increased by 3 pps in 2022 compared to 2021[2]

56% of women in our core audience are:[3]

25–55 years | Married | 1–2 children

[1] Based on publicly available information
[2] Based on Vector Market Research's studies performed in autumn 2022 and autumn 2021 of Fix Price's target customer base in cities with a population of over 1 million people
[3] Fix Price internal research on the loyalty programme for the 1st half of 2022
[4] NielsenIQ: Key trends in the FMCG market 2022

Consumer Behaviour of Russian Customers in 2022

61%

of customers tend to choose stores with low prices

37%

focus on basic consumables while limiting spending

26%

lean towards cheaper brands

Our Audience

83%

of customers choose Fix Price due to low price offering alongside wide assortment

Quality Control

We focus on providing our customers with reliable, decent quality products. Our priority is to verify that production environments are safe and comply with quality control requirements. We conduct audits of the production facilities operated by our private label suppliers. Fix Price has a thorough quality control system based on a range of internal policies and regulations.

In line with these policies and regulations, Fix Price has established strict control procedures whereby we carefully monitor the quality of products on our store shelves and verify it at all stages, from production lines to distribution centres. We monitor supplier production facilities and processes, arrange laboratory testing and tasting of products and promptly investigate customer complaints.

We implement our quality controls both centrally, as products flow through our supply chain system, and locally, as products are placed on store shelves. Products that do not conform with our standards are quickly identified and dealt with.

We have also established customer complaint and remediation process systems to ensure that incidents related to quality serve as a trigger for joint reviews with suppliers, if required. Fix Price provides a customer complaint hotline, and customers can also submit their claims via the Group's website.

Please see Product on page 61 for details

Store Layout

Fix Price has developed and employs standardised and consistent layouts and designs for our stores to facilitate an easy and convenient shopping experience. Our stores have an open-plan layout with clean and well-lit interiors combined with clear and informative signage which are designed to help customers navigate easily. Products are laid out in several easily accessible zones according to their product category, including non-food, drogerie and food, in a pattern that is replicated across the whole network.

Our store format is designed to ensure clear price communication and includes visually attractive displays that are prominently located. In addition, everything is designed to encourage cross-selling, enhance the treasure-hunt experience and create "wow" moments for customers. For example, dedicated shelves marked "WOW" feature an assortment offered at extremely attractive prices triggering the impulse to buy immediately – creating a "grab-and-run" effect as such products sell like hot cakes. Essentials are typically placed at the back to encourage customers to walk through the whole store. The vast majority of our stores have 75 product display shelves.

This standardisation not only facilitates efficient merchandising management and contributes to efficiency in stock control, but also creates a consistent offering that is familiar and recognisable to our customers.

We seek to minimise customer queuing times by ensuring that a sufficient number of checkouts are open to serve customers at any point in time, with a typical store having two to three cash registers in operation simultaneously. Newly opened stores are typically equipped with self-service checkouts, which also helps shorten checkout queues, process payments faster and reduce staff workload during peak hours.

Overview of a Typical Fix Price Store Layout

Food · Non-food · Drogerie

RUB 199
"Wow, no way the price can be that low!"

1

RUB 99
"I just needed to get a shampoo..."

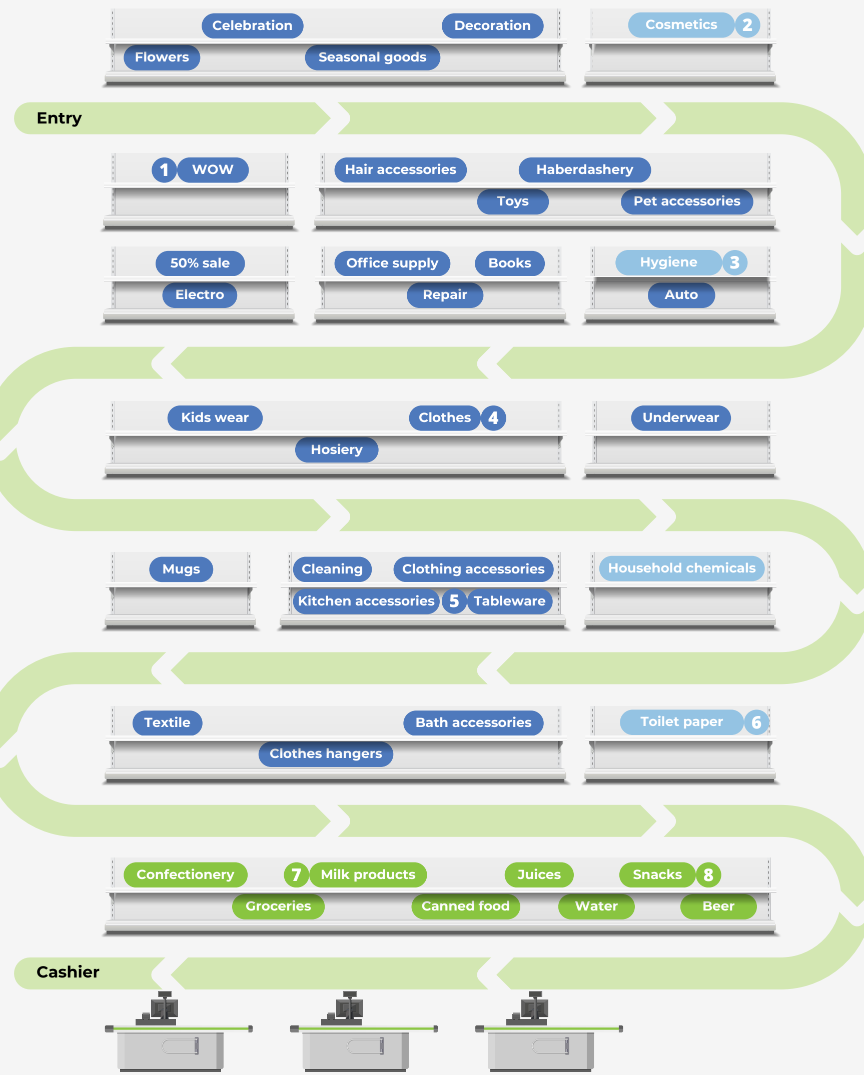
2

RUB 99
"Great, this place has wet wipes and they don`t cost a fortune!"

3

RUB 349
"Doesn`t this look great? It`s comfy and trendy!"

4



5

RUB 199
"This is a great bargain!"

6

RUB 167
"Better stock up on soap and toilet paper!"

7

RUB 83
"I guess I did promise to buy milk... Oat milk is even better"

8

RUB 29.5
"So much shopping done... I deserve a snack!"

Marketing and Advertising

Fix Price's marketing strategy is focused on driving store traffic within our target audience as well as other value-oriented customers. This approach taps into a wide range of marketing channels, including television advertising, printed materials, point of sale materials (POSM), outdoor advertising, online advertising, event marketing, as well as our customer loyalty programme.

The Company leverages cost-efficient marketing and advertising campaigns, employing a tailored promotional strategy driven by our target market segmentation and using relevant communication channels to reach these segments. Our well-run in-house production of advertising content and promotional activities enables us to manage several dozen promotions at once while being able to launch extra activities within the shortest timeframe (1 to 5 days). We are present on all major social media platforms, such as VK, YouTube, Telegram and others, and engage customers with our compelling digital content which is created on a regular basis. We also benefit from the content created by our customers to reflect their own experiences of shopping in Fix Price stores, such as the millions of videos created and uploaded by customers themselves to various social media groups. This free word of mouth via social media supports our marketing activity.

In 2022, the total number of the Company's social media followers exceeded 4 million. Fix Price's digital presence, therefore, significantly contributes to our ability to carry out effective marketing at minimal spend.

In 2022, we continued to work on optimising our customer website, which was positively received by customers and allowed us to standardise some of our promotional activities and to provide more control options for loyalty cardholders.

Fix Price also uses other marketing tools — such as communicating with social media influencers — to expand our reach with customers, further facilitate brand recognition and increase brand loyalty. In addition, we actively engage with younger audiences to attract higher-income customers by using new marketing channels, improving the visual content of our products and packaging, as well as leveraging feedback to personalise marketing efforts.

E-Commerce Development

In order to reach a broader audience of more affluent customers, Fix Price continues to test various ways of improving its shopping experience to make it more comfortable for customers. In 2018, we were a pioneer of the "buy online, pick up in store" model in the Russian retail market. Over the past few years, we have seen growing interest in our online service, which has consistently posted solid results. In 2022, our customers placed over 1 million orders online, 2.3x higher than in 2021.

Customers order products via our website or mobile app and can choose from multiple delivery options, including store-to-door delivery through our partners and collection from pick-up points in stores.

The most popular delivery option has been self-pick-up, as customers prefer to collect their orders from the nearest conveniently located store. On top of this, upgrades to Fix Price mobile apps in 2022 were warmly welcomed by customers — in December 2022, 78% of total via click-and-collect orders were made in Fix Price mobile apps.

Fix Price mobile app is a powerful tool to reach out to our target audiences, allowing customers to view our product range online and accumulate loyalty points. The number of active users of our mobile app almost doubled for Android devices and tripled for Apple iOS in 2022

BUSINESS OVERVIEW

Fix Price has underpinned its strength and leadership in Russian variety value retail in 2022, massively expanding operations across Russia and neighbouring countries. The total number of Fix Price stores grew by 759 in 2022 to 5,663 outlets. We increased revenue by 20.5% and posted a record EBITDA margin of 19.5%, exceeding the guidance we gave during our 2021 IPO

Operating Review

Despite a challenging market and turbulent geopolitical environment, Fix Price underpinned its strength and leadership in Russian variety value retail in 2022, massively expanding operations across Russia and neighbouring countries.

FY 2022 Revenue and LFL Sales Growth

Fix Price's FY 2022 total revenue increased by 20.5% year-on-year to RUB 277.6 billion, driven by store network expansion and like-for-like (LFL, same-store) sales growth.[1] The Company's retail revenue rose 21.1% year-on-year to RUB 246.2 billion, while wholesale revenue grew by 15.8% year-on-year to RUB 31.4 billion. The average basket size at Company-operated stores for FY 2022 reached RUB 325, up 13.1% year-on-year, also driven by the successful management of the assortment and price point mix.

Cautious consumer behaviour amid the continued macroeconomic uncertainty and falling real disposable income put pressure on the Company's LFL traffic in 2022. Nevertheless, our flexible business model, ability to adjust to an ever-changing environment and customer preferences, fast assortment rotation, affordable value proposition, and the increase in the share of higher price points in retail sales all helped deliver solid LFL ticket performance.

LFL sales adjusted for the appreciation of the rouble[2] grew by 11.0% (10.1% before the adjustment) year-on-year in FY 2022, in line with the initial IPO guidance, as the Company's business model yet again proved successful despite external headwinds.

The LFL average ticket adjusted for the appreciation of the rouble[2] was up 13.9% (12.9% before the adjustment) in FY 2022.

The Company's LFL traffic decreased by 2.5% as the turbulent macroeconomic situation weighed on consumer sentiment.

LFL sales of Company-operated stores in Russia were up 12.2% in FY 2022. LFL sales in Kazakhstan and Belarus were negatively affected by the currency-conversion effect amid the appreciation of the rouble. In their local currency, stores in Belarus posted solid results, which were somewhat impacted by a decline in assortment following the government's resolution to limit trade markups. LFL performance in Kazakhstan slipped during Q4 2022 due to lower consumer demand amid inflationary pressure.

[1] LFL sales, average ticket and number of tickets are calculated based on figures from stores operated by Fix Price that have been open for at least 12 full calendar months preceding the reporting date. LFL sales and average ticket are calculated based on retail revenue gross of VAT. LFL figures exclude stores that were temporarily closed for seven or more consecutive days during the reporting period and the comparable period

[2] LFL sales and average ticket adjusted for the appreciation of the rouble are calculated using monthly LFL sales in foreign countries converted into roubles at the average exchange rates for each comparable month of 2021

Key Achievements in FY 2022:

759
Net store openings

20.5%
Revenue growth y-o-y

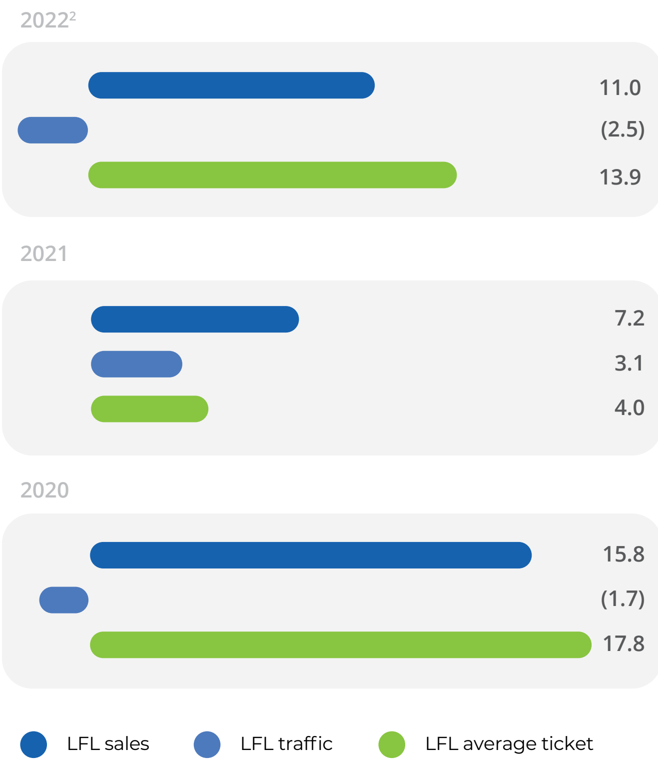
11.0%
LFL sales[2]

28.7%
Loyal customer base growth y-o-y

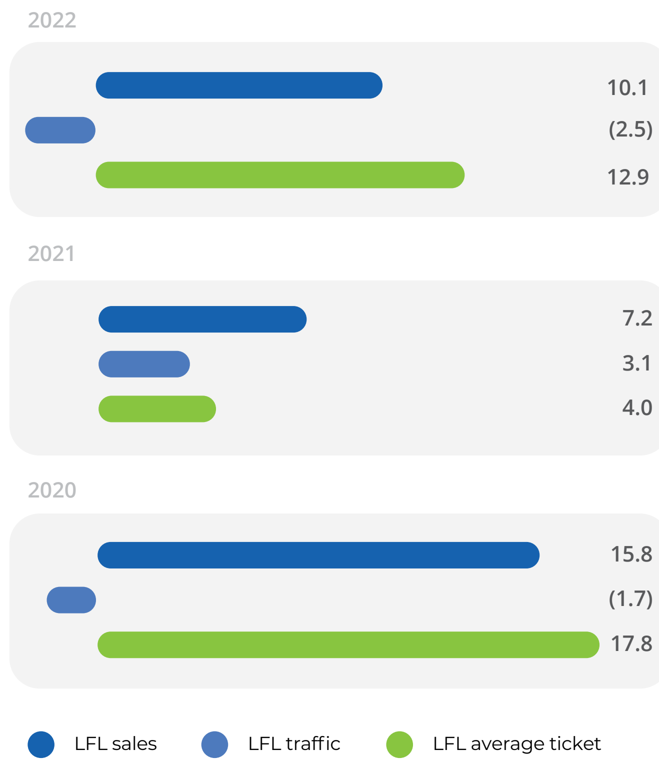
Revenue and LFL sales[1], change y-o-y, Q1–Q4 2022, %

	Q1	Q2	Q3	Q4
Revenue	21.2%	27.0%	21.2%	13.9%
LFL sales	11.6%	15.4%	12.9%[2]	5.2%[2]

LFL sales, traffic and the average ticket adjusted for the rouble appreciation effect, change y-o-y, FY 2020–FY 2022, %



LFL sales, traffic and the average ticket before the adjustment for the rouble appreciation effect, change y-o-y, FY 2020–FY 2022, %



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[2] LFL sales and average ticket adjusted for the appreciation of the rouble are calculated using monthly LFL sales in foreign countries converted into roubles at the average exchange rates for each comparable month of 2021

Network Expansion

The total number of Fix Price stores grew by 759 on a net basis in 2022 (of which 671 were Company-operated and 88 were franchised), which exceeds the previously announced guidance of 750 net openings for 2022. The total number of Fix Price stores reached 5,663 outlets, a 15.5% increase year-on-year.

The franchise stores amounted to 11.0% of the total store count (up 9 bps year-on-year).

A total 111 Company-operated stores were closed in 2022, versus 123 stores in 2021. Most closures were driven by lease rationalisation.

The total selling space of stores operating under the Fix Price brand increased by 168.5 thousand sq.m, or by 15.9% year-on-year, and reached 1,225 thousand sq.m.

The average selling space per Fix Price store was 216 sq.m in 2022, flat on 2021.

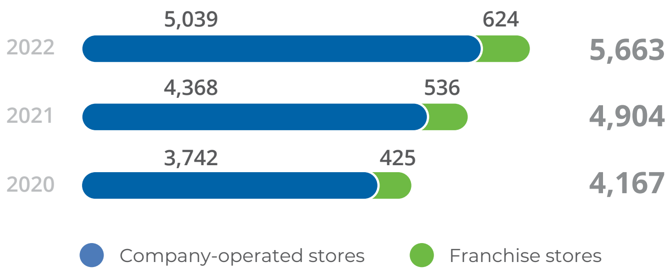
By the end of FY 2022, Fix Price had a presence in 80 of Russia's regions, while we added 132 new Russian towns and cities to our store network coverage.

Fix Price continued its expansion not just across Russia, but also internationally: 14.0% of net openings in 2022 were in locations outside of Russia. The share of international stores grew to 10.0% of the total store base from 9.4% in 2021.

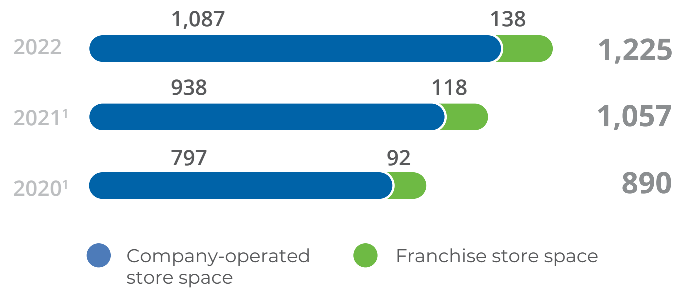
In January 2023, Fix Price opened its first franchise stores in Mongolia — our eighth country. In the next few months, we will focus on testing and tailoring the Company's business model to the specifics of the Mongolian market.

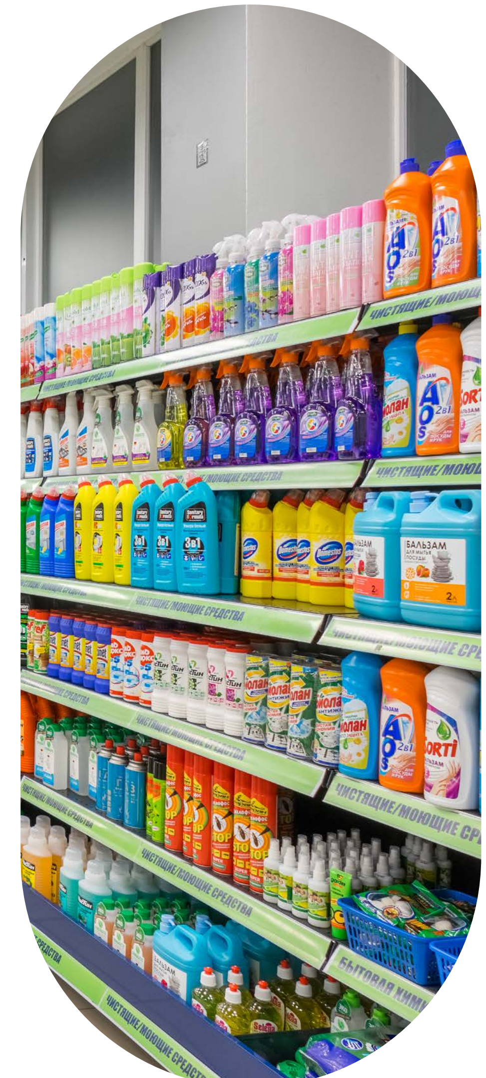
Looking ahead, we aim to maintain the pace of our store network expansion to further improve operational and financial performance, with plans to open approximately 750 net new stores in 2023.

Fix Price store portfolio expansion, number of stores



Fix Price selling space expansion, thous. sq.m





Assortment and Category Mix

In 2022 we kept creating a strong alignment between a value-driven merchandise and customer demand. We were cautious in introducing new assortment at higher price points, while carefully tweaking and innovating products. The share of price points above RUB 199 in retail sales grew to 13.3% in 2022 from 7.2% in 2021. A total of 86.8% of our SKUs were cheaper than RUB 99.

In 2022, Fix Price started testing a new price point of RUB 349, with its share of retail sales reaching 2.3% in 2022.

The category mix in the reporting period was skewed towards essential goods, as consumers were conservative in their buying patterns amidst growing macroeconomic uncertainty, while Fix Price succeeded in sourcing exciting products at attractive prices.

The share of food in retail sales remained almost flat on 2021 at 28.1% in 2022. The share of drogerie (household chemicals and hygiene products) in retail sales grew by 4.8 pps to 26.7%, due to strong demand for the Company's enhanced assortment and attractive value proposition in this category.

LFL sales of food and drogerie combined grew by 22.8% in 2022. The Company also posted positive LFL sales in kitchenware, apparel, DIY products, household goods, books and stationery, and party supplies. Our seasonal assortment was put under pressure as customers became more budget-conscious and reduced their New Year gift budgets.

Fix Price switched to local producers across a number of non-food categories during 2022, which helped to optimise production and delivery costs. At the same time, the share of imports in retail sales for Russian Company-operated stores continued to decline year-on-year from 28.0% in 2021 to 23.9% in 2022.

[1] Total may not equal the sum of the components due to rounding

Roll-Out of New Stores

Fix Price store network of 5,663 Company-operated and franchise outlets covered 7 countries in 2022. The Company has an extensive store footprint across Russia and successfully operates in locations with a population of 5,000 or more. In 2022, despite the challenging macroeconomic environment, Fix Price continued to expand steadily in Russia and the neighbouring countries, posting double-digit store growth. The Company is well-positioned to drive further expansion and increase margins in both large and densely populated cities, as well as less affluent and smaller locations.

+759 stores
Net new store openings in 2022

10 months
Average payback period per store in 2022[1]

+15.5%
Store base growth in 2022

New Store Development and Site Selection

Fix Price has a comprehensive and effective process to evaluate proposed new store openings rooted in advanced IT solutions. The process covers site selection based on a careful consideration of commercial, technical and physical factors.

After we select a site, the Company conducts an appraisal and feasibility study, negotiates rental costs and then makes a final decision.

Powering through the Challenges of 2022

- All Fix Price stores first and foremost use locally produced equipment, while our IT solutions are supported in-house. It allows us to successfully expand our network and mitigate sanctions risks and disruptions to supply chains.
- Our store network expansion rate exceeded the Company's guidance.
- Due to the release of retail space in shopping malls amid the exit of a number of international retailers from Russia in 2022, we see more favourable conditions for finding locations and negotiating leases.
- In 2022, despite challenges in sourcing construction materials and price increases, store opening CAPEX was below non-food inflation, and we were able to keep lead times for new store openings unchanged thanks to improved project documentation and our strong negotiating power with landlords.
- Most of our new stores are equipped with self-service checkouts, which allows us to reduce workload of store employees.

[1] Calculated as average for 455 Company-operated Fix Price stores in Russia (revenue and EBITDA for 12 full months after store opening) that were opened during 2021 and are still operating (as at 31 December 2022) with CAPEX fully paid back, i.e. cumulative IAS 17 EBITDA since opening exceeds RUB 4.8 million

Site Selection

The site selection process is supported by cutting-edge IT solutions. White space analysis is based on the performance of the existing stores and a number of major considerations, including:

- economic and strategic
- commercial
- technical and physical

Location selection criteria:

- population over 5,000
- high footfall
- convenient access to transportation

~45%

of sites considered are approved and progressed to further appraisal

Decision Process

The decision process includes a financial appraisal and site visit. Assuming the site passes the technical and economic feasibility study, we initiate negotiations with the landlord. If negotiations are successful, we update our estimate of total CAPEX and, provided it is within our target range, execute the lease agreement and proceed to store fitting works, hiring personnel, sourcing store equipment and merchandise and preparing advertising materials for the new location.

We evaluate:

- the quality of the property
- the scope to implement our standard layout and delivery access

Financial appraisal covers:

- revenue and EBITDA
- payback period
- NPV

Negotiation with the landlords seeks:

- short-term leases
- RUB-denominated payments for Russian stores
- preferably revenue-linked, variable rate contracts that give more flexibility

~12%

of sites considered are opened

~30 days

average lead time for a new store opening

Store Monitoring

Stores are monitored via in-house IT tools, including mobile apps for employees. Store managers and directors leverage apps on tablets or smartphones with a user-friendly interface to check and monitor current business performance in real-time. We also run regular audits of all the stores.

Our daily monitored KPIs include:

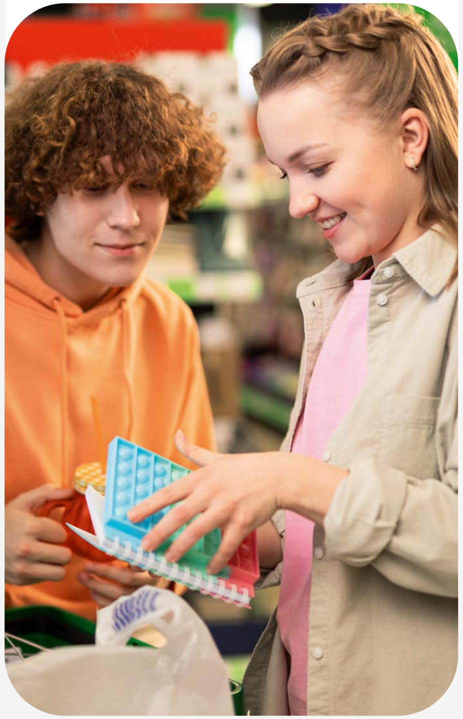
- revenue vs budget
- LFL growth (incl. traffic and the average ticket)
- loyalty card sales
- results of regular audits
- store ranking across the entire network and within the store sub-group

Store audits:

- assortment and stock levels
- cleanliness
- employee compliance with service standards, including at checkout
- equipment performance
- no misleading price tags or advertising materials
- no out-of-date products
- planogram compliance
- availability of necessary documents and compliance with applicable requirements

Store Maintenance

Maintenance focuses on ensuring compliance with all applicable building, sanitary and safety regulations. Stores are also upgraded to ensure a uniform shopping experience across the store network. This often includes remodelling store layouts to improve in-store customer journeys and product presentation. Maintenance also includes refitting lighting and replacing equipment as it becomes obsolete.



Economic and Strategic Considerations

Economic and strategic factors are carefully considered in order to identify target cities and localities in which new stores could be based. Among other parameters, the number of inhabitants (focusing on towns and other settlements with 5,000 inhabitants or more), and the level of competition are scrutinised in each of the cities/localities where new openings are targeted.

Commercial Considerations

The most important commercial considerations when selecting a specific site are the local population density and transport links. We look closely at footfall and other traffic; potential accessibility by car, foot and public transport; road traffic density near the store; the type of district (based on the prevailing type of building); local business infrastructure; local industrial buildings; the availability of social infrastructure facilities; and the general commercial environment. Approximately half of stores are located in shopping malls and the remaining half in individual premises.

Technical and Physical Considerations

Technical and physical considerations also play a role when looking at a particular site, as these can impact our investment decision. These considerations cover the proportion and size of the store, local utilities, footfall patterns, and the scope for fitting a branded layout and backroom logistics. When Fix Price leases space in an existing building, we assess its quality and features, which floor it is on and options for deliveries. If we locate a store in a shopping mall, we evaluate the type of stores in the centre and gauge the location of the site inside the centre for how visible it is from the entrance or across the floor.

Decision Process

Fix Price's store roll-out process is highly automated thanks to advanced IT solutions, including the constantly updated database of potential venues generated in-house through analysis and a direct search process. This database enables information on potential store venues to be quickly collected and processed based on specific search criteria tailored to the Group's roll-out strategy and other considerations. This system is able to generate comprehensive analytics for chosen sites.

Once the site for a potential new store is identified, we undertake a field trip to assess its adjacent retail areas and survey the premises. We also perform financial appraisal and economic modelling. As part of the appraisal, Fix Price's team prepares a technical and economic feasibility study of the potential site, including an estimation of store performance metrics such as projected revenue, EBITDA, payback period, and NPV. After this, all information on the site is submitted for review by Fix Price's investment committee, which either approves the investment or revises the commercial terms. Following approval, the roll-out process typically takes approximately 60 days, including about 30 days to finalise the agreement and 30 days to prepare the store for opening.

If a project is approved by our investment committee, we then enter into negotiations on the applicable rental rates. If negotiations are successful, we update our estimate of total CAPEX and, provided it is within our target range, execute the lease agreement. Once commercial terms are agreed, our legal, accounting and internal control functions oversee the preparation of a lease agreement. When negotiating terms with landlords, the Company favours short- and mid-term leases (less than three years) and gives preference to revenue-linked rates that provide flexibility in different economic environments. Once the lease agreement is approved with the Investment Committee and all pre-requisite conditions for the store opening are satisfied, a contract is signed.

When the agreement is signed, we start fitting out the store, hire personnel, source store equipment and merchandise, and prepare advertising materials for the new location. Store fits and openings are overseen by our Company-operated stores development unit, which coordinates with other departments as necessary and assists regional operations managers with new openings within their respective areas of responsibility.

RUB 4.8 million[1]

Average capital expenditure for a new Company-operated store in Russia

Store Monitoring

Fix Price has developed and constantly updates a range of user friendly mobile apps for our employees which assist with the automation of all in-store operations. Store employees can use them to check their store performance in real time as well as to find all necessary information on the product and its availability, including in other stores, send requests to the help desk at the head office, do stocktaking of goods, and much more. These tools allow store managers to track an agreed number of store KPIs, including sales vs budget, like-for-like performance, loyalty programme card sales, results of regular store audits, and the store's ranking across the entire network and within the store sub-group.

Store managers also use a store management app which allows them to monitor progress towards tasks such as stocktakes and cleanliness checks, along with inventory management, offering them a big picture view on products and claims. Those apps are integrated with the Company's IT infrastructure and allow senior management to monitor store performance in real time, including store KPIs.

We regularly audit our stores, focusing on assortment, cleanliness and cashier performance, including cash handling. We also check equipment, price tags, advertising materials, expiry dates, planogram compliance, employee compliance with service standards, availability of necessary documents, compliance with applicable requirements, and much more. Should performance against any of these metrics drop below 90%, extensive store checks and investigations are triggered.

Store Maintenance

Fix Price conducts regular maintenance for the upkeep of our stores. Maintenance focuses on compliance with all applicable building, sanitary and safety regulations. Additionally, regular audits are performed by sales department employees. Should anything malfunction or break down, a request can be logged in the internal management information system to call out contractors. We upgrade stores to ensure a uniform shopping experience across the network and replace equipment that has become obsolete.

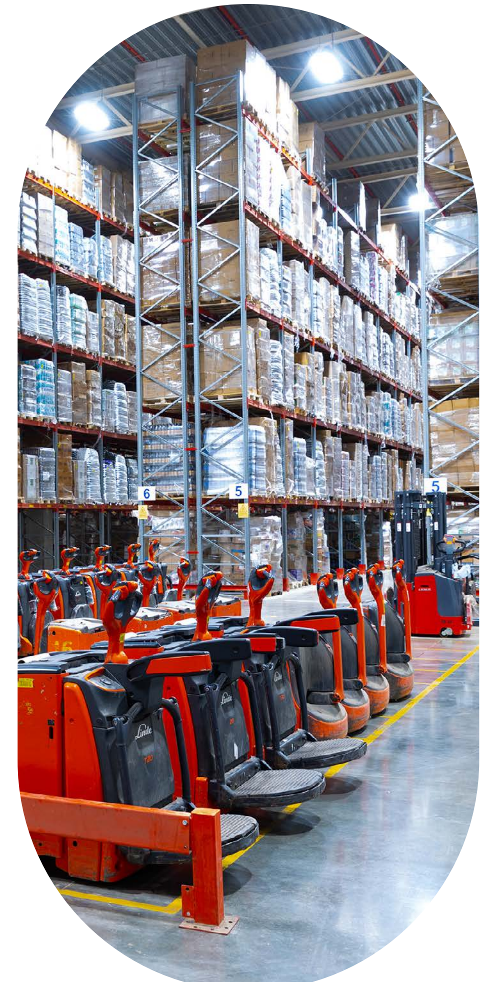
RUB 2.8 million per store

Average capital expenditure on refurbishment for a Company-operated store in Russia

[1] Based on CAPEX for stores opened in 2022, including IT equipment

Supply Chain

Fix Price has a well-balanced supply chain, which is central to the Company's business model and gives us a crucial competitive edge. Our sourcing capabilities and distribution platform facilitate efficient and rapid geographical expansion and support our low pricing proposition and constantly changing product range.



Our supply chain includes:

- Sourcing
- Direct import capabilities
- Warehousing infrastructure (distribution centres)
- Deliveries of products to stores

Suppliers

Sourcing

Fix Price's sourcing is designed to optimise costs and enable agile responses, a frequent rotation of goods and a high sell-through rate. We strive to follow a transparent procurement model that sees us engage in proactive discussions of pricing architecture with suppliers to secure the best supply offers.

The Company boasts long-standing, direct, dynamic, and collaborative relationships with suppliers and vendors that unlock access to quality products at attractive prices.

In 2022, amid the geopolitical uncertainty, a turbulent economy and a number of foreign companies exiting Russia, we stepped up our efforts to attract new suppliers both internationally and domestically and took the necessary steps to ensure seamless deliveries. In particular, we purchased safety stock, issued guarantees for the volume of purchases and tightened our collaboration with small and medium-sized local manufacturers.

Fix Price negotiates bespoke product features with suppliers, including packaging, taste, design, weight, and much more, leveraging our market position and scale to maximise profitability. We also benefit from exclusive arrangements for custom products from several suppliers. By tapping into the scale and pace of our chain's expansion, coupled with our knowledge of customer behaviour, well-developed supply chain and lean decision-making process, the Company can offer vendors a greater market share, which, in turn, translates to more attractive products on our shelves and increased traffic in our stores.

Our procurement department is divided into 11 category management teams, each acting as a full-cycle commercial unit. This structure provides substantial flexibility to the department, allowing for an agile and streamlined decision-making process around category management and sourcing. Each category management team is responsible for selecting SKUs and delivering stock to stores. A category manager effectively acts as the commercial head of the relevant product category.

The product teams' sourcing decisions are based on a thorough analysis of historical data and forecasts of the latest global trends in the industry, like-for-like sales in previous periods, consumer behaviour, and evolving customer needs.

Product managers are responsible for contract negotiations, private label management, refunds, and coordination with the marketing department. Supply managers or import managers — depending on the product category — are responsible for ordering, DC inventory management and shipment documentation.

We use an electronic trading system (CISLINK) for monitoring and obtaining favourable supply terms whenever the supplier selection process is based on a tender. The system automatically selects the best offer acceptable to us.

Fix Price has implemented a number of dedicated policies, such as the Code of Conduct and Business Ethics, the Anti-Modern Slavery and Human Trafficking Policy and the Anti-Bribery and Corruption Policy, which outline the rules and objectives to which the Company is committed when selecting suppliers. This leaves no room for forced or child labour and ensures the human rights of suppliers' employees are safeguarded: we have adopted a zero-tolerance approach towards any form of forced or child labour by any supplier. We also require our suppliers to comply with the Company's internal policies and applicable legislation and also carry out periodic audits for compliance.

~77%

of Fix Price purchases have been sourced from domestic suppliers

Supplier Base

Fix Price has a large, diversified and predominantly domestic supplier base. In 2022, the number of active suppliers was 509, compared to 686 in 2021 when the Company was actively testing new sourcing opportunities amid growing raw materials prices. This year we put particular emphasis on ensuring stable supplies of household chemicals, hygiene products and cosmetics, as well as packaging for goods. Thanks to our team's hard work, we managed to maintain and diversify the assortment, all while keeping prices low.

Our top five and ten suppliers accounted for 25% and 35% of the Company's cost of goods sold, respectively, in 2022. The top-five suppliers continued to be primarily Chinese agents that work directly with hundreds of manufacturers in China.

In 2022, Turkey became a major international hub for contracting new suppliers. We engaged nine new vendors of household chemicals, hygiene products, confectionery, and more.

We significantly increased the share of small and medium-sized local manufacturers we buy from, maintained volumes of supplies and diversified our product range with Russian brands. From among the CIS countries, we increased supplies from Belarus and Uzbekistan. Our imports from the CIS countries primarily consist of household chemicals and cosmetics.

In 2022, approximately 77% of our products were locally sourced, 3 pps higher than in 2021. Food, cosmetics and apparel are all broadly sourced locally, while toys, kitchenware, household goods, and accessories remain mostly imported.

We will continue to maintain and diversify our range of SKUs, as well as to ensure low prices. Our plans for 2023 include:

- developing a network of suppliers from new countries, primarily from Turkey;
- increasing the share of high-turnover and mid-priced goods;
- expanding the range of children's goods and allocating separate shelf space for them;
- expanding our line of locally sourced, high-quality and environmentally friendly detergents, as well as car chemicals and cleaning tools;
- running further holiday and seasonal campaigns for the New Year, Christmas, Valentine's Day, Halloween, etc.

Principal Supply Terms and Conditions

Fix Price generally enters into standard framework contracts with suppliers containing uniform terms, such as the rights and obligations of the parties, the quality and packaging of supplied goods and guarantee terms. The price terms and product range are stipulated in corresponding appendices to these contracts and are subject to periodic review. The Company provides the supplier with an order for each individual delivery specifying the assortment and quantity of goods to be delivered based on established price lists.

When sourcing products from abroad, Fix Price receives product samples from suppliers before order placement, which then undergo product certification by independent agencies. If the product does not go through the certification process due to any defects or other reasons, the order is put on hold so that the supplier could fix the deviation in order to obtain certification.

Distribution

We operate ten modern distribution centres (DCs) with a total space of 342,897 sq.m, including six owned DCs located in Pushkino and Vnukovo (the Moscow region), as well as the Yekaterinburg, St Petersburg, Novosibirsk, and Krasnodar regions. Four leased DCs are located in the Novosibirsk, Voronezh, and Samara regions and the Republic of Tatarstan. Our DCs are strategically located across our retail network's footprint in Russia and neighbouring countries. Almost 100% of the Company's stock is delivered directly from suppliers to our DCs for onward transportation to stores, with a small number of SKUs delivered directly to stores (such as ice-cream and similar products that must be stored at certain temperatures).

In 2022, the Company launched a DC in the Samara region with a total area of 37,162 sq.m. The leased warehouse serves eight regions: Orenburg, Penza, Samara, Saratov, Volgograd and Ulyanovsk, as well as the Republics of Tatarstan and Bashkortostan. The new DC will boost delivery efficiency, reduce the load on existing warehouses in Kazan and Voronezh and contribute to the even more flexible supply management for our regional stores.

In 2022, Fix Price relaunched its owned second DC with a total area of 23,387 sq.m in Novosibirsk. The warehouse serves Company-operated stores in Kazakhstan.

Fix Price DCs as at 31 December 2022

Location	Total storage area (sq.m)	Owned / Leased	Lease expiry date
Pushkino, Moscow region	27,774	Owned	–
Vnukovo, Moscow region	27,959	Owned	–
Yekaterinburg	22,061	Owned	–
Novosibirsk	44,117	Leased	Jun 25
Saint Petersburg	35,581	Owned	–
Kazan	32,867	Leased	Mar 27
Krasnodar	67,272	Owned	–
Voronezh	24,718	Leased	Dec 27
Samara (new)	37,162	Leased	Mar 32
Novosibirsk (relaunched)	23,387	Owned	–
Total	**342,897**		

In 2022, Fix Price increased its total number of DCs to ten as we launched:

an owned DC in Novosibirsk with a total area of

23,387 sq.m

a leased DC in the Samara region with a total area of

37,162 sq.m

Fix Price intends to increase the total space of its distribution centres gradually. In the Q1 of 2023, the Company opened a DC in Domodedovo with a total space of c. 68,000 sq.m. Fix Price invested approximately RUB 3.5 billion (excluding VAT) in the construction and equipment of the distribution centre. In 2023 we also plan to launch a second DC in Yekaterinburg with a total space of c. 68,000 sq.m. It will serve stores in the Urals and Siberian Federal districts, satisfy the warehousing needs of the Kazakhstan market and increase our ability to rapidly supply stores with a full range of products for years to come.

Transportation

All of our transportation needs for product delivery services are outsourced to a number of third-party logistics companies. Usually, Fix Price enters into open-ended contracts with these outsourcing companies that allow us to run regular tenders and offer performance incentives linked to delivery volumes. The performance, pricing and selection of these third-party providers are periodically reviewed to maximise value for money.

When Fix Price imports products, it engages a variety of land and sea transportation operators or agents for transportation from overseas to Russian ports and to our DCs. Customs clearance is obtained for imported goods. The customs clearance process is overseen by customs brokers.

In 2022, due to the geopolitical situation, we encountered some challenges in international logistics, but we were able to quickly reorganise and find new routes. At the same time, prices and delivery times, although increased, remained lower than they were during the COVID-19 pandemic.

The challenges were chiefly related to the unwillingness of a number of international shipping companies to deliver containers to Russian ports, the EU's ban on the transit of restricted / limited goods by road using Russian operators, as well as the increased load on rail services from China.

The Company has been working hard to develop solutions to emerging issues and has achieved impressive success. Notably, in 2022:

- We shipped priority goods through stable transportation routes to ensure on-time delivery
- We reached agreements with suppliers to prepare promotional and seasonal goods for shipment in advance
- 66% of imported products were delivered by rail
- We began to work more closely with freight forwarders and to attract small and medium-sized carriers to test new sea routes
- We expanded the base of suppliers producing goods in Russia
- We now book more time for obtaining samples of goods for certification from our international suppliers, as we switched to the Russian Post (EMS) that made the process more time-consuming

In 2023, we will continue to make every effort to identify new routes and logistics solutions to keep supplies running smoothly.

IT Infrastructure

Our proprietary IT solutions are geared towards reducing operating costs and boosting efficiency. Cutting-edge digital technologies have enabled us to continue scaling rapidly while saving employee time and streamlining costs in challenging market conditions. At the same time, our IT services have proven their effectiveness both in ensuring all major systems run flawlessly and securely, and in enabling the smooth rollout of new solutions. Digitalisation has found its way into all major aspects of our business, including logistics, inventory management, demand forecasting, procurement, pricing, HR, and finance.

In 2022, amid turbulent market conditions and geopolitical turmoil, we faced disruptions in the supply of some components and updating technologies. Delivery times increased twofold. Under these challenging conditions, the Company constantly sought out new supply channels, introduced alternative software and hardware solutions and rolled out available equipment.

Information security and data privacy threats and requirements have grown incrementally over the reporting year, partly due to the tense geopolitical environment, which prompted various hacker groups to step up their activities, but also due to the constant tightening of data protection regulation. In order to provide futureproof responses, we put a special emphasis on information security solutions and services.

By way of example, 2022 saw an uptick in DDoS attacks on the Company's web-based resources, as well as a surge in the number of malicious emails. To safeguard the Company's web infrastructure, we regularly audit the security of corporate resources and eliminate detected vulnerabilities.

We introduced two new solutions to protect our web-based applications in 2022: a DDoS protection service and a smart cyberattack protection service. New anti-virus and anti-spam modules were also launched for the Company's email service. In addition, the requirements for password protection were toughened, while several information security standards and regulations were developed and updated.

To ensure data remains secure, the Company leverages specialist software tools and much more

- A special system is used as an office proxy server and a firewall to protect against attacks, filter unwanted traffic and prevent unauthorised access to resources
- To identify critical security flaws in our server and network infrastructure, we leverage an automated solution that seeks out and fixes vulnerabilities and software flaws, installs missing patches and flags malware and misconfigurations across various operating systems, devices and applications
- The special IDM system, which was released in 2021 and is constantly being improved, offers a centralised approach to managing user accounts and access rights across the Company's corporate systems
- The smart DLP system, which has been used for several years and is aimed at detecting and countering the unauthorised dissemination of confidential information, as well as the misuse and the illegal use of resources, has proved its effectiveness many times over
- A specialised data protection system has been introduced for backup and storage; it provides a backup of entire servers and virtualisation systems, thereby minimising the recovery time of systems in the event of a failure

Internal IT Infrastructure

Fix Price's Enterprise Resource Planning (ERP) system is the cornerstone of the Company's IT infrastructure. The system is a one-stop shop for managing cash, goods and materials; procurement and pricing procedures; and internal systems at stores and the head office, including HR and Finance. At every stage, inventory turnover, financial flows and accounting can all be managed from within the ERP system. Moreover, the integration of the BOSS-Kadrovik HR management system with other management systems allowed us to centralise timesheet tracking across stores and warehouses.

Budgeting Module

In 2022, we successfully launched a budgeting module. Its principal function is to control the receipt and expenditure of funds, track future cash flows against the existing budget, as well as to prevent budget overruns.

Warehouse Management System (WMS)

WMS Logistic is an in-house software system specially tailored to manage technological operations inside our warehouses in real time. It helps keep all distribution centres running smoothly, and is being integrated with our ERP system. WMS Logistic embraces several cutting-edge solutions, including a module for verifying the merchandise loaded onto pallets. It empowers our logistic specialists to check the actual weight of a loaded pallet at both entry and exit points of distribution centres. The technology is an effective barrier against delivering incorrect orders to stores, as pallets can be repacked at a warehouse, unlocking time and cost savings.

If a difference of 0.8x the weight of the lightest box on the pallet is detected, it will be rejected and referred to the security function's control area, where the error can be identified and corrected. The security function ensures that no poorly packed pallets are sent out to stores.

Proprietary Demand Forecasting Tool (Demand Forecasting System)

Auto-Order was rolled out to streamline the overall efficiency of managing in-store inventory balances, facilitating automated store-level ordering to support inventory replenishment / restocking.

Visualisation Tool

This tool draws all the necessary data from various sources into a single application and is used for the operational management of key metrics and business analytics. This enables the Fix Price management team to track operational performance and business risks in real time.

Information Management Tool

The electronic document management system serves as a tool for managing a single database, providing electronic document approval, archiving, etc. All our units are connected online into the electronic document management system, which allows for an unprecedented reduction of time for approvals and for achieving full control over internal corporate communications.

POS System

Fix Price implemented a modern advanced POS system with broad functionality, which is specifically designed to collect real-time transaction data from cash registers, to transfer data to Fix Price's ERP, and to manage product mix. We aim to further improve our POS system to enhance our unique value proposition and to keep up with the modern retail trends.

Mobile Solutions for Store Operations and Employees' Remote Access

We have developed an Android-based mobile app for automating all processes managed by store employees on a real-time basis via tablets or smartphones. The app has proved its efficiency in several ways. Firstly, it enables our managers to view and track current operational tasks in real time and report on any results. Secondly, it provides centralised remote monitoring of the condition of store premises. In this way, it contributed to reducing the time spent on solving standard tasks and boosting the productivity of store employees. We are constantly expanding and enhancing its functionality to optimise and automate existing business processes. For example, in recent years, blocks for issuing online orders, product write-offs, unsold products analytics, and repair and maintenance ticketing for in-store equipment have been introduced.

Fix Price School

In 2022, we continued to fine-tune Fix Price School, a remote learning app for the Group's employees regardless of the division they work in. The app has a user-friendly interface and is a convenient tool for reading or listening to various courses, taking qualification tests, and much more.

Web-System to Streamline New Store Openings

Another significant recent innovation at Fix Price has been the introduction of a system that has greatly simplified the new store opening process for our staff. The suite of IT services developed by the Company has completely automated the data collection process for available real estate and calculates the economics of opening a new store in a particular location.

Supporting the Supply Chain

This modern software solution is used to automate repetitive tasks around managing deliveries, import supplies, custom support, logistics, verifying certification, calculating planned and actual costs, etc.

Improving the Customer Experience

Fix Price's business is built around providing superior service to customers while rolling out the latest innovations and technologies across all related processes at our checkouts. It allows us to boost productivity, drive customer loyalty and achieve our strategic goals.

Self-Service Checkouts

On the back of a successful pilot in Moscow in 2021, self-checkouts are being installed at our new stores in Russia. Self-checkouts cut staff workload during peak hours, and unlock extra capacity for more footfall while optimising costs. By shortening checkout queues and processing payments faster and more comfortably for shoppers, we have encouraged customer loyalty. Also, during the pandemic, self-checkouts helped keep our customers safe by reducing contact with store employees. In 2022, more than 1,260 self-checkouts were put into operation, while the share of purchases through them in stores reached an average of 37%. In the future, we plan to grow the number of self-checkout machines in our stores.

Payment by QR Code (Faster Payments System)

We constantly strive to make the shopping experience in our stores as convenient and swift as possible, so we welcome all the options that facilitate this. In 2022, our stores were upgraded to accept QR code payments through the Bank of Russia's Faster Payments System (SBP). This service allows Russian shoppers to instantly receive and transfer funds commission-free. The majority of Russian banks are connected to the SBP, which means our customers can pay for their purchases from the comfort of their banking app: they do not need to get out their bank cards, all they have to do is scan a QR code generated at checkout. These transactions charge a lower bank commission vs card payments, which is beneficial for the Company.

WE CONSTANTLY STRIVE TO MAKE THE SHOPPING EXPERIENCE IN OUR STORES AS CONVENIENT AND SWIFT AS POSSIBLE

E-Receipts

In 2022, like many other Russian retailers, we transitioned to paperless receipts. This migration helps our customers to have a more convenient way to track their expenses. It also helps us to reduce receipt printing costs. In addition, the reliability of cash registers grows thanks to the reduction in the load on printers. Given the scale of our network footprint in Russia, we also expect to be able to contribute to reducing the level of household waste on city streets. We believe that our customers will support our initiative and show willingness to stop using paper receipts.

Mobile App for Customers

Although we are primarily a brick-and-mortar retailer, we are always responsive to new customer demands and have launched a mobile app for those who want to shop online. Through the app, customers can place orders for either home delivery or in-store pickup. The application was first launched on Android in 2018 before coming out on iOS in 2019, and was added to Huawei's AppGallery in 2022.

SET Mark System for Tracking Sales of Labelled Products at Checkout

SET Mark Centrum technology is tailored to prevent human error at checkout. It is geared towards assisting with tasks around tracking labelled products, preventing sales of counterfeit goods, deterring theft, and preventing foul play by competitors.

Set Loyalty Service (SLS)

SLS is the ultimate tool for processing any number of coupons reliably and quickly. It has been rolled out across all Company's stores.

Financial Review[1]

In 2022, which was an extremely challenging year in all respects, Fix Price was able to deliver strong financial results. We increased revenue by 20.5%, achieved EBITDA growth of 22.7% and posted a record EBITDA margin of 19.5%, exceeding the guidance we gave during our 2021 IPO. At the same time, the Company managed to further improve its historically strong financial position.

+20.5% revenue increase y-o-y

+22.7% EBITDA growth achieved in 2022

Key financial indicators over 2020–2022, RUB billion

	2022	2021	2020	Change y-o-y, 2022 / 2021
Revenue	**277.6**	**230.5**	**190.1**	**20.5%**
Gross profit	**92.0**	**73.4**	**61.5**	**25.3%**
Gross profit margin, %	33.1	31.8	32.4	129 bps
SG&A	**(52.3)**	**(42.0)**	**(34.9)**	**24.5%**
As % of revenue	18.8	18.2	18.4	61 bps
EBITDA	**54.2**	**44.2**	**36.8**	**22.7%**
EBITDA margin, %	19.5	19.2	19.4	36 bps
Net profit	**21.4**	**21.4**	**17.6**	**0.1%**
Net profit margin, %	7.7	9.3	9.2	(157) bps
Adjusted net debt	**11.0**	**23.5**	**23.0**	**(53.3)%**
Adjusted net debt/EBITDA	0.2x	0.5x	0.6x	(0.3)x
CAPEX	**12.0**	**6.3**	**6.2**	**91.4%**
As % of revenue	4.3	2.7	3.2	160 bps

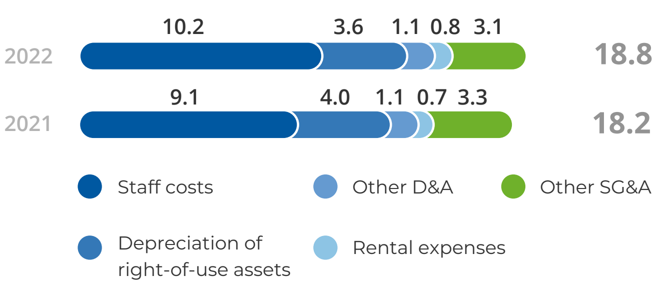
[1] All financial data in this section are presented in accordance with IFRS 16, unless otherwise indicated. The Company has been using this standard since 2019. At the same time, the Company in some cases may indicate the IAS 17 standard for comparison with historical data. All inaccuracies in the calculations are due to rounding

P&L Highlights

In 2022, Fix Price's **revenue** rose by 20.5% to RUB 277.6 billion on the back of growth both in retail revenue (+21.1% year-on-year) and in wholesale revenue (+15.8% year-on-year). Retail revenue totalled RUB 246.2 billion, driven by organic growth in Company-operated stores (+671 new stores) and LFL sales growth (+10.1% year-on-year). Wholesale revenue reached RUB 31.4 billion and was supported by new franchise stores (+88 new stores). The share of wholesale revenue in the Company's total revenue for 2022 slightly decreased to 11.3% from 11.8% in 2021.

The Company's **gross profit** rose by 25.3% to RUB 92.0 billion in 2022 with a **gross margin** increase of 129 bps to 33.1%, compared to 31.8% in 2021, reflecting the efficient management of the assortment and price point mix. The gross margin growth was also supported by favourable foreign exchange rates and stabilised import shipping costs versus 2021 levels. This achievement was partially offset by the lower share of non-food goods in the retail sales mix.

SG&A breakdown in 2021–2022, % of revenue



In 2022, **selling, general and administrative expenses (SG&A)** increased by 24.5% to RUB 52.3 billion, compared to RUB 42.0 billion in 2021. The overall growth of operating expenses was mainly attributable to a rise in staff costs — associated with the expansion of our network — alongside an increase in rental and utilities expenses, depreciation and amortisation (D&A), bank charges, and security and maintenance costs.

SG&A expenses as a percentage of revenue increased by 61 bps to 18.8% in 2022 due to the higher share of staff costs and rental expenses, which was partially offset by the decrease in all other components of SG&A as a percentage of revenue.

Staff costs were up 109 bps to 10.2% of revenue as a result of the continued salary indexation process throughout 2022, which was aimed at improving Fix Price's competitive position in the labour market in our countries of operation, as well as other incentives.

In 2022, **rental expenses** under IFRS 16 increased by 10 bps to 0.8% of revenue (0.7% in 2021), as the share of floating-rate contracts increased to 65%, compared to 57% in 2021. We strive to be flexible in all areas of our business and continue to opt for variable as opposed to fixed lease contracts. This was reflected in the growing share of variable lease contracts as a percentage of total lease contracts.

At the same time, rental expenses under IAS 17 improved by 32 bps to 5.3% of retail revenue, in line with our IPO guidance, reflecting the Company's efforts to improve lease terms.

D&A expenses were down by 40 bps to 4.7% of revenue in 2022, compared to 5.1% in 2021. **Depreciation of right-of-use assets** decreased by 39 bps to 3.6% of revenue due to a decrease in the amount of right-of-use assets on the back of higher discount rates in 2022 compared to the previous year. The share of **other depreciation and amortisation expenses** slightly slipped by 1 bps.

Bank charges decreased by 9 bps to 1.0% of revenue, reflecting lower commissions on bank card transactions while a Central Bank of Russia resolution to cut acquiring commissions for businesses selling socially-important products and services remained in force from March to August 2022. This was partially offset by continued growth in the share of non-cash payments.

Advertising costs were down 7 bps to 0.3% of revenue due to cost optimisation and a positive operating leverage effect. Costs for security services, repair and maintenance, utilities, and other expenses remained almost flat year-on-year at 0.7%, 0.4%, 0.3%, and 0.5% of revenue, respectively.

Other operating income and the share of profit of associates increased by 9 bps from 0.4% to 0.5% of revenue, mainly due to higher proceeds from the sale of waste such as cardboard and stretch film for recycling, as well as income received from the depositary bank in connection with the IPO, which is accrued on a linear basis during the life of the depositary facility.

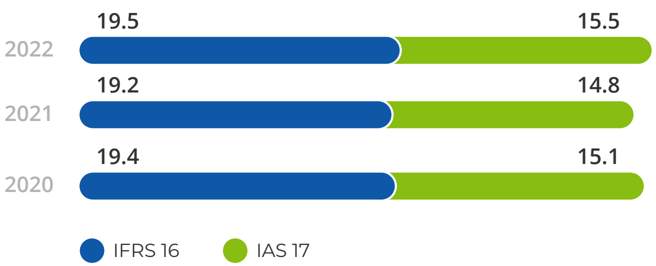
As a result, **EBITDA** rose by 22.7% to RUB 54.2 billion in 2022 as compared to RUB 44.2 billion in the previous year. **EBITDA margin** increased by 36 bps to a record high of 19.5%, well above our IPO guidance.

19.5% **+36 bps y-o-y**

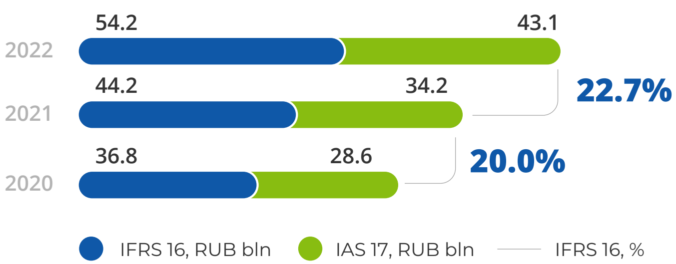
Record high EBITDA margin outstripping IPO guidance

Gross margin over 2020–2022, %

EBITDA margin over 2020–2022, %



EBITDA growth over 2020–2022



Net finance costs in 2022 grew by 82.2% to RUB 3.0 billion, compared to RUB 1.6 billion in 2021. The increase was mainly driven by higher average loan rates, as well as by greater interest expense on lease liabilities. This growth was partially offset by an increase in interest income from bank deposits.

In 2022, we recorded an **FX loss** of RUB 0.2 billion, compared to a RUB 0.1 billion FX loss in the previous year. The FY 2022 loss was primarily attributable to the high FX volatility in 1H 2022, the loss on the revaluation of the Group's foreign currency-denominated bank accounts, the loss on the revaluation of rouble-denominated intra-group accounts payable of the Group's international entities, and the loss on forward contracts. This was mainly offset in 2H 2022, when the Company posted gains amid the weakening of the rouble, which led to a gain on the revaluation of the Group's foreign currency-denominated bank accounts, deposits and forward contracts, and rouble-denominated liabilities of the Group's international entities.

The Group's total **income tax expense** stood at RUB 16.4 billion versus RUB 9.2 billion for 2021.

As a result, Fix Price's **net profit** stood at RUB 21.4 billion in 2022, with a net profit margin of 7.7%.

Financial Position and Cash Flow Highlights

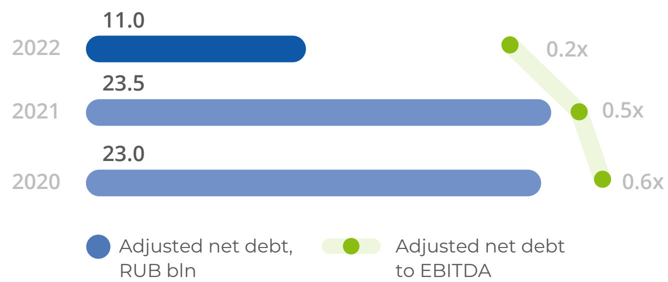
The Company's balance sheet remained strong in 2022, reflecting Fix Price's conservative financing policy.

Current loans and borrowings decreased by RUB 3.9 billion from the beginning of the year to RUB 17.6 billion, as the Company reduced its current debt in response to an elevated interest rate environment.

Total loans and borrowings remained stable at RUB 21.9 billion as at 31 December 2022. Lease liabilities grew to RUB 12.6 billion from RUB 10.7 billion at the start of the year, driven by hikes in market interest rates and an increase in the number of lease contracts on the back of store network expansion. In the first half of the year the Company raised long-term debt that amounted to RUB 4.4 billion as of the year-end. As a result, Fix Price's **total loans, borrowings and lease liabilities** amounted to RUB 34.5 billion, up by 7.1% from the start of the year.

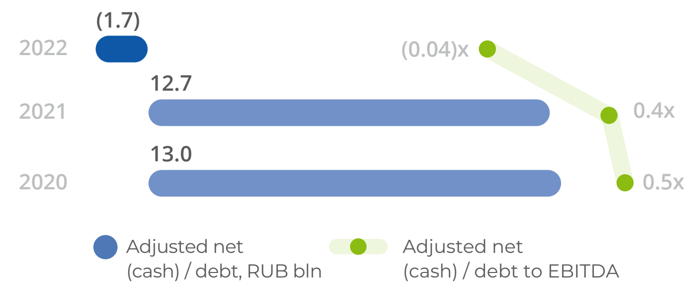
As at the end of the reporting period, the Company's **IAS 17-based adjusted net cash position** was RUB 1.7 billion, versus RUB 12.7 billion adjusted net debt at the start of the year, on the back of accumulated cash reserves. The Company's **IAS 17-based adjusted net cash to EBITDA ratio** improved to 0.04x, compared to an IAS 17-based adjusted net debt to EBITDA ratio of 0.4x as at 31 December 2021.

Adjusted net debt and adjusted net debt to EBITDA under IFRS 16 in 2020–2022



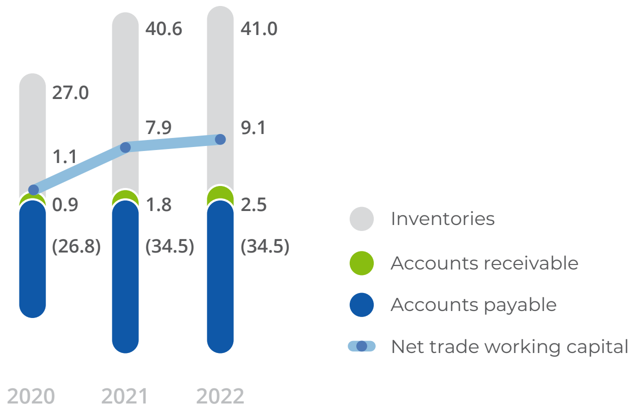
The Group's **net trade working capital** improved to RUB 9.1 billion as at 31 December 2022, down from a peak of RUB 18.0 billion as at 30 June 2022, but slightly up from RUB 7.9 billion as at 2021 end. The Company continued to pursue a diligent approach towards ordering assortment in advance to ensure the availability of goods on store shelves in case of supply chain disruptions. Continued normalisation of payment terms with suppliers contributed to improve this metric throughout the year.

Adjusted net (cash) / debt and adjusted net (cash) / debt to EBITDA under IAS 17 in 2020–2022

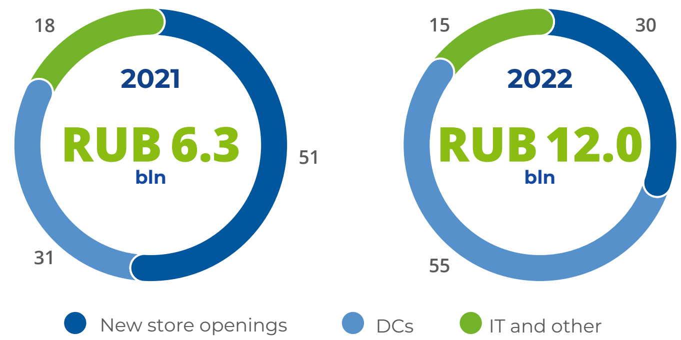


CAPEX for 2022 amounted to RUB 12.0 billion, up from RUB 6.3 billion in 2021, driven by the active construction of two DCs slated for launch in 2023. CAPEX as a percentage of revenue grew to 4.3% from 2.7% a year before.

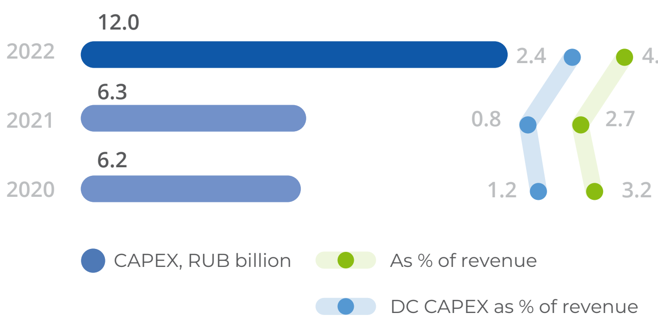
Net trading working capital[1] over 2020–2022, RUB billion



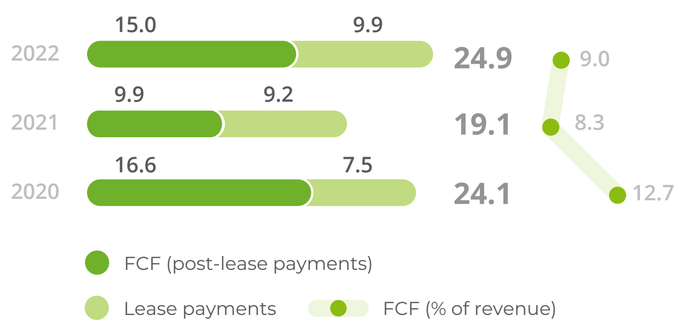
CAPEX[2] composition over 2021–2022, %



CAPEX over 2021–2022, RUB billion



FCF[3] over 2020–2022, RUB billion



1 Net trade working capital calculated as inventories plus receivables and other financial assets less payables and other financial liabilities

2 Capital expenditure is calculated as cash flow related to the acquisition of property, plant and equipment and intangible assets for the relevant period

3 FCF calculated as Net cash flows generated from operating activities less Net capital expenditures (calculated as Purchase of property, plant and equipment plus Purchase of intangibles less Proceeds from sale of property, plant and equipment)

SUSTAINABILITY

Since its inception, Fix Price has been committed to responsible business practices, and we have made great progress on building ESG awareness among our employees and stakeholders

Our Approach to Sustainability Management

We understand the importance of the ESG agenda and have succeeded in raising ESG awareness among our employees and stakeholders.

In 2021, we conducted a thorough assessment of Fix Price's ESG practices. We then identified four key strategic priorities, which were approved by our ESG Committee, and what we have dubbed the 4Ps: Product, People, Partners, and Planet. We charted a roadmap and are assessing initiatives that will enable us to carry out viable changes and contribute to these priority areas.

Responsibility for managing sustainability issues at the Company is set at the strategic and operational levels. Both the Board of Directors, which makes decisions based on recommendations of its ESG Committee, and each Fix Price business unit are involved in the sustainability management process.

In 2021, the Board of Directors set up an ESG Committee which assists the Board in supervising sustainability issues. The committee is in charge of managing ESG factors at a strategic level. It oversees the implementation of Fix Price's sustainability agenda and how it is integrated into the Company's business processes.

The Group has drafted and rolled out a range of internal documents, including the Environmental, Health & Safety Policy; Modern Anti-Slavery and Human Trafficking Policy; Anti-Money Laundering Policy; Anti-Bribery and Corruption Policy; and Business Ethics Policy (the Code of Conduct).

UN Sustainable Development Goals

When defining our 4Ps, we considered the scope for delivering on the Sustainable Development Goals (SDGs) established by the United Nations. Out of the total seventeen, we selected seven SDGs where Fix Price can deliver the largest impact and divided them into two groups: primary and secondary SDGs.

Primary SDGs
embrace three goals where Fix Price can make the biggest contribution:

SDG 8
Decent Work and Economic Growth

SDG 12
Responsible Consumption and Production

SDG 13
Climate Action

Secondary SDGs
comprise four goals that are still core priorities for us, but to which, due to the specifics of our business, we can only offer a more limited contribution:

SDG 2
Zero Hunger

SDG 3
Good Health and Well-Being

SDG 5
Gender Equality

SDG 10
Reduced Inequalities

Stakeholder Engagement

Fix Price engages with various stakeholders and is committed to keeping an ongoing open dialogue with them built on transparency. Our key stakeholders include customers, employees, suppliers, local communities, government authorities, investors and shareholders, and the media.

Stakeholders	Key Engagement Topics	Interaction Channels
Customers	• Product range, prices and on-shelf availability • Product quality and safety • Healthy products • Loyalty programme • Consumer data privacy	• Offline communications (hand-out materials, price tags, direct in-store communications, etc.) • Hotline • Email • Publications on the Company's website (including feedback forms) • Social media • Surveys • Regular target audience research • Loyalty programme • Mobile app
Employees (full-time and contractors)	• Fair pay and incentives • Safe working conditions and well-being • Opportunities for professional and personal growth and education • Diversity and inclusion • Compliance, business ethics and anti-corruption	• Direct communication with employees • Intranet • Email • The Company's internal policies, instructions and documents • The Company's training portal and courses • Hotline and Ethics and Compliance Committee • Social media
Investors and shareholders	• The Company's performance • Strategic development and expansion plans • Protection of shareholder rights • Sustainability issues, e.g.: – product quality and safety – motivation and employee incentives – climate impact – business ethics and compliance – corporate governance	• Direct communication with investors • Regulatory disclosures and publications on the Company's website • General Meetings of Shareholders

Stakeholders	Key Engagement Topics	Interaction Channels
Suppliers	• Product development and supply • Product quality and safety • Business ethics and compliance • Transparent and sustainable supply chain	• Direct communication with suppliers • Audits and tests • Hotline • Publications on the Company's website
Media	• Company performance and strategy • Sustainability issues • Business ethics and compliance	• Direct communication with the media • Publications on the Company's website
Government authorities	• Business ethics and compliance • Product quality and safety • Applicable laws and regulations • Opportunities for local suppliers	• Regulatory compliance • Publications on the Company's website • Industry associations and federal- and regional-level working groups
Local communities	• Economic contribution to our regions of operation • Charitable and social programmes • Affordable and high-quality products • Local employment opportunities • Promotion of sport	• Direct communication with customers and employees • Publications on the Company's website • Social media

Product

Our Accomplishments in 2022

In spring 2022, Fix Price was recognised at the 12th annual Golden Bear Cub National Awards for its achievements in providing goods for kids, specifically for its private label Kid's Fantasy, which encompasses educational water colouring cards, a multiple-use water colouring book and a set of colour stencils

In autumn 2022, at the Quality Guarantee 2022 contest, which celebrates excellence in food products, three Fix Price products won gold medals: creamy waffles, dates and roasted shelled peanuts

Fix Price's loyalty programme was named the Project of the Year at the Time for Innovations Awards

~2,000 SKUs
in our assortment

60%
Net Promoter Score (NPS)

~22 million
registered loyalty cardholders

3,107
quality and safety tests performed[1] including

2,018
voluntary tests

Our Approach to Pricing and Product Range

Since its inception, Fix Price has strived to offer the most competitive pricing without compromising on either the quality or variety of the product mix. Our value proposition is designed to meet the needs of the entire household and to improve the lives of our customers by offering them savings on products they use every day. They can always find what they are looking for in our unique, constantly refreshed and affordable product range.

Fix Price has stores in even the most remote locations. Our geography encompasses 80 regions of Russia and neighbouring countries. Our stores are conveniently placed near key traffic intersections, with easy access via public transportation and within highly populated residential districts.

According to Rosstat, around 70% of Russian households have a monthly income below RUB 45,000.[2] In this context, we are committed to offering access to the goods they need to the widest audience possible, regardless of their income or the broader economy. We have also observed rising demand among the more affluent shoppers with an average household monthly income exceeding RUB 50,000. The share of these customers in 2022 was 4 pps higher than in 2021.[3] The growing popularity of our stores within the various target segments and social groups proves our pricing and assortment strategy resonate with consumers and our treasure hunt concept is successful.

[1] Includes laboratory tests to obtain certifications and declarations of conformity for imported products; tests performed in external laboratories to confirm product composition, quality and safety; inspections by our in-house Quality Control Centre; and additional tests performed in external laboratories after in-house inspections
[2] Based on publicly available Rosstat data for 2021
[3] Based on Vector Market Research studies conducted in autumn 2021 and autumn 2022 of Fix Price's target customer base in cities with a population of over 1 million people

Fix Price strives to support its customers. We provide equal opportunities to all our customers by offering the same prices in all our locations[1] and keeping them low despite market fluctuations. We carefully build our assortment and ensure stock availability so that our customers could find something to their liking among a broad range of products anywhere across the chain.

The year of 2022 was marked by geopolitical tensions, market volatility and an up-ended supply chain. In the reporting year, we nonetheless retained our strategic priority of offering affordable food and non-food products and providing equal access to our product mix to all customers across our footprint.

WE TAKE PRIDE IN THE FACT THAT WE OURSELVES LOVE TO SHOP AT FIX PRICE

Supplier Relations and Quality Assurance

We take pride in the fact that we ourselves love to shop at Fix Price, which is why we place such a strong emphasis on quality assurance and have implemented a robust quality control system. We monitor our products at all stages, from the manufacturer and distribution centre to the store shelf. Our quality control system is driven by a risk-based approach with measures depending on the category of goods.

We have built our workflows around Fix Price specialists providing expert support at each stage of the product's life cycle until it is sold.

Category Management Department

- Procures goods in Russia and abroad
- Controls the entire supply chain, from product development to the store shelf

Logistics Department

- Ensures goods are delivered safely and on time
- Arranges certification and declaration of conformity for imported goods
- Facilitates the verification of documents and condition upon delivery and warehousing

Quality Control Centre

- Controls product quality and carries out checks of goods on the shelves
- Performs audits of private label suppliers

1 With the exception of the most remote regions (e.g. Russia's Far East, etc.) and other countries where the assortment and/or prices may vary

Approaches to Quality Control

How we inspect quality at different stages of the product life cycle, right up until sale

Prior to manufacturing

- Accredited laboratories test samples of certain goods to obtain certification and declarations of conformity (Imported goods)
- Tasting sessions for certain product samples (Russian private labels)
- Internal checks and laboratory testing of product samples, if necessary (Russian private labels)

During manufacture

- Remote inspections of samples (Imported goods)
- Physical inspections of samples by category managers (Russian private labels, Imported goods)
- Testing at external laboratories after manufacture to confirm product composition, quality and safety (Imported goods)

Transportation

- Visual inspection of goods by agents prior to shipping (Imported goods)

Warehousing

- Inspection of goods and associated documentation upon acceptance at distribution centres (Russian private labels, Imported goods, Branded products)
- Regular inspections for package integrity by the quality controller (Russian private labels, Imported goods, Branded products)

Distribution to stores

- Inspection of goods and associated documentation upon delivery to the store (Russian private labels, Imported goods, Branded products)
- Periodic spot checks at stores by the Quality Control Centre and laboratory testing, if necessary (Russian private labels, Imported goods, Branded products)

Russian private labels | Imported goods | Branded products

Private Brand Goods Produced in Russia

We boast a wide portfolio of private-label brands and carefully monitor their quality accordingly. We exercise a large degree of control over each stage of product development, including design and packaging, communication with suppliers to adjust and enhance product properties, tasting sessions (with our employees), laboratory tests (if necessary), and post-manufacture verification for compliance with negotiated specifications and regulatory requirements.

Imported Goods

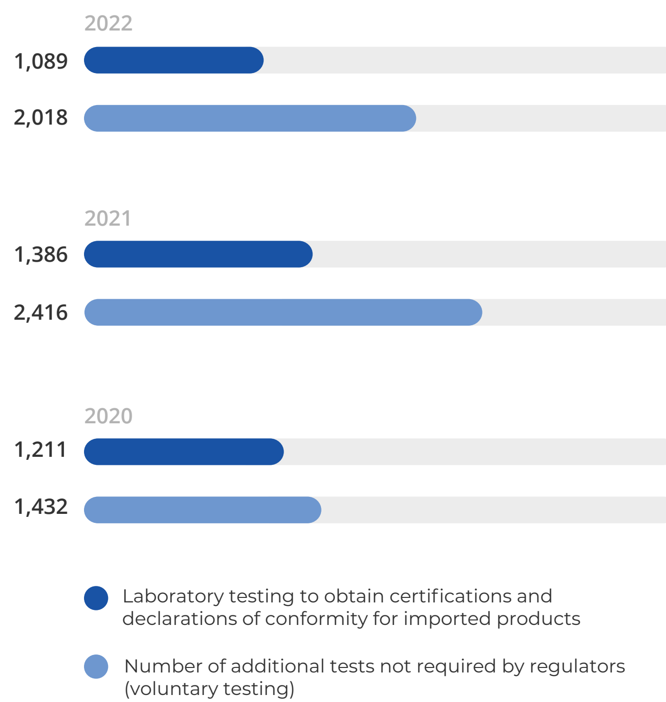
Control over imported goods is especially important for us, as it means Fix Price acts not just as a retailer, but also as an importer, which carries a separate set of responsibilities. When working with imported goods, we take an active part in all stages of product development. We elaborate specifications, perform laboratory tests to ensure quality and obtain all necessary certifications or declarations of conformity and verify — either remotely or in-person — that product samples comply with the negotiated specifications before the goods are shipped to the Company's DCs and then onward to stores.

Quality Control Centre

The Fix Price format and strategy envisage the Company being a trusted source for affordable, high-quality non-food and food products. Our specialists from the Quality Control Centre conduct regular spot checks across all categories of goods and work closely with private label suppliers. They are responsible for vetting documents confirming the supplied products meet our quality and safety standards and comply with declared specifications. They perform product tasting sessions and inspections to evaluate samples from various private label producers and send these samples for laboratory testing, if or when necessary. They also assist with auditing private label manufacturers.

The Quality Control Centre applies a risk-based approach to spot checks: product categories are classified in terms of (1) the potential danger posed by a non-compliant product, (2) the probable frequency of non-compliance with safety rules, (3) the severity of non-compliance, and (4) the potential number of people affected.

Number of product quality checks by type



Transparency and Handling Customer Queries

We are committed to the highest levels of transparency. Any customer may ask a store manager to provide copies of product certificates or declarations of conformity.

All procedures for handling customer queries seek to resolve issues promptly and eliminate the risks arising from selling sub-par products. Customers can voice their concerns via the feedback form on our website or by email. We carefully investigate all customer queries and double check the quality of a product in question. If quality issues are confirmed, we report them to the supplier, who then takes all the necessary measures to prevent such incidents in the future. When necessary, we do not hesitate to withdraw non-compliant product batches from stores. Once our checks are completed, we inform the customer of the result and close the case.

Feedback

At Fix Price, customer feedback is one of the key drivers of development. It helps us analyse our value proposition and adjust our product range in line with consumer expectations.

Our channels of direct communication with the customer include our website, mobile app and call centre. We also collect feedback via social media channels, where our shoppers share their purchases and tag Fix Price in their posts.

Responsible Labelling

In 2022, the Company continued to enhance its proprietary IT solutions designed to interface with government information systems that track the movement of products subject to labelling from manufacturer to end customer. This enables us to identify and prevent violations, meet regulatory requirements, identify errors by suppliers, and franchisees.

In 2022, we continued to boost automation of our business processes, add more features and fine-tune our IT solutions. We expanded the tools to manage products subject to labelling, arranged transfer of the labelled products to our franchisees in Russia, and scaled the system to work in other countries of our operations.

Data Privacy

We recognise that our loyalty programme is an essential tool to boost customer satisfaction. That is why we strive to ensure data privacy when collecting and processing customer information. We protect customer data and do not use it for secondary purposes. We process it in full compliance with the Federal Law on Personal Data, and the Company's internal policies on personal data processing and protection.

Plans for 2023

In 2023, we plan to continue to meet our customers' needs by offering new products, while keeping prices affordable and ensuring high quality of goods. We will maintain our rigorous quality checks, laboratory testing and internal verification.

WE ARE PROUD TO SAY THAT ALL OUR HARD WORK HAS HELPED SECURE ZERO LEAKS OF CUSTOMERS' PERSONAL DATA IN ALL THE YEARS FIX PRICE HAS BEEN OPERATING

People

Our Accomplishments in 2022

Forbes named Fix Price one of Russia's Best Employers in 2022, placing the Company in the silver tier

RBC ranked Fix Price fifth in the Russian retail segment in its best employers ranking

Fix Price made it into the top five of HeadHunter's list of the best employers in the retail segment

Fix Price managed to achieve a high level of routine process automation in recruitment and HR record management by successfully deploying the new HR solutions Skillaz and HRLink

Fix Price continued honing health and safety excellence and once again delivered one of the best sets of occupational health and safety results both for regular staff and contractors among public retail companies

In 2022, the Company maintained its focus on employee training and education. We launched 45 training groups in 10 various fields for office employees, rolled out a new condensed training programme containing 25 short educational videos, built a new digital community for store employees to share professional experience, and improved the process of adding our store staff to the talent pool

Fix Price maintained its support for young people's sport through the Future Champions League charitable endowment. In 2022, through donation boxes placed in our stores, we raised more than RUB 4.6 million. We also directly contributed around RUB 40 million to the endowment. All of these funds went to the development of junior football in Russia

Core Pillars of HR at Fix Price:

- Creating a comfortable work environment in line with occupational safety standards
- Developing fair compensation and motivation system
- Building an effective employee training and development system to support further professional and personal growth
- Building open and streamlined team communications to avoid unnecessary bureaucracy
- Welcoming employee feedback at all levels of the corporate structure
- Constant monitoring and assessment of employee satisfaction at all units of the Company
- Supporting diversity and inclusion

Our Approach to HR Management

The Nomination and Remuneration Committee reviews HR issues on behalf of the Board of Directors. The HR Director leads the HR Department. Our Personnel Policy encompasses the key aspects of employment at the Company. It was developed in full compliance with international and Russian legislation and stakeholders' expectations.

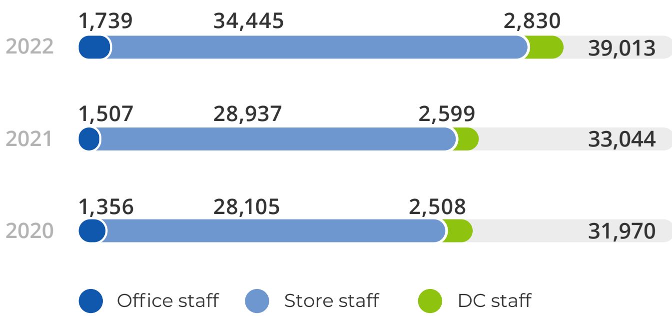
We believe that every employee matters. Therefore, we strive to provide a comfortable work environment, offer a fair compensation and motivation system and focus on helping our people to grow in their professional and personal lives.

Fix Price recognises the responsibility it has to conduct business in a manner that is consistent with its corporate values of respect for human rights and zero tolerance to modern slavery, including forced labour and human trafficking. The Company formalised its approach towards this issue in its Modern Anti-Slavery and Human Trafficking Policy.

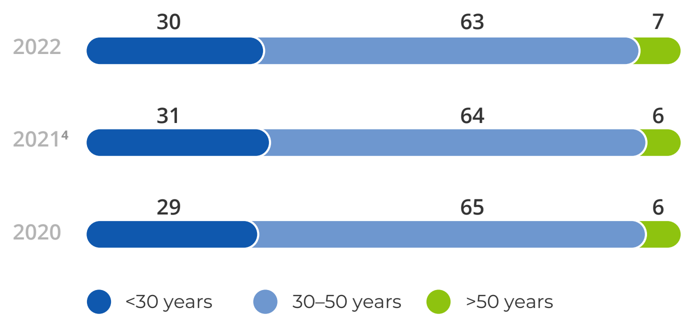
The principles of equal opportunities and ethical treatment of personnel are reflected in our Business Ethics Policy (Code of Conduct). Should our staff experience discrimination or a violation of our ethical principles, they can contact the Ethics Committee or raise their concern on a dedicated webpage. The Ethics Committee reviews all the complaints received and takes disciplinary measures when necessary. In 2022, the number of reports to the Ethics Committee increased about 9 times vs 2021 as a result of the Company's comprehensive effort to raise awareness among stakeholders and improve the availability of the anti-corruption hotline, as well as the mandatory anti-corruption and business ethics training modules launched in 2022.

Headcount and Workforce Profile

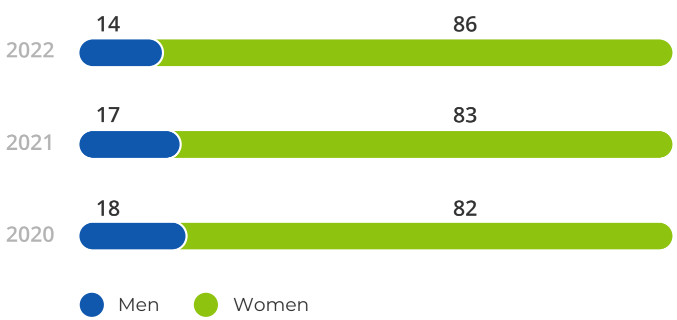
Workforce headcount in 2020–2022,[1,2] number of employees



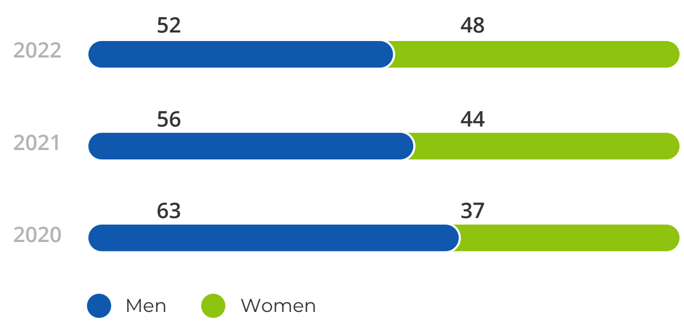
Workforce age profile in 2020–2022,[3] %



Workforce gender profile in 2020–2022, %



Management gender profile in 2020–2022,[5] %



The Group's total average headcount increased by 18% in 2022 due to Fix Price's network expansion.

Fix Price understands that a combination of various personal experiences helps to unleash the team's full potential at the workplace. We believe that diversity and inclusion are important drivers behind a successful team. Fix Price strives to ensure a diverse workforce, including in terms of age and gender.

In 2022, the proportion of women in total workforce and in management increased to 86% and 48%, respectively. The Company employs specialists of various ages, which contributes to the team's diversity and inclusion. Employees aged 30–50 comprise a majority of staff: 63% of our total headcount in 2022. Around one-third of employees (30% in 2022) are under 30.

1 The personnel of Fix Price Group PLC in all countries where it operates, including contractors
2 Total may not equal the sum of the components due to rounding
3 The scope of disclosure in this section of the Annual Report unless stated otherwise: employees of Best Price LLC, the Group's core operating company in the Russian Federation (excluding contractors and the Company's personnel in other geographies)
4 Due to rounding, the sum of components in 2021 exceeds 100%
5 Unless stated otherwise, the Company's management comprises top, middle and junior managers

Remuneration and Motivation

Fix Price believes that a highly qualified and motivated team is a major pillar of business success and forms an important part of the Company's sustainable growth. We use an attractive remuneration system that brings in the best talents to all areas of our business. We foster a supporting and friendly environment that promotes professional and personal success for all our people. We monitor the labour market and offer competitive salaries, regardless of gender, age, race, ethnicity, religious affiliation, or sexual orientation.

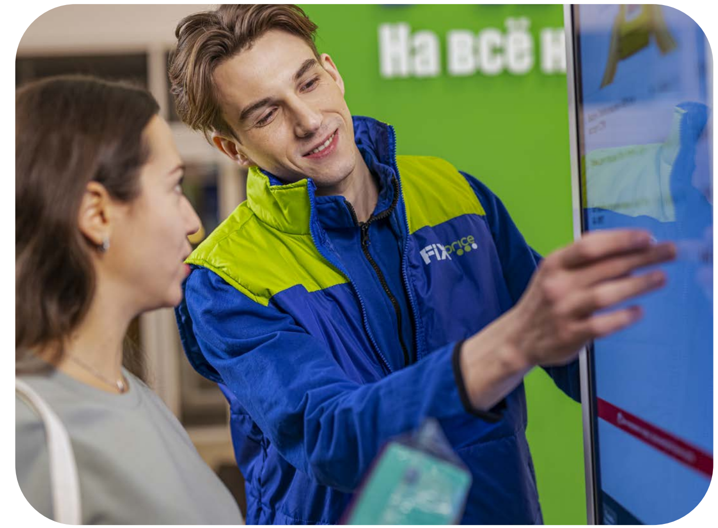
Employee remuneration is based on a reasonable and justified ratio of fixed and variable parts. We have established separate remuneration and benefit systems for each category of hire based on their experience, position and individual contribution.

In 2022, we implemented a long-term incentive programme (LTIP) for our key personnel. The LTIP's main objectives are to retain the best talent for leadership positions and to ensure that management initiatives are aligned with shareholders' interests in order to support the Company's long-term value creation.

To promote the well-being of our staff and increase employee loyalty, we are constantly looking for ways to improve their quality of life. We implemented a social support system consisting of the following components:

- **financial support** for childbirth, disease, bereavement, disability, or other cases when an employee may need it;
- **supplemental payments:** full salary compensation in the event of temporary disability[1] or regular leave;
- **voluntary medical insurance:** the list of available medical facilities increases relative to the employee's tenure;
- **interest-free loans:** provided to key employees for significant purposes such as education, buying a home or medical treatment;
- **bonus payments to employees:** payment of bonuses to employees working for the Company for 10 years, as well as to the best employee in each department on an annual basis;
- **flexible or remote work schedule** in case of illness, parental leave or agreement with management if such a schedule is applicable;
- since February 2022, the Company has offered **discounts for all employees through partner agreements** for goods and services, including language learning, educational courses, books, sports, travel, and insurance;
- **bonuses for mentoring new employees:** bonuses are offered to store managers responsible for training and teaching new workers at the stores.

We provide social support to all employees, including those working part-time. The only eligibility criterion is the minimal length of service set for employees in the policy regulating the benefit.

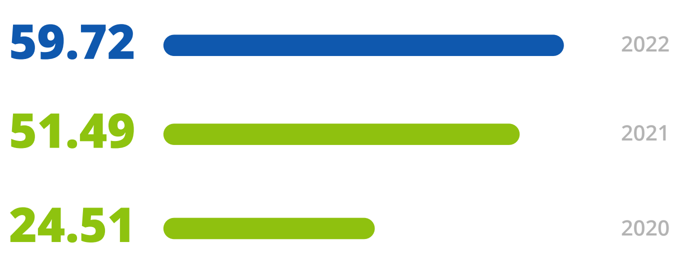


[1] Temporary disability includes the parental leave and the sick leave

Training and Development

We provide training and other tools to prepare our employees to perform a wide range of tasks, ensuring operations run at a high degree of efficiency. We have launched a variety of training programmes tailored to each type of business facility. The Training and Development Department aims to provide extensive opportunities for professional development to each employee of the Company.

Average annual training hours per FTE,[1] 2020–2022



In 2022, average training hours per FTE grew by 16% on 2021 thanks to improvements in our training programme, which boosted attendance and engagement.

Training Programmes for Store Personnel

We strive towards impeccable service in our stores and consequently are focused on providing impactful training programmes for our store personnel.

Upon hiring, new store employees are granted access to the FP School,[2] our distance learning platform. We constantly update and improve our courses to promote the professional, interpersonal and managerial skills that are particularly important for store employees.

[1] Full-time equivalent
[2] Fix Price School

To make the training process more accessible and dynamic, we have made the FP School available from any device. We have developed a mobile app and have gamified the process, adding elements such as badges and avatars, a ranking system and interactive video courses. In addition to standard training methods, we publish educational articles, surveys and videos for store personnel on the Training Department's social media accounts. This format allows personnel to train at any time that suits them.

In 2022, we created a digital community so that store personnel from all over the country can share their experience and discuss any tricky situations they may find themselves in at the workplace. All discussions in our digital community are monitored by a moderator from the training centre, who guides the dialogue to make it more productive and impactful.

Training and certification of our store staff is carried out every six months. Upon completing their training, employees receive certificates. The results shown on these certificates start to populate a competency matrix for each employee. These highlight each employee's knowledge in various areas and serve to identify topics for further training. After successfully completing their training, employees can apply to be included into the talent pool. Training centre officers run a 360 degree assessment process, gather key KPIs for the employee and report the results to senior management.

The Company also runs a mentoring programme for store managers. In 2022, all newly hired store managers participated in the mentoring programme. Mentors of new store managers receive a bonus for successful mentorship after the store manager completes the programme.

Training Programmes for DC Personnel

The Company holds a mandatory induction and safety training for DC personnel that is tailored to their role.

Training Programmes for Office Employees

The Company runs both offline and online training programmes for office employees, with the latter prevailing after the pandemic. The trainings are arranged depending on the Company's operational needs and employee expectations.

At the beginning of the reporting year, we launched a new training course on change management, which was particularly valuable at the time given the geopolitical situation and related uncertainty. Our employees were trained to identify the source of psychological challenges associated with change and were introduced to methods of alleviating them.

In February 2022, we also successfully rolled out a five-course programme dedicated to information safety, business behaviour, our anti-corruption policy, and risk management. In March 2022, we ran 45 training groups on various topics, from the basics of the standard software to the advanced level of sales analytics and forecasting.

In the reporting year, the Company also launched a new condensed training programme, which encompasses brief educational videos and enables employees to get the maximum level of information within a short period of time. In 2022, we managed to release over 25 such videos.

Fix Price successfully continues to implement the Expert in the Field programme, which was launched in 2021. The programme empowers Company employees to share their expertise, thereby enhancing their own competencies and those of their colleagues.

Occupational Health and Safety (OHS) and Employee Well-Being

At Fix Price, our core values include safeguarding our people's lives and health, as well as these of contractors, and prioritising safety throughout all business processes.

We care about the well-being of all individuals working at our facilities, including contractors and suppliers, who are also required to adhere to the Company's policies and standards. Moreover, our agreements with contractors and suppliers include the main technical guidelines for safely using equipment, as well as incident response procedures.

All workplaces undergo a special assessment of working conditions. According to the corporate guidelines, any incident relating to occupational health and safety must be reported to the OHS Department and the employee's direct supervisor immediately. An investigation commission is stood up in order to carefully analyse the accident's causes and prevent re-occurrence. In the event of severe accidents, respective government bodies take part in the investigation.

In 2022, the total number of lost time injuries slightly increased due to the growth in store personnel number on the back of network expansion; however, there were no severe injuries or fatalities across the chain. In the reporting year, we saw growth in the registered number of near-miss incidents as the Company improved monitoring and recording of such incidents.

To minimise future risks, we reviewed all business processes related to these incidents, provided recommendations on how to improve them and added information about these risks to the training courses for our personnel.

We also strive to prevent accidents by monitoring and analysing the circumstances and aggravating factors behind minor injuries. As part of these efforts, all cases of minor injuries must also be reported by our personnel to their direct supervisors, so that they can be registered and analysed by the OHS Department.

The health of our people is always top of mind for Fix Price. We strive to create a comfortable and healthy work environment for all our employees. Personnel who operate complex or hazardous equipment take trainings and pass a qualifying examination before they can start working.

All our employees undergo regular medical check-ups. Our DC staff must also have a thorough remote medical examination before shifts, which helps us reduce the risk that sophisticated material-handling equipment is operated by someone unfit for work.

OHS indicators for regular staff and contractors, 2020–2022

	2020	2021	2022
Total number of accidents,[1] including:	**19**	**31**	**33**
• regular employees	11	10	14
• contractors	8	21	19
Total number of fatalities, including:	**0**	**0**	**0**
• regular employees	0	0	0
• contractors	0	0	0
Total number of severe injuries (no fatalities), including:	**0**	**3**	**0**
• regular employees	0	3	0
• contractors	0	0	0
Work-related injuries that resulted in a temporary disability (LTI),[2] including:	**19**	**28**	**33**
• regular employees	11	10	14
• contractors	8	18	19
Near-miss incidents, including:	**2**	**19**	**32**
• regular employees	0	3	12
• contractors	2	16	20
Lost-time injury frequency rate (per million hours worked) (LTIFR):			
• regular employees	0.07	0.05	0.06
• contractors	0.07	0.14	0.14

1 According to GRI 403–10, all accidents except near-miss incidents are included in the total number of accidents
2 Lost time injury

Social Projects

We are committed to supporting our local communities and customers across our footprint. By providing access to affordable and quality products, we make a positive impact and add value to our shoppers' everyday lives.

The Company operated a mature network comprising 5,663 stores as of 31 December 2022. We are focused on offering goods at highly competitive prices everywhere we operate. Our recognisable store exterior and uniform equipment, product range and pricing ensure equal customer experience in all Russian cities.[1] The broad product range meets the needs of customers with various demands and budgets.

We understand the importance of sport in daily life. Children are our future, so we help bring sports to all children and young people. We see sports as a catalyst that complements children's ability to focus and to learn about teamwork, all while contributing to mental and physical well-being.

Fix Price promotes sport for young people by financing the Future Champions League charitable endowment. The Future Champions League strives to make football popular by awarding scholarships to young football players; financing education, transport costs and recreational sports; and sponsoring specialist non-profits. In 2022, we contributed around RUB 40 million to the league. We also placed customer donation boxes in over 2,000 stores, raising RUB 4.6 million for the endowment. These donations went towards helping over 200 children and teenagers make their dreams come true.

[1] With the exception of the remote regions (e.g. Russia's Far East, etc.), and other countries where the assortment and/or prices may vary

Partners

Our Accomplishments in 2022

Amid the final easing of COVID-response measures, we managed to double the number of private label supplier audits

In 2022, the Fix Price franchising project won a Best for Russia — Regional Development award

77%
share of local suppliers in procurement

509
suppliers

0
major breaches identified in private label supplier audits

Our Approach to Partnerships

All our operations are founded on business integrity and fairness and fully comply with current legislation. These principles also serve as the key pillars of our relationships with partners, which include suppliers, contractors, franchisees, and logistics, online delivery and other service providers.

Cooperation with suppliers serves as the foundation of our partnerships, as supply chain excellence is a core pillar of our business model. Through 16 years of operation, Fix Price has built up a solid knowledge of the specifics and trends of the Russian VVR market and has captured significant synergies with partners by building strong relationships with them. We value our partnerships and seek cooperation that benefits both Fix Price and our suppliers in all our communities.

We look for opportunities to engage with most suppliers directly, cutting out intermediaries, as it helps us streamline costs and respond promptly to any issues that may arise.

Despite all the challenges of 2022, we championed our partner-focused approach and did our best to support our suppliers, e.g. through flexible and favourable terms if needed, helping them to navigate through market volatility.

We expect our suppliers to share our values: integrity and ethical business practices; long-term, mutually beneficial relationships with all stakeholders; respect for human rights; and a zero-tolerance approach to any form of slavery, human trafficking, corruption, and bribery. We ask all our partners to sign an anti-corruption agreement, which sets out the principles of zero tolerance to corruption and prohibits all counterparties from requesting, providing or receiving cash, perks, benefits, or gifts to/from any employee of the Company or another partner.

We are committed to ensuring that our partners comply with the Company’s policies, including:

- the Code of Conduct
- the Modern Anti-Slavery and Human Trafficking Policy
- the Anti-Bribery and Corruption Policy
- the Environmental, Health and Safety Policy
- the Guidelines for Ensuring Quality in All Product Categories

Prior to choosing a counterparty, we conduct due diligence with a reliability scoring tool. This system analyses data from more than 30 official sources (the Federal Tax Service, the Arbitration Case Database, the Register of Insolvencies, etc.) and rates counterparties on a 100-point scale.

We also request that all suppliers fill out a self-assessment form that seeks to verify the following:

- voluntary employment;
- no discrimination in employment;
- no use of child labour;
- freedom of association and the right to collective bargaining;
- payment of a living wage;
- no excessive working hours;
- a legally binding employment relationship;
- compliance assurance (confirmation they have read and understood the Company's policies and comply with local legislation).

Our key focus is ensuring transparency in our relationships with all counterparties. Therefore, our suppliers are aware of the specifics of the Company's pricing policy and our approach to procurement.

When engaging with suppliers we strive to use only the most efficient communication channels. We have launched a website for tender procedures and order placement, meaning all our requirements for suppliers and sample contracts are publicly available. Moreover, Fix Price participates in various exhibitions and forums where we can source new ideas for expanding our product mix, meet our suppliers and find new partners.

Fix Price cares about all its partners and seeks to help them achieve their own goals across many areas. The training system used to educate the Company's full-time employees is also available to contractor personnel engaged in store operations. We cooperate with our partners on occupational health and safety: agreements with contractors working at our facilities include key technical guidelines and procedures for handling accidents. We run trainings, deliver health and safety inductions for partners working at Fix Price facilities and educate our logistics contractors on safe driving practices on a seasonal basis.

We strive to make shopping at Fix Price available to as many people as possible, including those who prefer doing it online. The customer may choose whatever they like on our website or in our mobile app. What is more, they can use a self pick-up at the nearest store or our partners' last mile delivery services.

We aim at building sound long-term relationships with other service providers, which, after completing our tender procedures, become a part of our team and system that underpin Fix Price's business success.

Fix Price rapidly expands its footprint, even in remote regions of Russia. In these areas, this process takes place via, for example, franchise stores, which boosts brand recognition and allows the Company to contribute to the development of the regions where it operates. In 2022, the professional community recognised our efforts by awarding our Fix Price franchising project with a Best for Russia — Regional Development award.

Supplier Audits

Our priority is to verify that production conditions reliably hit our high standards and prevent non-compliance with the quality and safety requirements. We conduct audits of production facilities operated by private label suppliers and foreign producers.

Russian Supplier Audits

Audits of local private label producers are conducted according to the Company's Regulations for Ensuring the Quality of Private Brand Goods. Fix Price's quality control experts are authorised to perform audits prior to or after a supply contract is executed. We typically audit suppliers once every two years. However, audits may be conducted more frequently, including when a new production facility is brought online, if we receive negative customer feedback or if issues were raised in the previous audit.

Audit checklists reflect the product category (Food, Drogerie,[1] and Non-food), with each of them containing over 85 questions across more than 10 sections. The questionnaires cover diverse areas, including quality management and product safety (whether a quality management system, a tracking system and HACCP[2] for food products are in place), production facilities and conditions, product transportation, HR management, and environmental matters, such as whether a facility pollutes the local environment and how mature and well-implemented waste management practices are, for example waste disposal in labelled, closed containers, etc.

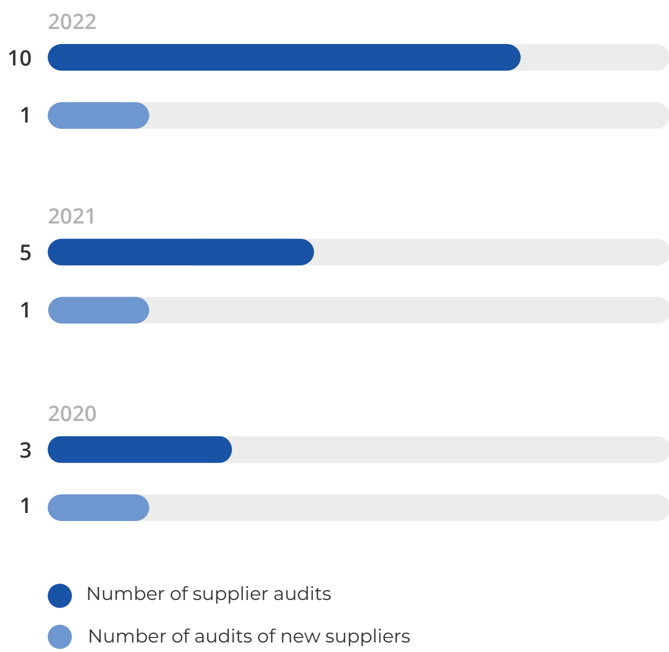
1 Household chemicals, cosmetics and hygiene products

2 Hazard Analysis and Critical Control Points, or HACCP, is a management system in which food safety is managed by identifying, analysing and controlling hazards affecting the safety of food products. When implementing food production processes involving compliance with safety requirements, a producer must develop, implement and maintain HACCP-based procedures

A supplier passes the audit if its production facility receives at least a 90% score. Should they fail to pass, we create a roadmap of activities with the supplier to deliver the required changes.

In 2022, we managed to double the number of audits thanks to the final easing of COVID restrictions which hampered audits in previous years.

Number of audited suppliers[1]



Foreign Supplier Audits

When working with foreign suppliers, Fix Price engages local agents. They build strong relationships with new and existing producers, while searching for goods and new production facilities, collaborating with current manufacturers, supervising merchandise production and quality, and checking the accompanying documentation.

The agents are also responsible for arranging audits of producers of imported goods, which are carried out by specialist organisations and laboratories accredited in their respective country. The reports they prepare following these inspections contain data on the suppliers, their quality and process management, certification, product streams, etc. The audit results are used to assess each of these aspects and make decisions regarding further cooperation.

We are focused on growing fair and honest partnerships and building a responsible supply chain. We intend to expand collaboration with new and existing partners, boost the quality and frequency of supplier audits and continue to deploy sustainability practices across the entire supply chain

[1] The data relate to Russian private label suppliers

Planet

Our Accomplishments in 2022

In 2022, we managed to increase the total amount of waste sent for further recycling by 45% due to a newly implemented recyclables management system, which envisages using enhanced accounting procedures, specialist software and KPIs linked to store turnover

We installed LED lighting instead of fluorescent lamps at nearly all our DCs and stores, while all our new stores were equipped with this type of lighting as standard

In 2022, we continued to calculate our GHG emissions and are now publishing our first disclosure on the Company's climate impact and its management. Our analysis and disclosure were guided by the pillars and approach of the TCFD framework

We increased the share of sustainable goods in our stores by introducing new types of recyclable bags, which are 40% made of recycled polyethylene; shoppers, etc.

In the reporting year, we continued to recondition and reuse our IT equipment, thus reducing the volume of both non-functional equipment and e-waste

Fix Price secured a top-three finish at the 2022 PRO EDO[1] competition for the best EDI project. The competition was judged by members of the business community and organised by SKB Kontur, one of the largest vendors of electronic data interchange-focused IT solutions for business

[1] Russian for "About EDI" (electronic document interchange system)

Our Approach to Managing the Environmental Footprint

The Company is committed to minimising its carbon footprint and driving efficiency gains in waste generation and energy consumption. We formalised our approach to reducing our negative environmental impact by developing the Environmental, Health & Safety Policy, which is available online. The policy describes our main principles of responsible business conduct.

Waste Management

Retail activities such as delivering goods to DCs and stores and selling goods generate large volumes of waste, with packaging being the main source. Fix Price recognises the need to minimise its waste generation and implements a responsible waste management approach.

The Company generates several types of waste:

- solid (Hazard Classes 4 and 5, low-hazard and non-hazardous waste);
- recyclables (cardboard and stretch film);
- office equipment (Hazard Class 4).

Solid waste volumes generated by the Company are calculated according to the norms set by regional waste disposal operators. Although we can only have a limited influence on the regional operators' calculations, if we see that the norms they apply are much higher than the actual waste volumes generated at the Company's facilities, we negotiate with them to adjust those norms where possible.

The packaging waste from goods sold at Fix Price stores is mostly cardboard and polyethylene film, both of which can be recycled. We strive to boost the volume of recyclables collected in stores and returned to DCs to be sent for recycling. Our stores are equipped with polyethylene and cardboard presses to help us return the maximum amount of waste back to DCs. Store managers are responsible for maintaining records of the amount of waste compressed. Towards the end of 2021, Fix Price launched an initiative to improve how stretch film and cardboard are returned to our DCs. We developed tailored targets for each store regarding the amount of recyclables to be sent to DCs depending on store revenue and the type of press installed. If a store underperforms against its targets, we conduct an internal audit. In early 2022, we fine-tuned the software that helps us control recyclable turnover. At the end of the reporting year, we saw the total amount of waste sent for recycling increase by 45% year-on-year.

Waste volumes over 2020–2022, tonnes[1]

	2020	2021	2022
Total amount of waste	**158,477**	**141,958**	**168,354**
Total amount of waste sent for recycling:	**17,352**	**19,411**	**28,236**
Cardboard	15,928	17,581	24,939
Stretch film	1,424	1,829	3,297

We strive to minimise waste generation in our DCs and thus, foster the use of returnable packaging. We re-use pallets 4 to 5 times and then repair them for further use. We also recondition batteries or send them for special recycling after 3–5 years of use. To formalise the waste-return and pallet-repair process, we developed and introduced guidelines for returning pallets and recyclables to DCs. The guidelines regulate the procedures for preparing returnable and recyclable items for transport back from stores to DCs, as well as for maintaining records for recyclables and pallets.

Since 2020, we have been using electronic document interchange (EDI) to reduce the use of non-renewable resources, which enabled the Company to significantly decrease paper consumption.

[1] Total may not equal the sum of the components due to rounding

The Results of Using EDI in 2022

EDI was deployed for:

100%
of counterparties of the franchising development unit

81%
of counterparties in the non-commercial procurement segment

33%
of leaseholders

69%
of goods supplies

We managed to significantly reduce the time taken to sign documents, i.e. from 2–3 weeks down to

2 days

The Company streamlined document interchange. In 2022, the number of EDI-based and processed documents increased 6 times in comparison with the period prior to the EDI launch.

In 2022, Fix Price managed to decrease its paper consumption related to document flow by 32% y-o-y

We launched an EDI hotline for our counterparties in the non-commercial segment

Fix Price secured a top-three finish at the 2022 PRO EDO competition for the best EDI project. Judged by members of the business community, the competition is organised by SKB Kontur, one of the largest vendors of EDI-focused IT solutions for business

In 2022, Fix Price introduced new eco-friendly bags containing 40% recycled polyethylene. The bags are not made from any PVC or bio additives and can also be recycled themselves. In 2022, the bags were extremely popular among our customers and continue to gain traction

The Company is pushing ahead with its initiative for reconditioning and reusing IT equipment, including everything from computer system units, laptops and cash registers to cameras, multifunctional devices, data terminals, and audio amplifiers. The IT Department keeps broken and used equipment and repairs or upgrades it, installing wherever necessary parts taken from other devices in order to reuse the refurbished items. This enabled us to reduce the volume of non-functional computer equipment and only generate e-waste if the equipment could not be repaired.

We are deeply involved in the development of our private-label products. This includes packaging: we seek to use the least amount of wrapping possible while maximising the use of recyclable materials and mono-materials wherever possible.

We are also focused on increasing transparency and the availability of information on the packaging of private-label SKUs. On each element of combined packaging customers can find a separate Mobius loop symbol that keeps them informed of how to responsibly sort waste.

Moreover, in 2022, we switched to paperless receipts at checkout which helped reduce paper waste.

Climate Aspects of the Company's Activities

As a socially and environmentally responsible business, Fix Price recognises the importance of the climate agenda and aligns its efforts with the expectations of its customers, investors and other stakeholders. For this reason, the Company promptly takes steps to improve its business transparency and the quality of disclosures on climate change in accordance with the best industry practice and trends. In 2021, we published our first Sustainability Report, disclosing data on our Scope 1, 2 and 3 greenhouse gas (GHG) emissions. In 2022, Fix Price decided to start adopting TCFD[1] recommendations when addressing climate-related matters, and now the Company is gradually incorporating these principles into its business processes.

Climate Management at the Company

Fix Price's efficient and continuously evolving corporate governance system provides opportunities to discuss and manage ESG issues, including those related to climate change.

Managing Climate-Related Issues at the Board Level

As part of its sustainability efforts and in order to develop effective responses to climate-related challenges, Fix Price has set up an ESG Committee, which assists the Board of Directors in addressing the ESG agenda on a strategic level. The committee supervises the agenda's implementation and integration into the Company's business processes.

Managing Climate-Related Issues at the Management Level

The Company's top management is responsible for decision-making regarding the ESG agenda as well as implementation oversight. The decisions are further translated into tasks which are consistently communicated to contributors in relevant units depending on the type of activities.

Fix Price's current **Environmental, Health and Safety (EHS) Policy** sets our course and aspirations in advancing our ESG agenda and adhering to sustainability practices. The policy outlines the following principles and rules of responsible business conduct, which enable the Company to manage its environmental and social impacts:

- ensuring compliance with applicable environmental and health and safety laws and regulations;
- communicating our commitments to employees, customers, investors, suppliers and other stakeholders;
- pursuing where practicable, energy-efficiency initiatives, as well as measures aimed at reducing carbon emissions and promoting waste recycling;
- regularly monitoring our performance in addressing and resolving EHS issues in our internal operations and supply chain.

When planning operational changes, our teams consider the Company's environmental and climate footprint. In 2021, we ran a comprehensive review of the Company's business processes through an ESG lens. Based on the results of the analysis we identified four strategic ESG priorities (the 4Ps[2]), including Planet, covering climate and other environmental aspects. The Company uses these priorities to develop a roadmap aimed at further advancing the ESG agenda. Fix Price is now assessing which roadmap activities can be implemented in the current environment.

Our business model is unique in that the Company's distribution centres and vehicles have no refrigeration, while our stores keep the amount of refrigeration equipment to a minimum, leading to considerable energy savings and lower GHG emissions.

As part of our commitment to reduce our environmental impact,[3] we:

- have adopted energy-efficient LED lighting in most of our existing stores, with LED lighting installed across all new stores as standard;
- strive to choose the most energy-efficient premises and premises with heat-loss reducing air-lock entries when opening new stores;
- streamline delivery routes and optimise vehicle loads to reduce fuel consumption;
- minimise the packaging size for our products, where applicable;
- regularly calculate our direct, energy indirect and other indirect GHG emissions to understand the scale of our carbon footprint and to lay the groundwork for planning emission reduction measures.

For emissions calculations, see page 83

1 In 2017, the Task Force on Climate-related Financial Disclosures (TCFD) published recommendations for companies and other organisations to disclose their financial risks related to global climate change as part of their voluntary reporting. In its recommendations, the TCFD underlined the importance for companies to establish a practice of analysing long-term climate-related risks and opportunities and gradually embed it into risk management, strategic planning and decision-making processes

2 Product, People, Partners, and Planet

3 For more details on the Company's waste management processes see page 77

Climate Risks and Strategy

Current ESG and Climate Risk Assessment

Fix Price's risk management system (RMS) is governed by the Risk Management Policy. The policy and other internal risk management documents are guided by international standards on risk management, such as ISO 31000, FERMA and COSO ERM. Our risk management system not only aids in decision making, but also supports effective business development and helps achieve the Group's goals in the context of ongoing uncertainty.

Currently, we do not assess ESG and climate risks on a regular basis but recognising the mounting importance of the climate agenda the Company is laying the foundation for a future qualitative assessment of climate risks and a scenario analysis of them. Additionally, we are planning to incorporate the climate risk assessment into our overall risk management system, so as to account for climate aspect in our risk assessments and thus contribute to a more comprehensive approach to risk monitoring and management at the Group.

For more details on the current risk management system, see page 90

In its future climate risk assessments, Fix Price plans to follow TCFD recommendations and consider the following climate scenarios highlighted in the IPCC Sixth Assessment Report (AR6) and the International Energy Agency's (IEA) annual World Energy Outlooks:

- **1.5°C Scenario (SSP1–2.6)**

A scenario that assumes a 1.5°C rise in the global average temperature by 2100, with GHG emissions peaking in 2020 and halved by 2050. Under this scenario, the world will follow an accelerated low-carbon development path, with a significant decline in the resource and energy intensity of the global economy across all sectors and industries. The share of fossil energy sources in the global energy mix falls, reaching its all-time high by 2030.

- **2.0°C Scenario (SSP2–4.5)**

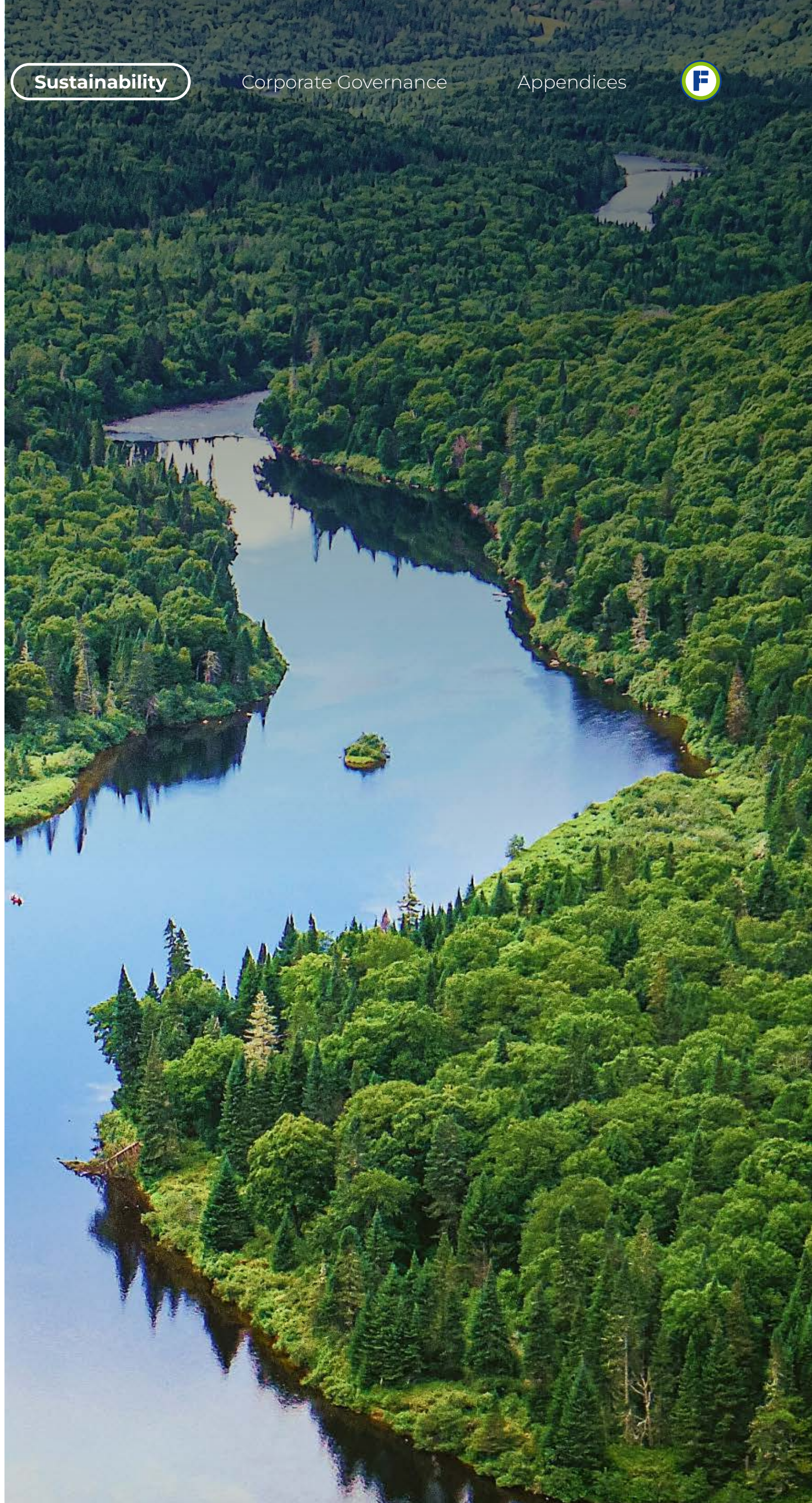
This scenario is based on the assumption that GHG emissions will peak in 2040–2050, declining afterwards. In this scenario, the global average temperature rises by 2°C by 2100. This is the most balanced scenario: economic growth is maintained while material consumption growth rates decline, but this process is less intense than under the 1.5°C scenario. The global energy mix is assumed to avoid any major changes, but the Paris Agreement goals to limit the global average temperature increase within 2°C will be achieved.

- **4.0°C Scenario (SSP5–8.5)**

This scenario assumes a global average temperature increase by more than 4°C by 2100 due to a steady growth in GHG emissions at the business-as-usual rates through 2100. The world follows a traditional development trend: resource-intensive growth with elevated material consumption. GHG emissions continue to rise until 2100, with the share of fossil fuels in the global energy mix remaining high.

Fix Price is planning to conduct a qualitative scenario analysis of climate risks: short-term (to 2025), medium-term (to 2030) and long-term (to 2050), in line with international frameworks with a particular focus on the Company's climate impact under the 2.0°C Scenario (SSP2–4.5).

Drawing on its review of international and national practices, Fix Price has identified a preliminary list of transition and physical risks in line with TCFD requirements, which will be analysed in detail in the future due to their potential impact on the Company's operations. An indicative list of climate risks relevant to Fix Price is presented below.



Transition Risks

Under TCFD recommendations, transition risks include risks related to the transition to a low-carbon economy, which may entail extensive changes in international and national policies, as well as technology and market changes to address mitigation and adaptation requirements related to global climate change. A preliminary high-level analysis of climate risks found that transition risks represent the most material risks for the Company.

Regulatory Risks

1. **The Federal Law on Limiting Greenhouse Gas Emissions and the Risk of Direct GHG Emission Charges**

The Federal Law No. 296FZ On Limiting Greenhouse Gas Emissions published in 2021 requires mandatory disclosure of GHG emissions: for companies whose direct emissions are equivalent or exceed 150,000 tonnes of carbon dioxide per year — starting 1 January 2023, and those with emissions of 50,000 tonnes or more — starting 1 January 2024. This is a framework law, which implies that it may be followed by multiple regulations, clarifications and more stringent requirements. For example, there is currently a draft Federal Law On Amendments to the Code of Administrative Offences of the Russian Federation which introduces a fine for non-disclosure of GHG emissions.

Therefore, while the new law on limiting GHG emissions does not currently apply to Fix Price — since the Company's direct emissions are well below the threshold set by the law — we recognise that national regulation in this area will see further updates in the future. The Company is taking steps to prepare for these changes in advance as they may require extra costs, and therefore intends to account for these risks as part of its planning and budgeting processes, as well as to improve its data collection and management system so as to adapt to potential legislative changes as quickly as possible.

The Company also recognises the importance of annual emissions monitoring and plans to assess the feasibility of other activities to be carried out to further reduce emissions from its operations.

2. **Prohibition on the Use of Refrigerants with a High Global Warming Potential (GWP)**

By adopting the Kigali Amendment to the Montreal Protocol, the Russian Federation has committed itself to contributing to the climate change mitigation by gradually curtailing the production, import and consumption of hydrofluorocarbons (HFCs) contained in certain mixed refrigerants, such as R404A. Fix Price's current business model does not envisage an extensive use of refrigeration equipment due to the specifics of its product mix. However, the Company's analysis of data collected for emissions calculations purposes revealed that Fix Price uses HFC refrigerants which have a high global warming potential. The Company is therefore aware that, going forward, it must evaluate the feasibility of using in its operations more refrigerants with a low global warming potential.

3. **FCA's Rules on Climate-Related Financial Disclosures**

In 2021, the Financial Conduct Authority (FCA), the UK's financial market regulator, introduced requirements for issuers to disclose climate-related information in accordance with TCFD recommendations or to explain why they do not disclose such information. The introduction of these requirements by the UK market regulator highlights the risk of international and national stock exchange regulators introducing and tightening requirements around the mandatory climate-related disclosures and the quality of their content, which may entail additional costs associated with the preparation and improvement of published information.

Changes in Stakeholder Behaviour

Changes in consumer preferences, such as increased demand for low-carbon-footprint products and consumers becoming more environmentally conscious in general, may require us to adjust our product range, which will drive the associated costs up. The Company regularly monitors consumer preferences, which allows us to promptly take appropriate measures should the likelihood of this risk increase significantly.

In addition, as the climate agenda progresses, investors pay more attention to ESG and climate-related disclosures. The low level of transparency in the Company's public non-financial data may not align with investor preferences. Given the current macroeconomic situation, the likelihood of this risk occurring is limited. However, the Company continues to focus on improving the quality of its disclosures and promoting the sustainability agenda in general, as well as to monitor the level of this risk.

Physical Risks

The TCFD framework also identifies a separate category of physical risks associated with climate change. These risks can be caused both by one-off unpredictable weather and climate-related events and by long-term shifts in basic climate patterns.

Changes in Extreme High Temperatures

The peak summertime temperatures across the Company's operating regions are trending upwards. As the number of extreme weather events in Russia increases, extraordinarily hot days (with temperatures above +35 °C) and heat waves (prolonged periods of high temperatures) are expected to become more frequent. Fix Price is aware of the need to take this risk into account in the long term due to the potential increase in spending on climatic equipment (air conditioners and refrigerators), so the Company intends to pay extra attention to monitoring and improving the resource efficiency of its cooling systems. Conscious of the Kigali Amendment, Fix Price is evaluating the possibility of increasing the share of low-GWP equipment. In addition, with extreme temperatures rising and lasting longer, the risks of adverse impact on employee health increase. Fix Price recognises the need for more accurate risk assessment to enable better budgeting of spending on workplace climate control and protection of employee health, should this risk be deemed material.

Changes in Precipitation Regime

This risk lies in changes in the precipitation regime typical for each region: deviations from climatic norms in the volume and intensity of precipitation. The risk is associated with an increase in wintertime precipitation and the subsequent melting of snow accumulated during this season, which can cause more pronounced spring flood peaks.

Increased precipitation during the cold season can cause supply chain disruptions due to the limited availability of transport routes. Fix Price understands the importance of addressing this risk, so in the future we will conduct a qualitative assessment of the impact of this risk on the business to develop strategies to monitor and manage it.

Risk of Extreme Weather Events

Climate change can also drive an increase in the number of extreme and particularly dangerous weather and climate events, such as fires, floods, hurricanes, etc. The increased frequency of such events can also have a negative impact on supply chain stability and asset integrity.

Metrics

The Company is strongly focused on improving its processes for collecting and recording data to measure GHG emissions and energy efficiency, as these metrics unlock a better understanding of the extent and nature of the Company's climate impact, as well as a clear vision of further steps towards developing an effective and actionable strategy.

In 2021, the Company measured its GHG emissions for 2020 and 2021 for the first time in line with the GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition).

The Company continued and enhanced its efforts to measure its GHG emissions in 2022, thus, building up the amount of historical data to assess changes and strengthening the foundation for forecasting and goal setting in terms of managing its climate impact going forward. The calculation included emissions from the Company's facilities (stores, DCs, warehouse for our online store, and offices) located in the Russian Federation, excluding franchise stores.

Energy Consumption and Efficiency

We recognise the need to improve energy efficiency, as these measures are essential to mitigating climate change.

The Company consistently improves its energy efficiency and optimises its resource consumption by installing energy-saving equipment at new facilities and carrying out scheduled equipment upgrades at the existing ones.

Electricity consumption,[1] kWh

	2020	2021	2022
Purchased electricity	105,012,744	121,492,384	132,971,001
Generated electricity[2]	0	48,138	102,655

Heat consumption, GCal

	2020	2021	2022
Purchased heat	145,526	179,462	212,451
Generated heat	789	1,220	1,589

Scope 1, 2 and 3 GHG Emissions

The Company continued to measure its GHG emissions in 2022, thus expanding the amount of historical data, which allows us to assess changes in emissions and strengthen the foundation for expanding and enhancing our climate impact management efforts going forward.

GHG emissions (Scope 1, 2 and 3),[3] tCO_2-eq.

	2020	2021	2022
Total GHG emissions (Scope 1 and 2)	**91,841**	**109,907**	**121,007**
Total GHG emissions (Scope 1, 2 and 3)	**2,183,473**	**2,523,197**	**2,880,643**
Direct GHG emissions (Scope 1)	3,080	3,299	2,606
Energy indirect GHG emissions (Scope 2)	88,761	106,608	118,401
Other indirect GHG emissions (Scope 3)	2,091,632	2,413,290	2,759,636

1 Here and below, purchased and generated electricity and heat
2 In 2020, the Company did not generate any electricity
3 GHG emissions for 2020-2021 were recalculated following the refinement of the data collection and calculation methodology. In 2022, the calculation methodology was also refined due to the unavailability of previously used coefficients

GHG emissions (Scope 3) by category,[1] tCO2-eq.

	2020	2021	2022
GHG emissions (Scope 3)	**2,091,632**	**2,413,290**	**2,759,636**
Category 1: Purchased Goods and Services	1,067,685	1,255,548	1,628,588
Category 2: Capital Goods	27,040	35,948	42,758
Category 3: Fuel- and Energy-Related Activities	15,232	23,605	25,947
Category 4: Upstream Transportation and Distribution	63,797	68,165	61,626
Category 5: Waste Generated in Operations	65,030	57,648	66,043
Category 6: Business Travel	469	936	998
Category 7: Employee Commuting	13,164	13,711	17,946
Category 9: Downstream Transportation and Distribution	90	199	606
Category 11: Use of Sold Products	738,904	848,733	792,851
Category 12: End-of-Life Treatment of Sold Products	100,222	108,798	122,274

In 2022, total GHG emissions (Scope 1 and 2) increased by 10% driven by higher indirect emissions amid business expansion and a comparable increase in energy consumption. That said, the volume of direct emissions decreased by 21% after the calculation methodology was refined. In addition, Fix Price's vehicle fleet was disbanded in August 2022 and the transportation services became fully outsourced.

Other indirect emissions (Scope 3) increased by 14% on the back of growth in the volume of goods purchased for sale in stores, as well as the refinement of the calculation methodology and improvements in the data collection and processing, which enabled the expansion of the list of categories included in the calculation.

The Company continues to consistently improve its climate-related data collection and processing amid robust business growth and works continuously to enhance energy efficiency through appropriate energy-saving measures and regular analyses of opportunities to further optimise resource intensity at new and existing facilities.

[1] The breakdown only covers Scope 3 categories included in the calculation. Other categories were excluded from the calculation as irrelevant for the Company

CORPORATE GOVERNANCE

Fix Price Group PLC commands an efficient corporate governance framework and continues to enhance it in accordance with the best international practices. The Company ensures the protection of shareholders' and other stakeholders' rights

Regulations

In February 2022, the Company`s Board of Directors decided to change the Company's jurisdiction of incorporation from the British Virgin Islands to the Republic of Cyprus and later at the EGM[1] the shareholders approved the redomiciliation.

On 17 May 2022, the Company was permanently registered with the Registrar of Companies of the Republic of Cyprus.

Following the redomiciliation, the Company merged with its Cyprus subsidiary, Kolmaz Holdings Ltd. ("Kolmaz"), as a result of which the Company became the surviving entity. The redomiciliation was carried out to simplify the Group's holding structure.

Corporate governance of Fix Price Group PLC is regulated by the Memorandum and Articles of Association ("M&AA") and by the requirements of Cyprus Companies Law (Cap 113).

The Company's GDRs are admitted to the Official List of the London Stock Exchange ("LSE"), but the Company is not subject to the provisions of the U.K. Corporate Governance Code.

Under Russian law and the Moscow Exchange rules and regulations, admission to trading of GDRs of the Company on the Moscow Exchange does not impose any additional corporate governance requirements, as its GDRs are listed on the LSE.

The Company's activities, including those of the Board of Directors, are governed by the M&AA. Board committees are governed by the Terms of Reference approved by the Board of Directors.

The key policies governing the activities of the Group are listed on the right hand side.

Policy	Description
Share Dealing Policy	Establishes the principles, systems and controls for prevention of Trading based on Insider Information by Insiders and/or PCAs (each as defined in Article 2 of the Policy) in order to ensure compliance to the applicable regulatory rules and to protect the public image of the Company
Inside Information and Disclosure Policy	Ensures that the Group complies with all applicable rules and regulations (including the MAR[2] and the Russian Insider Information Law) in relation to the identification, control and disclosure of inside information
Environmental, Health & Safety Policy	Ensures the health and safety of personnel and consumers and aims to minimise the impact of the Group's business on the environment. The Group has committed to implementing initiatives for energy efficiency, including the reduction of its carbon footprint and waste, improved recycling and the regular monitoring of its environmental, health and safety performance
Modern Anti-Slavery and Human Trafficking Policy	Establishes monitoring to ensure that slavery, including forced and child labour, and human trafficking are excluded from the Group's operations and supply chain. It requires suppliers to comply with this policy, which is periodically evaluated. It also ensures that suppliers do not engage in any manufacturing, marketing or selling of counterfeit products to the Group
Anti-Money Laundering Policy	Ensures 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 a zero-tolerance culture towards illegal activities
Anti-Bribery and Corruption Policy	Ensures that the Group's personnel comply with applicable anti-corruption laws, rules and regulations; Pursuant to this policy, the Group has committed to conducting business in an ethical manner and has developed and maintains procedures to mitigate bribery and corruption risks
Business Ethics Policy (Code of Conduct)	Ensures that the Group's business is conducted in a consistently legal and ethical manner and promotes compliance with applicable governmental laws, rules and regulations. It establishes a framework for ensuring diversity and zero tolerance to discrimination, commits to acting in accordance with international human and labour rights standards. It also ensures that the information in relation to the Group published in public communications is complete, fair, accurate, timely and comprehensive

1 Extraordinary General Meeting of Shareholders
2 Market Abuse Regulation

Corporate Governance Structure

THE GROUP CONTINUALLY ENHANCES ITS CORPORATE GOVERNANCE PRACTICES

Corporate governance system of Fix Price Group PLC complies with the requirements of the Financial Conduct Authority and Cypriot law, as well as international best practices. The Group continually enhances its corporate governance practices.

The highest corporate body of Fix Price Group PLC is the General Meeting of Shareholders.

The Board of Directors is elected by the shareholders and reports to them. The Board of Directors conducts strategic management of the Group and supervises the Group's executive team.

The Group's executive team, led by the Chief Executive Officer, manages day-to-day operations of the Group and implements tasks assigned by the shareholders and the Board of Directors.

General Meeting of Shareholders

All Annual General Meetings are conducted in accordance with Cypriot legislation. Shareholders in a general meeting are entitled to appoint and remove directors of the Company. Shareholders of Fix Price Group PLC may significantly affect the Company's business by participating in the General Meeting of Shareholders.

The key capabilities of the General Meeting of Shareholders include:

- alteration of the Memorandum and Articles of Association;
- mergers, consolidations, arrangements, amalgamations, and schemes of reconstruction;
- re-domiciliation of the Company;
- creation of a new class of shares and variation of class rights;
- acquisition by the Company of its own shares under certain conditions specified in the law or the Articles;
- reduction of share capital and any share premium account of the Company in any way; extinguishment or reduction of the liability on any of the Company's shares in respect of share capital not paid up; cancelation of any paid-up share capital which is lost or unrepresented by available assets; and payment of any paid-up share capital which is in excess of the Company's requirements subject to the court confirming the reduction;
- approval by a special resolution of assignment of office made under any agreement entered into between any person and the Company for empowering a director or manager of the Company to assign their office to another person;
- winding up of the Company by the court;
- voluntary winding up of the Company;
- consideration of, inter alia, the financial statements, approval of dividend payments (provided such dividend payments are proposed by the directors), and appointment and remuneration of auditors;
- other matters prescribed by the Cyprus Companies Law (Cap 113) and the M&AA.

Board of Directors

The Board of Directors supervises and controls the management and operations of the Company and may exercise all powers of the Company in doing so, except to the extent that any such power is required or reserved by the Cyprus Companies Law (Cap 113) or the M&AA to be exercised by the shareholders.

The Board of Directors has an Audit Committee, a Nomination and Remuneration Committee, a Strategy Committee and an ESG Committee. The committees are comprised of directors with the relevant professional experience and expertise. When electing members and chairpersons of the committees, education and professional training of the candidates and their expertise within the committee's area of activity are considered.

Board Committees

Audit Committee

The Audit Committee assists the Board of Directors with the review of the Group's internal and external audit activities: internal control systems, compliance with financial reporting requirements, and the scope, results and cost effectiveness of the external audit.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee makes recommendations to the Board of Directors regarding the appointment of new directors, helps identify, interview and select candidates with suitable experience and assesses the independence of such candidates. The committee reviews senior management appointments, company-wide succession planning and other human resources-related matters.

It also assists the Board of Directors 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.

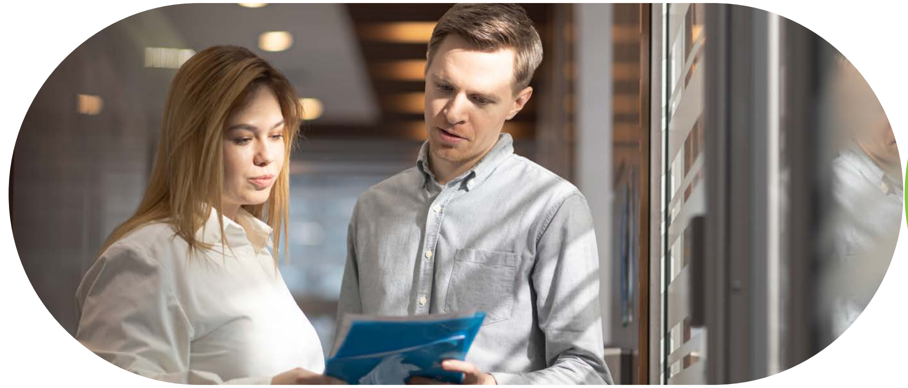
Strategy Committee

The Strategy Committee assists the Board of Directors with the analysis and monitoring of the strategic management issues, including the consideration of mergers and acquisitions opportunities and large investment projects.

ESG Committee

The ESG Committee assists the Board in supervising sustainability issues. The committee is in charge of managing ESG factors at a strategic level. It oversees the implementation of Fix Price's sustainability agenda and its integration into the Company's business processes.

Management



Fix Price's management team has vast experience in retail industry. All of our managers are qualified to effectively govern our operations, as well as to protect the best interests of our shareholders, consumers and a wider range of stakeholders. The Board of Directors regularly assesses performance of the management team and makes necessary adjustments.

Internal Control

Integration of the Process Management, the Internal Control System and the Risk Management System

Business growth and rapid change required a review of the management approach to the business processes and their interaction with the internal control system and the risk management system.

To streamline the business processes and boost performance while maintaining quality and costs at the same level, we launched the "Processes Help" project in 2022. The project introduced a systematic and integrated approach to the business process management that factors in risks and control procedures. The integrated model of the Company will set up an environment for change and enhancement of its activities. The model will allow for auditing the business processes and evaluating the efficiency of the internal control system.

The key objectives of the project are:

- to revise the architecture of the business processes, taking into account the Russian and international best practices
- to ameliorate the integrated platform for all initiatives to modify the Company's activities, primarily to devise interaction between the business processes in a single system
- to develop an up-to-date regulatory framework for the business processes, the risk management and the internal control
- to build up a tool for accumulating knowledge on maintaining and bettering the business processes
- to implement regular audits of the business processes to identify areas of issues and process growth fields
- to launch an on-going analysis and testing of the control procedures, including risks and deviations in the business process indicators

A unified business process management system, inclusive of risks and control procedures, allows:

- to broaden transparency, manageability and controllability of the Company's activities at all levels
- to determine and eliminate challenging areas of the business processes, and thus to bring down processes costs
- to carry out regular activities in order to manage operational risks through continuous training, optimisation of business processes and upgrades of software products
- to involve the Company's employees in the active development of the process approach, taking into account risks and control procedures, as well as in further streamlining of the business processes themselves

The Company has already updated the Internal Control Policy and the Risk Management Policy, featuring the new approach to integrating the business process management, the internal control and the risk management systems.

External Audit

AO Business Solutions and Technologies (TIN 7703097990), legal address: 5 Lesnaya St., Moscow, 125047, Russia, a member of the Self-regulatory Organization of the Auditors Association “the Commonwealth” (AAC SRO). AO Business Solutions and Technologies is included in the control copy of the register of auditors and audit organisations with the registration number ORNZ 12006020384, and was approved as the auditor of the Company’s consolidated financial statements prepared in accordance with the International Financial Reporting Standards. AO Business Solutions and Technologies was registered in accordance with the legislation of the Russian Federation on 30 October 1992 by the Moscow Registration Chamber.

The Board of Directors approved the Company’s external auditor to provide:

- an independent audit of the consolidated financial statements of the Group prepared according to the International Financial Reporting Standards for the year ending 31 December 2022; and
- an independent review of the interim consolidated financial information of the Group for the six months ending 30 June 2022.

The total remuneration paid in 2022 for the audit and non-audit services to AO Business Solutions and Technologies amounted to RUB 36 million.

Risk Management

General Information

In 2022, Fix Price continued to develop its risk management practices as an integral corporate function.

Participants in the risk management process identify, assess and mitigate risks, and minimise negative implications should they materialise, which all ensure business stability and continuity.

The effectiveness of risk management is improved by engaging a wide range of participants, from managers to line staff. To this end, we promote a risk culture, regularly train employees and run standardised stages of the PDCA[1] cycle.

An independent diagnostic run in late 2021–early 2022 found that Fix Price’s risk management system was consistent with good corporate practices.

Risk management at Fix Price focuses on the following:

- identifying and systematically analysing risks to the Company;
- considering material risks when making management decisions as a matter of course;
- assigning risk management responsibilities;
- developing measures and plans to respond to material risks;
- monitoring risks and the effectiveness of risk management;
- building risk management expertise.

Risk Management Structure and Areas of Responsibility

Audit Committee of the Board of Directors	Risk management supervision
CEO and top managers	Set up and maintenance of an effective risk management system
Risk management unit	Risk Management Policy implementation, risks updates, business units coordination in activities related to risk management
Units and project teams; business units (coordinators: analysts, methodologists, technologists)	Ensuring the risk management system runs smoothly within their area of responsibility

[1] The PDCA (Plan-Do-Check-Act) / Deming cycle is a decision-making methodology and algorithm for managing processes and achieving objectives

The Board of Directors (via the Audit Committee) determines the underlying principles and approaches that drive the risk management system and evaluates its effectiveness.

The CEO and top managers set up and maintain an effective risk management system, assign authority, duties and responsibilities for specific risk management procedures to unit heads, approve requirements for reporting forms, review key risks and make relevant decisions, and promote a risk-management culture.

The risk management unit facilitates the risk management process at the Company in several ways. It implements the Risk Management Policy within its remit; requests risk updates; coordinates activities of the units, project teams and business units related to identifying and assessing risks and developing risk management measures; provides relevant methodological support; prepares materials for top managers and the Board of Directors; and promotes a risk culture at the Company.

Unit heads, project teams and business units ensure the risk management system runs smoothly within their area of responsibility. In particular, they identify and assess risks, develop relevant measures and ensure their implementation, including the implementation of control procedures. They appoint coordinators or authorised representatives who oversee the day-to-day management of the process and, if necessary, escalate to the risk management unit.

Key Activities in 2022

In 2022, we continued to integrate the principles of risk-based management into the Company's practices.

In the first half of the year, we reviewed the results of a risk management diagnostic conducted in late 2021 and early 2022 by a Big Four management consulting firm. The assessment was conducted using the contractor's model based on best practices in Russian and international retail companies. The diagnostic gauged the system's current maturity level and yielded initiatives and recommendations for future development.

Fix Price launched a global training session for its employees covering basic risk management concepts and integrated risk management systems. We have added risk courses to the mandatory onboarding training programme for new hires and run them on a quarterly basis. We have also made course recordings available to watch for all Fix Price employees.

We continued to develop communication channels to keep employees informed about risks. In addition to the corporate intranet, we set up a Telegram account to expand the target audience to include store and distribution centre employees.

Plans for 2023

In 2023, Fix Price intends to integrate risk management system activities with regular internal control system procedures to build an integrated risk management and internal control system (RMICS). We plan a risk reassessment cycle following an updated methodology and using new templates to consolidate the risk register. In addition, we will regularly monitor the geopolitical and sanctions environment to identify and assess risks and mitigate them accordingly.

IN 2022, WE CONTINUED TO INTEGRATE THE PRINCIPLES OF RISK-BASED MANAGEMENT INTO THE COMPANY'S PRACTICES

Key Risks and Mitigants

Fix Price distinguishes between: S strategic risks, O operational risks, F financial risks, R regulatory risks

Impact	1 Very unlikely	2 Unlikely	3 Possible	4 Likely	5 Highly likely
Very high 5					S-07 ↔ O-08 ↔
High 4			O-17 ↑	S-02 ↔ O-12 ↔	R-04 ↑
3			O-13 ↔ O-14 ↔ R-15 ↔	O-03 ↔ S-16 ↓	
Low 2	S-06 ↔	O-11 ↔		F-10 ↓	
Very low 1	O-05 ↔	S-01 ↔			

Probability

Type	Risk	Level / Change	Mitigation
S-02	Risk of pressure on gross margin	High / stable	Expanding the Russian supplier base (having a duplicate contract with a second Russian supplier for each item to ensure uninterrupted supply in an emergency); ensuring product rotation and running deeper assortment and COGS analysis; increasing the number of freight forwarders; switching supplies to lower cost options
S-06	Risk of construction and installation contractors refusing to perform work on agreed terms	Low / stable	Ensuring that construction and installation contracts are signed with multiple contractors; finding new contractors, conducting tenders to revise costs
S-07	Staff outsourcing risk	High / stable	Reducing the share of outsourcing; switching counterparties in the event that they fail to provide the Company with a sufficient number of employees in a timely manner and at competitive rates
S-01	Reputation risk	Low / stable	Streamlining the activities of the Ethics Committee; tracking the hotline's performance; complying with the Code of Business Ethics; developing the Group's corporate culture
O-03	Risk of supply chain disruptions	Medium / stable	Reducing the share of imports in purchases; identifying alternative ways to ship goods from China (rail, sea, road); identifying alternatives/replacements from Russian suppliers; increasing the number of freight forwarders to transport goods; switching supplies to lower cost shipping lines
O-08	Risk of higher employee turnover	High / stable	Analysing the labour market; revising salaries or benefits to drive competitiveness
O-12	Information security risk	High / stable	Applying security systems and tools to counter cyber attacks (DDoS protection solutions, antiviruses, WAF, NGFW, etc.); developing and introducing information security regulations; ensuring employment contracts for Group employees are aligned with up-to-date information security regulations; investigating any violations of information security rules and regulations by Group employees; training relevant employees to monitor compliance with information security procedures
O-13	Risk of IT system failure	Medium / stable	Redistributing the IT system load to other systems; forecasting the growing load on systems; upgrading the server fleet in due course; using a testing landscape for fine-tuning; building up a stock of backup telecommunications equipment; embedding a fail-safe connection circuit across all key facilities (offices, data centres, distribution centres); providing redundant communication channels across key facilities (offices, data centres, distribution centres)

Type	Risk	Level / Change	Mitigation
O-05	Risk of trade restrictions in the wake of the COVID-19 pandemic	Low / stable	Closely monitoring changes to the Essentials List; rapidly updating the product range subject to possible restrictions; developing alternative sales channels (online, click & collect, etc.)
O-11	Risks of non-compliance with the requirements of the risk management and internal control system	Low / stable	Enhancing the design of internal controls to improve productivity; automating controls; reviewing and establishing workable standards for controls
O-14	Asset integrity risk (stores, distribution centres, offices)	Medium / stable	Entering into scheduled maintenance contracts; taking out inventory insurance
F-10	Currency risk	Medium / declining	Hedging the currency risk with derivatives; reducing the number of contracts exposed to currency risks; setting upper and lower bounds for exchange differences in contracts with contractors/suppliers
R-15	Fraud and corruption risk	Medium / stable	Updating anti-corruption procedure rules and the Regulations on Tender Procedures; including anti-corruption clauses in contracts for the purchase of goods or services; conducting audits to identify potential cases of corruption by Group employees or suppliers of goods or services
R-04	Risk of changes in the local legislation related to the product range or pricing restrictions	High / growing	Local sourcing; supplier rotation; negotiating engagement terms
S-16	Sanctions risks	High / new (declining)	Communicating with account managers of partner banks to ensure uninterrupted and full service delivery; making a list of business-critical equipment for stores, distribution centres and offices; building up reserves; tracking balances
O-17	Marketing risks	Medium / new (growing)	Opting for more cost-effective marketing activities; implementing SMM in-house within payroll costs to showcase the Company's product range; balancing the budget and marketing mix when selecting the method and channel to communicate with the target audience; establishing our unique selling proposition (USP) through product/price combination and through product category image-building communications

Risks that Materialised in 2022

As the impact of the COVID-19 pandemic on supply chains and consumer mobility was gradually fading, a new significant risk factor emerged: geopolitical tensions, resulting in sanctions and the transformation of Russia's economy. In 2022, key functions were affected by a number of risk events due to external factors.

Event	Response measures
Assortment management	
Many manufacturers of consumer goods leaving the Russian market or reducing the available product range	Searching for substitute products or alternative suppliers
Continued zero-COVID policy in China, international (primarily maritime) transport operators announcing the suspension of operations in Russia in March	Giving suppliers longer order lead times (earlier booking), searching for new freight forwarders and flexibly planning performance metrics amid changing costs and the time of delivery to Russia
Many partner banks added to various financial sanctions lists, hence more complicated transactions under contracts with foreign suppliers	Opening correspondent accounts with banks in other countries, including branches and subsidiaries in various jurisdictions, and using alternative currencies for settlement
Adverse impact of the adopted Resolution No. 713 of the Council of Ministers of the Republic of Belarus On the Price Regulation System, dated 19 October 2022	Developing and introducing new price points, promptly replenishing stocks at distribution centres and only affording shelf space to targeted SKUs
Supply chain	
International container lines suspending operations in Russia and with Russian customers	Identifying contract opportunities and signing contracts with alternative operators
Overloaded seaports in China and low throughput capacity at Russia's active seaports	Leveraging multimodal transportation; flexibly combining multiple modes of transport: by sea, rail and road; early demand planning; and enabling just-in-time delivery
Significant increase in standard container shipping costs	Regularly meeting and negotiating with suppliers
Limited labour availability for transportation (drivers) and warehousing due to seasonality and other factors	Reviewing employment terms and expanding the list of recruitment channels
Lack of handling equipment that meets certain specifications in the market	Limited reliance on used equipment and sourcing from other countries
More complicated procedures for obtaining product permits and certifications	Facilitating interactions between the manufacturer, the courier service (in the absence of international service operators) and certification laboratories
Marketing management	
A mismatch in timing between the publication of marketing communications and the actual on-shelf availability for some SKUs	Shifting the focus of marketing communications from product details to the image
Legal restrictions on using certain communication and promotion channels in Russia	Using available communication channels relevant to the target audience
Changes in legislation related to advertising on the internet	Adjusting business processes related to drafting and publishing promotional messages and adding provisions in line with the regulatory requirements
Surging service provider costs	Streamlining the marketing and advertising tactics on a regular basis without compromising their effectiveness

Sustainability Risks

In November 2021, the Board of Directors of Fix Price set up a Sustainability Committee. The first sustainability report prepared in accordance with GRI[1] and SASB[2] standards was published in summer 2022.

At present, the Company does not perform separate ESG risk assessments, but the current registry contains the following sustainability-related risk areas:

- personnel management;
- employee training and development;
- occupational safety;
- product quality;
- compliance;
- internal controls;
- information security;
- anti-corruption efforts.

As climate change becomes an increasingly urgent issue, this year we publish our first disclosure on the Company's climate impact guided by TCFD recommendations. For more details, see the dedicated section on page 79. Fix Price plans to identify climate risks and add them into the risk register and the risk map in future reporting periods.

[1] Global Reporting Initiative
[2] Sustainability Accounting Standards Board

Ethics and Anticorruption

Fix Price Group PLC is committed to conducting business in an ethical manner. The Company has an Anti-Bribery and Corruption Policy that provides a set of principles, procedures and specific measures aimed at preventing and eradicating corrupt practices, minimising the causes and conditions that generate corruption and forming anti-corruption mindsets among the Group's employees with respect to any manifestation of unfair behaviour.

In order to combat corruption, the Group performs the following activities:

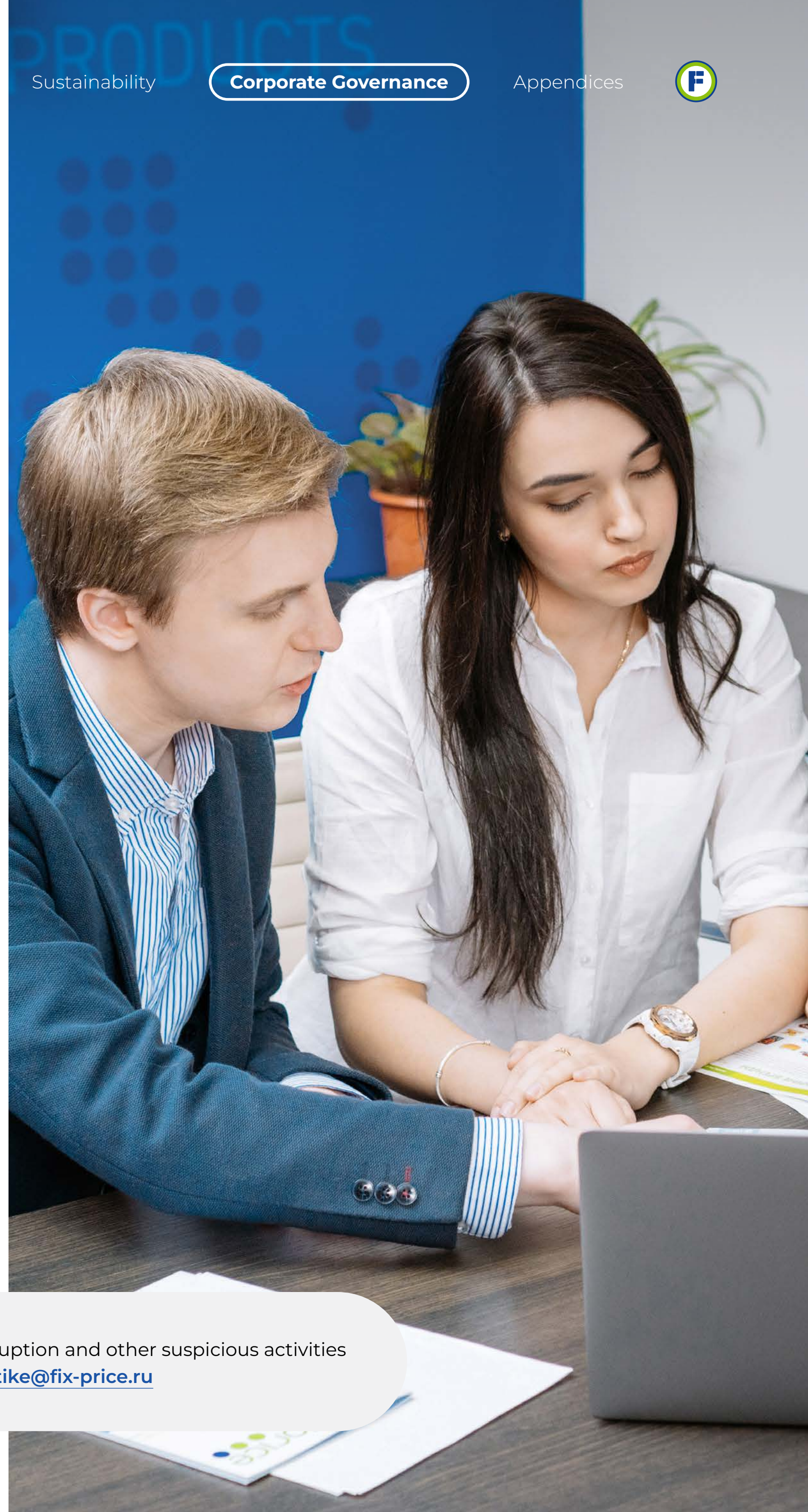
- safeguarding against corruption, including by identifying and subsequently eliminating causes of corruption, and training Group employees;
- detecting, preventing and impending corruption-related offences, and exposing and investigating these offences in accordance with the Company's policy and other regulations;
- minimising and/or eliminating of the consequences of corruption-related offences for the Group.

The Company's CEO is responsible for the implementation of anticorruption measures.

The Company conducts anti-corruption webinars for employees and provides access to anti-corruption video resources.

All employees agree to abide by the Group's Anti-Corruption Policy and anti-corruption agreements are signed by Group suppliers, contractors and partners.

Complaints on ethical issues, conflicts of interest, suspected corruption and other suspicious activities can be emailed to Fix Price's Ethics Committee: kommitet_po_etike@fix-price.ru



Results Of The Year

Fix Price continued to develop its compliance function in 2022. We improved access to the anti-corruption hotline, so all stakeholders can easily use it via the corporate website.

Ethics and corruption hotline: fix-price.com

In 2022, we surveyed 11.5 thous. employees on ethics and compliance issues. During the survey, we reminded them that there are channels available for submitting complaints and that we continue to abide by the current Business Ethics Policy. The survey results revealed opportunities for further improvement.

In 2022, we launched a mandatory training programme for office employees, which included modules on anti-corruption and business ethics.

The Company updated its Business Ethics Policy (Code of Conduct) to fully align it with our mission, values and principles of doing business.

We conducted a course “Rules of Business Conduct” for store employees on the FP School platform, where we elaborated on ethical business communication with customers and colleagues.

In 2022, the number of complaints about corruption increased due to expanded coverage of the Ethics and Compliance Committee activities and due to the set up of the hotline. The number of complaints grew from the side of employees, contractors and customers.

The geography of complaints also expanded among the Russian Federation regions, in Belarus and Kazakhstan. We investigate all complaints, and if violations are confirmed, we enforce disciplinary measures against those persons who were found at fault. To prevent similar incidents in the future, we fine-tune internal control processes and update the rules and procedures.

Information Disclosure

The following documents are published on the official website of the Company:

- Memorandum and Articles of Association of Fix Price Group PLC;
- internal policies;
- other required information.

In 2021, the Company launched its corporate website which provides a regularly updated investor calendar, a press releases page, dividend history, key performance indicators, contact details and other useful information.

In addition, the Company discloses information on the LSE Company’s page and via the Interfax disclosure server

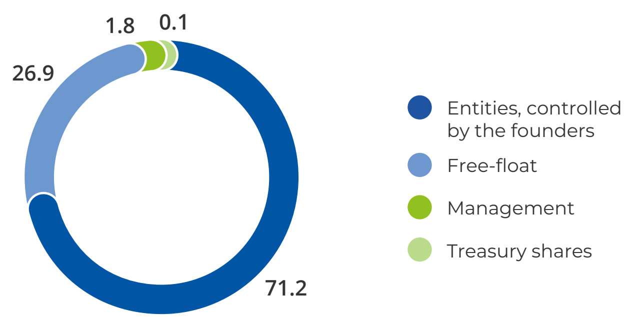
WE SURVEYED ~11,500 EMPLOYEES ON ETHICS AND COMPLIANCE ISSUES IN 2022

Shareholder and Investor Engagement

Shareholder Capital

Following the successful IPO of Fix Price, its Global Depositary Receipts ("GDRs") were introduced to the London Stock Exchange and the Moscow Exchange (ticker: FIXP) on 10 March 2021. Each GDR corresponds to one ordinary share. The Company's share capital currently comprises 850,000,000 ordinary shares.

Shareholding structure as at the end of 2022, %



There were no significant changes in the shareholding structure in 2022.

Investor Interaction

Fix Price is committed to ensuring high level of information transparency. This means we are open, honest and straightforward with information about our Company and our activities. We work hard to earn and maintain trust with our stakeholders.

This reporting year proved to be a challenging time in almost every sector. But despite dramatic and rapid changes, we continued to follow our usual disclosure approach in line with the best practices. We continued to publish quarterly reports, as well as financial and operational results, and maintain an open dialogue with investors and market participants.

Fix Price strives to attract new and retain existing investors. We always stay in touch with our investors through a variety of channels, including public materials, mailings, conference calls and personal engagement, as well as other online and offline opportunities.

Dividends

On 16 September 2022, the Board of Directors temporarily suspended the Group's Dividend Policy. The Company stresses its commitment to paying dividends once the situation stabilises. We will provide an update to the market on future dividend pay-outs in due course.

Investor Calendar

2022		
24 January	Q4 and FY 2021 Operating results	Virtual
28 February	FY 2021 Financial results	Virtual
27 April	Q1 2022 Operating Results	Virtual
27 July	Q2 and H1 2022 Operating Results	Virtual
19 September	Q2 and H1 2022 Financial Results	Virtual
27 October	Q3 and 9M 2022 Operating and Financial Results	Virtual
2023		
26 January	Q4 and FY 2022 Operating results	Virtual
27 February	FY 2022 Financial results	Virtual
27 April	Q1 2023 Operating and Financial Results	Virtual

APPENDICES

Independent auditor’s report

To the Shareholders of Fix Price Group PLC:

Opinion

We have audited the consolidated financial statements of Fix Price Group PLC (hereinafter, the “Company”) and its subsidiaries (hereinafter, the “Group”), which comprise the consolidated statement of comprehensive income for the year ended 31 December 2022, consolidated statement of financial position as at 31 December 2022, consolidated statement of cash flows and consolidated statement of 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 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (thereafter “IASB”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Auditor’s Independence Rules and the Auditor’s Professional Ethics Code, that are relevant to our audit of the financial statements in the Russian Federation together with the ethical requirements of 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 and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Existence and completeness of inventories As at 31 December 2022 and 2021 the inventories held by the Group comprise RUB 41,020 million and RUB 40,566 million, respectively. The Group's inventories consist of merchandise purchased and held for resale and are carried at the lower of cost and net realisable value. Existence and completeness of inventories were determined to be a key audit matter due to the magnitude of the inventories' balance, the high number of locations and sites where inventories are held at, variability of title transfer terms in purchase agreements, and estimates, such as shrinkage allowance, made by management in determining the carrying amount of inventories at reporting date. The Group's significant accounting policies are disclosed in Note 2, the key assumptions related to inventory measurement are disclosed in Note 3, the inventories are disclosed in Note 14 and write-offs of merchandise inventories relating to shrinkage and write-down to net realisable value are disclosed in Note 6.	Our audit procedures related to Existence and completeness of inventories included the following, among others: • Obtaining an understanding, evaluating design and implementation and, where deemed appropriate, testing the operating effectiveness of relevant controls relating to the inventory process including controls over the Group's inventory stock count procedure; • Observing the inventory count process for a sample of stores and distribution centers during the year and performing independent test counts for a sample of stock keeping units; • Vouching inventory movements between stock count dates and reporting period end to supporting documents for a sample of stock-keeping units; • Challenging appropriateness of management's estimate of shrinkage allowance, including developing an independent estimate and assessing historical accuracy of management's estimates; • For inventories purchased close to year-end which are still on their way to the Group's warehouses ("goods in transit") verifying that it was appropriate to recognise inventories at the reporting date and testing completeness of inventory purchases booked close to year-end.
Uncertain tax treatments As at 31 December 2022 and 2021 the Group's balance of income tax payable comprised RUB 6,005 million and RUB 5,087 million, respectively. The Group files income tax returns in several jurisdictions and is periodically subject to tax audits in the ordinary course of business. Applicable tax laws and regulations in those jurisdictions, including Russia where the Group's main operating subsidiary is based off, are subject to differing interpretations and the resolution of a final tax position can take several years. The key audit matter is focused on the valuation and completeness of the income tax liabilities associated with uncertain tax treatment and completeness and accuracy of the Group's disclosure of tax-related contingent liabilities. A significant degree of judgement is applied by management when assessing the Group's tax positions given the inherent uncertainty. The Group's income taxes are disclosed in Note 9 on and the Group's contingent liabilities with regards to taxation are disclosed in Note 23.	Our audit procedures related to uncertain tax treatments included the following, among others: • Obtaining an understanding of the Group's internal processes and controls in respect of management's assessment of income tax liabilities and contingent liabilities related to tax matters; • In cooperation with our internal tax specialists, evaluating the tax positions taken by the Group's management and testing the valuation and completeness of uncertain tax liabilities, including an examination of available documents on tax audits, analysis of tax legislation, recent court practice and other evidence; • Testing the valuation of income tax provisions and accuracy of underlying schedules used to compute the income tax liability and tax-related contingent liabilities, including, where deemed relevant, developing an independent estimate; • Checking the adequacy of the disclosures in the consolidated financial statements with the requirements of accounting standards in respect of uncertain tax positions, income tax liabilities, contingent liabilities and underlying key judgments and estimates.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information presented by the Annual report when they become available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 IFRS, 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Vladimir Biryukov
(ORNZ No. 21906100113),

Engagement partner,
Acting based on the power of attorney issued by the General Director on 6 July 2022 authorising to sign off the audit report on behalf of AO “Business Solutions and Technologies”
(ORNZ No. 12006020384)

24 February 2023

Consolidated Financial Statements

Consolidated statement of comprehensive income for the year ended 31 December 2022

(in millions of Russian Rubles, except earnings per share)

	Notes	2022	2021
Revenue	5	277,644	230,473
Cost of sales	6	(185,650)	(157,073)
Gross profit		**91,994**	**73,400**
Selling, general and administrative expenses	7	(52,287)	(41,991)
Other operating income		1,295	873
Share of profit of associates		58	44
Operating profit		**41,060**	**32,326**
Interest income		328	131
Interest expense		(3,329)	(1,778)
Foreign exchange loss, net		(234)	(83)
Profit before tax		**37,825**	**30,596**
Income tax expense	9	(16,414)	(9,207)
Profit for the year		**21,411**	**21,389**

	Notes	2022	2021
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		84	(13)
Other comprehensive income/(loss) for the year		**84**	**(13)**
Total comprehensive income for the year		**21,495**	**21,376**
Earnings per share			
Weighted average number of ordinary shares outstanding	17	849,581,739	850,000,000
Earnings per share, basic and diluted (in Russian Rubles per share)		25.20	25.20

The accompanying notes on pages 108-145 form an integral part of these consolidated financial statements

Consolidated statement of financial position as at 31 December 2022

(in millions of Russian Rubles)

	Note	31 December 2022	31 December 2021
Assets			
Non-current assets			
Property, plant and equipment	10	19,692	18,142
Goodwill		179	198
Intangible assets	11	1,721	1,221
Capital advances	12	7,272	549
Right-of-use assets	13	11,598	9,636
Investments in associates		70	58
Total non-current assets		**40,532**	**29,804**
Current assets			
Inventories	14	41,020	40,566
Right-of-use assets	13	1,790	1,718
Receivables and other current assets	15	2,531	1,843
Prepayments		2,093	1,801
Value added tax receivable		1,476	418
Cash and cash equivalents	16	23,584	8,779
Total current assets		**72,494**	**55,125**
Total assets		**113,026**	**84,929**

The accompanying notes on pages 108-145 form an integral part of these consolidated financial statements

	Note	31 December 2022	31 December 2021
Equity and liabilities			
Equity			
Share capital	17	1	1
Additional paid-in capital	17	154	154
Retained earnings	17	29,241	7,830
Treasury shares	17	(207)	-
Currency translation reserve	17	78	(6)
Total equity		**29,267**	**7,979**
Non-current liabilities			
Loans and borrowings	19	4,352	-
Lease liabilities	20	4,615	3,765
Deferred tax liabilities	9	421	533
Total non-current liabilities		**9,388**	**4,298**
Current liabilities			
Loans and borrowings	19	17,576	21,523
Lease liabilities	20	7,997	6,971
Payables and other financial liabilities	21	34,476	34,463
Advances received		792	601
Income tax payable	9	6,005	5,087
Tax liabilities, other than income taxes		5,523	2,372
Accrued expenses	22	2,002	1,635
Total current liabilities		**74,371**	**72,652**
Total liabilities		**83,759**	**76,950**
Total equity and liabilities		**113,026**	**84,929**

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

(in millions of Russian Rubles)

	Note	2022	2021
Cash flows from operating activities			
Profit before tax		**37,825**	**30,596**
Adjustments for:			
Depreciation and amortisation	10,11,13	13,138	11,829
Write-offs of merchandise inventories relating to shrinkage and write-down to net realisable value	6,14	2,730	2,036
Change in allowance for expected credit losses		19	8
Share of profit of associates		(58)	(44)
Interest income		(328)	(131)
Interest expense		3,329	1,778
Foreign exchange loss, net		234	83
Operating cash flows before changes in working capital		**56,889**	**46,155**
Increase in inventories		(3,363)	(15,624)
Increase in receivables and other financial assets		(747)	(978)
Increase in prepayments		(287)	(1,499)
(Increase)/Decrease in VAT receivable		(1,058)	97
Increase in payables and other financial liabilities		12	7,518
Increase in advances received		190	20
Increase in tax liabilities, other than income tax		3,158	302
Increase in accrued expenses		407	518
Net cash flows generated from operations		**55,201**	**36,509**
Interest paid		(3,154)	(1,907)
Interest received		302	131
Income tax paid		(15,567)	(9,396)
Net cash flows from operating activities		**36,782**	**25,337**
Cash flows from investing activities			
Purchase of property, plant and equipment		(11,210)	(5,706)
Purchase of intangible assets		(805)	(573)
Proceeds from sale of property, plant and equipment		90	60
Dividends received from associates		45	60
Net cash flows used in investing activities		**(11,880)**	**(6,159)**
Cash flows from financing activities			
Proceeds from loans and borrowings	19	30,260	25,500
Repayment of loans and borrowings	19	(30,150)	(19,686)
Lease payments		(9,903)	(9,197)
Acquisition of treasury shares		(207)	-
Dividends paid*		-	(33,446)
Net cash flows used in financing activities		**(10,000)**	**(36,829)**
Total cash from/(used in) operating, investing and financing activities		**14,902**	**(17,651)**
Effect of exchange rate fluctuations on cash and cash equivalents		(97)	55
Net increase/(decrease) in cash and cash equivalents		**14,805**	**(17,596)**
Cash and cash equivalents at the beginning of the year	**16**	**8,779**	**26,375**
Cash and cash equivalents at the end of the year	**16**	**23,584**	**8,779**

The accompanying notes on pages 108-145 form an integral part of these consolidated financial statements

* Non-cash transactions are disclosed in Note 17.

Consolidated statement of changes in equity for the year ended 31 December 2022

(in millions of Russian Rubles)

	Note	Share capital	Treasury shares	Additional paid-in capital	(Deficit) / Retained earnings	Currency translation reserve	Total (deficit)/ equity
At 1 January 2021		**1**	**-**	**154**	**(3,771)**	**7**	**(3,609)**
Profit for the year		-	-	-	21,389	-	21,389
Other comprehensive income for the year		-	-	-	-	(13)	(13)
Total comprehensive income for the year, net of tax		**-**	**-**	**-**	**21,389**	**(13)**	**21,376**
Dividends	17	-	-	-	(9,788)	-	(9,788)
At 31 December 2021		**1**	**-**	**154**	**7,830**	**(6)**	**7,979**
At 1 January 2022		**1**	**-**	**154**	**7,830**	**(6)**	**7,979**
Profit for the year		-	-	-	21,411	-	21,411
Other comprehensive loss for the year		-	-	-	-	84	84
Total comprehensive income for the year, net of tax		**-**	**-**	**-**	**21,411**	**84**	**21,495**
Dividends	17	-	-	-	(5,800)	-	(5,800)
Cancelation of dividends	17	-	-	-	5,800	-	5,800
Acquisition of treasury shares	17	-	(207)	-	-	-	(207)
At 31 December 2022		**1**	**(207)**	**154**	**29,241**	**78**	**29,267**

The accompanying notes on pages 108-145 form an integral part of these consolidated financial statements

Notes to the consolidated financial statements

(in millions of Russian Rubles)

1. General information

Fix Price Group Ltd (earlier, prior to November 2020, Meridan Management Ltd) was incorporated in May 2008 in accordance with the Business Companies Act of the British Virgin Islands. On 11 May 2022 the Company has changed its jurisdiction of incorporation from the British Virgin Islands to the Republic of Cyprus with its registered address at 155 Archiepiskopou Makariou III, Proteas House, 3026, Limassol, Cyprus. With effect from 11 May 2022, the name of the Company has changed from Fix Price Group Ltd to Fix Price Group PLC (the “Company”).

Fix Price Group PLC 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.

On 10 March 2021 the Group completed an initial public offering of global depositary receipts representing ordinary shares of Fix Price Group PLC on the London Stock Exchange and Moscow Exchange.

Fix Price Group PLC 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 2022 and 31 December 2021 the Group had neither an ultimate controlling party nor an ultimate controlling beneficiary owner.

The ownership interest of the Group and the proportion of its voting power in its major operating subsidiaries was as follows, as at each period end:

Company name	Country of incorporation	Principal activity	Ownership interest 31 December 2022	Ownership interest 31 December 2021
Kolmaz Holdings Ltd[1]	Cyprus	Intermediate holding company	-*	100%
Best Price LLC	Russia	Retail and wholesale operations	100%	100%
Best Price Export LLC	Russia	Wholesale operations	100%	100%
Best Price Kazakhstan TOO	Kazakhstan	Retail operations	100%	100%
Fix Price Zapad LLC	Belarus	Retail operations	100%	100%
FIXPRICEASIA LLC	Uzbekistan	Retail operations	100%	100%

These consolidated financial statements were authorised for issue by management of the Company on behalf of the Board of Directors of the Company on 24 February 2023.

* On 27 September 2022, Kolmaz Holdings Ltd merged with the parent entity Fix Price Group PLC. The merger had no impact on these consolidated financial statements

2. Basis of preparation and summary of significant accounting policies

Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (thereafter "IFRS") as issued by the International Accounting Standards Board (thereafter "IASB").

(b) Historical cost basis

The consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial assets and financial liabilities at fair value through profit or loss. The accounting policies applied by the Group are set out below and have been applied consistently throughout the consolidated financial statements, except for the adoption of the new standards and interpretations, the adoption of IFRS 8 "Operating Segments" as discussed below.

Going concern

As a variety value retailer, the Group is well placed to withstand volatility within the economic environment. After making thorough analysis, including preparing cash flow forecasts for at least 12 months from the reporting date of these consolidated financial statements, the management has a reasonable expectation that the Group has adequate resources to continue its operations in the foreseeable future.

The restrictive measures imposed by US, UK, EU and other countries' foreign officials, which were further intensified since February 2022, as well as Covid-19 pandemic have not had a material adverse impact on this assessment, with the Group's stores remaining open and able to continue to trade profitably.

Thus, the management of the Group continues to adopt the going concern basis of accounting in preparing these consolidated financial statements.

Basis of consolidation

(a) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. The Group controls an entity where the Group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group, and deconsolidated from the date that control ceases. Inter-company transactions, balances and unrealised gain and losses on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. Changes resulting from the profit or loss generated by the associate are reported in share of profits of associates. 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. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss.

Business combinations

The acquisition method of accounting is used to account for all business combinations, except for business combinations under common control. The consideration transferred for the acquisition of a subsidiary comprises the: (i) fair values of the assets transferred, (ii) liabilities incurred to the former owners of the acquired business, (iii) equity interests issued by the Group. Acquisition-related costs are expensed as incurred.

The book-value method of accounting is used for business combinations under common control. The method measures assets and liabilities received in the combination at their existing book values.

Goodwill is measured as the excess of the consideration transferred, the amount of any non-controlling interests in the acquired entity and the acquisition 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. Goodwill tested annually for impairment, or more frequently if events or changes in circumstances indicate that the asset might be impaired.

Segment information

Operating segments are identified based on the internal reporting of the financial information to the Chief Operating Decision Maker (hereinafter, "CODM").

The Group operates retail stores in several geographies. The Group's CODM reviews the Group's performance primarily on a store-by-store basis. The Group has assessed the economic characteristics of individual stores in various geographies and determined that the stores have similar business operations, similar products, similar classes of customer and a centralised distribution network. Therefore, the Group believes that it has only one reportable segment under IFRS 8.

The customer base of the Group is diversified, therefore transactions with a single external customer do not exceed 10% of the Group's revenue.

Foreign currency translation

(a) Functional and presentation currency

The functional currencies of the Company and its subsidiaries are as follows:

Company name	Functional currency
Fix Price Group PLC	Russian Rouble ("RUB")
Kolmaz Holdings Ltd	Russian Rouble ("RUB")
Best Price LLC	Russian Rouble ("RUB")
Best Price Export LLC	Russian Rouble ("RUB")
Best Price Kazakhstan TOO	Kazakhstan tenge ("KZT")
Fix Price Zapad LLC	Belarussian Rouble ("BYN")
FIXPRICEASIA LLC	Uzbekistan sum ("UZS")

The presentation currency of the Group is Russian Rubles ("RUB"). All values are rounded to the nearest million RUB, except where otherwise indicated.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income ("OCI") on a net basis. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(c) Group companies

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that balance sheet
- Income and expenses for each statement of comprehensive income are translated at average exchange rates
- All resulting exchange differences are recognised in other comprehensive income.

- Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing 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	Closing rate on 31 December	Average rate for the year	
	2022	2021	2022	2021
KZT	0.1526	0.1690	0.1486	0.1726
BYN	25.7044	29.1458	25.9463	29.0198
UZS	0.0063	0.0069	0.0062	0.0069

Revenue recognition

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. A five-step recognition model is applied: (1) identify the contract(s) with the customer; (2) identify the separate performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognise revenue when (or as) each performance obligation is satisfied.

(a) Retail revenue

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.

(b) Customer loyalty programme

The Group has a customer loyalty programme which 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.

(c) Wholesale revenue

Wholesale revenue includes: (1) Sales of goods to franchisees, which is recognised at the moment of transfer of goods to franchisees at the warehouse; (2) 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 include all running costs of the business, except those relating to inventory, tax, interest, foreign exchange gain or loss, share of profit or loss in associates and other comprehensive income. Warehouse costs are included in this line item.

Property, plant and equipment

Property, plant and equipment is carried at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes all expenditures directly attributable to the acquisition of the items. Unless significant or incurred as part of a refit programme, subsequent expenditure will normally be treated as repairs or maintenance and expensed to the consolidated statement of comprehensive income as incurred.

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 any component accounted for as a separate asset is derecognised when replaced. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the profit or loss.

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 is calculated using the straight-line method to allocate the cost of the assets, net of their residual values, over their estimated useful lives as follows:

	Useful lives in years
Buildings	50
Leasehold improvements	10
Equipment and other assets	2-20

Freehold land is not depreciated.

Residual values and useful lives are reviewed annually and adjusted prospectively, if appropriate.

Intangible assets

Intangible assets acquired separately, including computer software, are stated at historical cost, comprising expenditures that is directly attributable to the acquisition of the items. 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.

Impairment of property, plant and equipment and intangible assets excluding goodwill

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU' fair value less costs to sell and its value in use. 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.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

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.

Impairment losses of continuing operations are recognised in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

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 represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. 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

(a) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax regulations 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.

(b) Deferred tax

Deferred tax is provided 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.

Financial assets

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group 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 of the consolidated statement of comprehensive income.

(a) Classification

The Group classifies its financial assets in the following specified categories: (i) those to be measured subsequently at fair value (either through OCI, or through profit or loss); and (ii) 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. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) 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 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).

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.

(d) 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 recognises lifetime ECL for trade 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.

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: (i) the financial instrument has a low risk of default; (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) 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 through the use of allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Financial liabilities

(a) Classification as debt or equity

Debt and equity instruments issued by the Group's 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.

(b) 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 as 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.

(c) Measurement of the 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.

(d) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled 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.

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: (i) Level 1: quoted prices for identical assets and liabilities determined in active markets (unadjusted); (ii) Level 2: techniques where all used inputs that significantly affect the fair value are observable directly or indirectly; (iii) Level 3: techniques where used inputs that significantly affect the fair value are not based on observable market data.

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.

Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get 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 allowance 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: (i) share capital represents the nominal value of ordinary shares; (ii) additional paid-in capital represents contributions to the property of the Group in cash or other assets made by shareholders; (iii) retained earnings / (deficit) represents retained profits, (iv) treasury shares.

(a) Dividends

Dividends and the related taxes 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.

(b) Earnings per share basic and diluted

Basic earnings per share is calculated by dividing: (i) the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares by (ii) the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account: (i) the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and (ii) the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(c) Treasury shares

If the Group reacquires its own equity instruments, those instruments are deducted from equity at cost, being the consideration paid to reacquire the shares. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Such treasury shares may be acquired and held by the Company or by the subsidiaries of the Company. Any difference between the carrying amount and the consideration, if reissued, is recognised in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated.

Share-based payments

Equity-settled share-based payments to employees providing similar services are measured at the fair value of the equity instruments at the grant date. All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to retained earnings. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognised in profit or loss for the year.

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 the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Leases

(a) Assessment

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 leases of low value assets (such as small items of furniture and equipment). 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.

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.

(b) Lease liability

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: (i) fixed lease payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; (iii) the amount expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and (v) 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 subsequently measured by increasing the carrying amount to reflect interest on the lease liability 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: (i) 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 (ii) 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) (iii) 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.

(c) Right-of-use asset

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 Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

(d) Presentation

In the consolidated statement of financial position the Group presents lease liability and right-of-use assets separately within liabilities and assets, respectively. 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

In application of the accounting policies adopted by the Group, the management is required to make certain judgements, estimates and assumptions. Those judgements, estimates and assumptions 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 the future developments, however, may change due to circumstances beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Critical accounting judgements

The following are the critical judgements that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

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.

Sources of estimation uncertainty

The 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:

(a) 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.

(b) Inventories of goods for resale allowance

The Group provides for estimated inventory shrinkage on the basis of historical shrinkage as a percentage of cost of sales. This allowance is adjusted at the end of each reporting period to reflect the historical trend of the actual physical inventory count results (Note 6, 14).

(c) 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. Income tax provisions accrued by the Group are disclosed in Note 9. The Group's contingent liabilities with regards to taxation are disclosed in Note 23.

4. New and revised international financial reporting standards

Adoption of New Standards and Interpretations

In the year ended 31 December 2022, 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:

(a) Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to a contract activities General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

(b) Reference to the Conceptual Framework – Amendments to IFRS

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

(c) Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management

(d) IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

(e) IFRS 16 – Leasehold improvements

The amendment removes the illustration of the reimbursement of leasehold improvements.

The amendments are effective for annual periods beginning on or after 1 January 2022. These amendments had no impact on the consolidated financial statements of the Group.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these consolidated financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 17 (including Amendments) 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 IAS 1 and IFRS Practice Statement 2 Disclosure of accounting policies;
- Amendments to IAS 8 Definition of accounting estimates;
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction.
- Amendments to IAS 1 Non-current Liabilities with Covenants
- Amendments to IFRS 16 Lease Liability in a Sale and Leaseback

The adoption of the new and revised IFRS Standards listed above is not expected to have a material impact on the financial position and financial performance of the Group in future periods.

5. Revenue

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

	2022	2021
Retail revenue	246,212	203,328
Wholesale revenue	31,432	27,145
	277,644	**230,473**

During the year ended 31 December 2022, the share of the Group's revenue originated from operations in Russia accounted for 94% of the total Group's revenue. During the year ended 31 December 2021, the share of the Group's revenue originated from operations in Russia accounted for 93% of the total Group's revenue.

6. Cost of sales

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

	2022	2021
Cost of goods sold	178,506	151,112
Transportation and handling costs	4,414	3,925
Write-offs of merchandise inventories relating to shrinkage and write-down to net realisable value	2,730	2,036
	185,650	**157,073**

7. Selling, general and administrative expenses

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

	2022	2021
Staff costs	28,195	20,884
Depreciation of right-of-use assets	10,009	9,198
Other depreciation and amortisation	3,129	2,631
Bank charges	2,799	2,535
Rental expense	2,289	1,667
Security services	1,897	1,613
Repair and maintenance costs	1,121	925
Utilities	835	712
Advertising costs	719	767
Other expenses	1,294	1,059
	52,287	**41,991**

Staff costs include statutory social security and pension contributions (defined state contribution plan) in the amount of RUB 4,507 million and RUB 3,184 million for the years ended 31 December 2022 and 31 December 2021, respectively.

Rental expense mainly relates to leases of low-value items for which the recognition exemption is applied and variable lease costs that are expensed as incurred.

8. Key management remuneration

The total compensation relating to the key management personnel of the Group amounted to RUB 1,629 million and RUB 1,080 million during the years ended 31 December 2022 and 31 December 2021, 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.

9. Income tax expense

	2022	2021
Current tax expense	16,526	9,059
Deferred tax (benefit)/expense	(112)	148
Income tax expense	**16,414**	**9,207**

Income before taxation for financial reporting purposes is reconciled to tax expense as follows:

	2022	2021
Profit before tax	37,825	30,596
Theoretical tax expense at 20%, being statutory rate in Russia	**(7,565)**	**(6,119)**
Withholding tax on intra-group dividends	(381)	(3,067)
Income/(expenses) subject to income tax at rates different from 20%	209	(45)
(Non-deductible)/non-taxable items	(203)	131
Deferred tax liability on the undistributed retained earnings of the Group's subsidiaries	107	(107)
Income tax provision	(8,581)	-
Income tax expense	**(16,414)**	**(9,207)**

Withholding tax is applied to dividends distributed by the Group's operating subsidiaries, such tax is withheld at the source by the respective subsidiary and is paid to the relevant tax authorities at the same time when the payment of dividend is effected.

In 2021, the Group announced a dividend policy with a minimum pay-out ratio and, consequently, the Group recognised a deferred tax liability on the undistributed retained earnings of the Group's subsidiaries as at 31 December 2021. On 17 September 2022 the Board of Directors of the Group temporarily suspended the Group's dividend policy, and subsequently the Group derecognised the relevant deferred tax liability.

Income tax provision for the year ended 31 December 2022 was accrued as a result of reassessment by the management of the Group of tax risks relating to certain historical intragroup transactions, which were previously disclosed as contingent liabilities (Note 23).

Movements in the deferred tax assets and liabilities for the year ended 31 December 2022 were as follows:

	31 December 2021	Charged to profit or loss	31 December 2022
Tax effects of deductible temporary differences			
Trade and other payables	95	(26)	69
Accrued expenses	214	16	230
Other	71	43	114
Deferred tax assets	**380**	**33**	**413**
Tax effects of taxable temporary differences			
Investment in subsidiaries	(107)	107	-
Inventories	(68)	39	(29)
Property, plant and equipment	(635)	(96)	(731)
Investments in associates	(12)	(2)	(14)
Trade and other receivables	(31)	31	-
Intangible assets	(60)	-	(60)
Deferred tax liabilities	**(913)**	**79**	**(834)**
Net deferred tax liabilities	**(533)**	**112**	**(421)**

Movements in the deferred tax assets and liabilities for the year ended 31 December 2021 were as follows:

	31 December 2020	Charged to profit or loss	31 December 2021
Tax effects of deductible temporary differences			
Trade and other payables	58	37	95
Accrued expenses	102	112	214
Other	17	54	71
Deferred tax assets	**177**	**203**	**380**
Tax effects of taxable temporary differences			
Investment in subsidiaries	-	(107)	(107)
Inventories	(73)	5	(68)
Property, plant and equipment	(464)	(171)	(635)
Investments in associates	(15)	3	(12)
Trade and other receivables	(6)	(25)	(31)
Intangible assets	(4)	(56)	(60)
Deferred tax liabilities	**(562)**	**(351)**	**(913)**
Net deferred tax liabilities	**(385)**	**(148)**	**(533)**

10. Property, plant and equipment

Movements in the carrying amount of property, plant and equipment during the years ended 31 December 2022 and 31 December 2021 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 2021	**3,669**	**9,996**	**7,412**	**163**	**99**	**21,339**
Additions	3,499	2,606	1,162	112	(64)	7,315
Disposals	-	(299)	(265)	(2)	-	(566)
Effect of translation to presentation currency	-	(3)	(6)	(4)	-	(13)
At 31 December 2021	**7,168**	**12,300**	**8,303**	**269**	**35**	**28,075**
Additions	371	2,742	1,238	115	172	4,638
Disposals	-	(482)	(211)	(4)	-	(697)
Effect of translation to presentation currency	-	(59)	(46)	(13)	(8)	(126)
At 31 December 2022	**7,539**	**14,501**	**9,284**	**367**	**199**	**31,890**

Buildings primarily represent distribution centers owned by the Group.

Borrowing costs included in the cost of qualifying assets durig the year amounted to RUB 228 million. Borrowing costs included in the cost of qualifying assets during the year ended 31 December 2021 amounted to RUB 137 million.

As at 31 December 2022, no assets were pledged as security. As at 31 December 2021, buildings with a carrying amount of RUB 855 million were pledged as security.

	Land and buildings	Trade and other equipment	Leasehold improve-ments	Other	Assets under construction and uninstalled equipment	Total
Accumulated depreciation and impairment						
At 1 January 2021	**214**	**4,825**	**2,923**	**69**	**-**	**8,031**
Depreciation charge	62	1,445	745	26	-	2,278
Disposals	-	(260)	(115)	(1)	-	(376)
Effect of translation to presentation currency	-	-	-	-	-	-
At 31 December 2021	**276**	**6,010**	**3,553**	**94**	**-**	**9,933**
Depreciation charge	135	1,681	803	38	-	2,657
Disposals	-	(320)	(70)	(2)	-	(392)
Effect of translation to presentation currency	-	-	-	-	-	-
At 31 December 2022	**411**	**7,371**	**4,286**	**130**	**-**	**12,198**
Net book value						
At 1 January 2021	**3,455**	**5,171**	**4,489**	**94**	**99**	**13,308**
At 31 December 2021	**6,892**	**6,290**	**4,750**	**175**	**35**	**18,142**
At 31 December 2022	**7,128**	**7,130**	**4,998**	**237**	**199**	**19,692**

11. Intangible assets

Movements in the carrying amount of intangible assets during the years ended 31 December 2022 and 31 December 2021 were as follows:

	Software	Other	Total
Cost			
At 1 January 2021	**1,047**	**159**	**1,206**
Additions	522	50	572
At 31 December 2021	**1,569**	**209**	**1,778**
Additions	775	30	805
At 31 December 2022	**2,344**	**239**	**2,583**
Accumulated amortisation and impairment			
At 1 January 2021	**263**	**70**	**333**
Amortisation charge	153	71	224
At 31 December 2021	**416**	**141**	**557**
Amortisation charge	258	47	305
At 31 December 2022	**674**	**188**	**862**
Carrying amount			
At 1 January 2021	**784**	**89**	**873**
At 31 December 2021	**1,153**	**68**	**1,221**
At 31 December 2022	**1,670**	**51**	**1,721**

12. Capital advances

As at 31 December 2022, the Group's capital advances mainly consist of advances for construction of warehouse premises in Domodedovo and Ekaterinburg and of advance for the purchase of the office building in Moscow. As at 31 December 2021 capital advances consist of advances for equipment.

13. 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 10 years. Movements in the carrying amount of right-of-use assets were as follows:

	Leased premises and buildings for the year ended	
	31 December 2022	31 December 2021
Cost		
At 1 January 2022/ 1 January 2021	**34,050**	**24,490**
New lease contracts and modification of existing lease contracts	12,228	10,283
Lease prepayments	121	70
Disposals	(555)	(782)
Effect of translation to presentation currency	(353)	(11)
At 31 December 2022/ 31 December 2021	**45,491**	**34,050**

	Leased premises and buildings for the year ended 31 December 2022	31 December 2021
Accumulated depreciation and impairment		
At 1 January 2022/ 1 January 2021	**(22,696)**	**(14,212)**
Depreciation expense	(10,099)	(9,271)
Disposals	555	782
Effect of translation to presentation currency	137	5
At 31 December 2022/ 31 December 2021	**(32,103)**	**(22,696)**
Carrying amount		
At 1 January 2022/ 1 January 2021	**11,354**	**10,278**
At 31 December 2022/ 31 December 2021	**13,388**	**11,354**

	For the year ended 31 December 2022	For the year ended 31 December 2021
Amounts recognised in profit and loss		
Depreciation expense of right-of-use assets	10,009	9,198
Interest expense on lease liabilities	1,271	727
Foreign exchange gain, net	(77)	(101)
Expenses relating to variable lease payments not included in the measurement of the lease liabilities	2,260	1,661

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. The variable payments depend on sales of particular stores and consequently on the overall economic development over the next few years. Such payments are recognised in profit or loss as incurred.

The total cash outflow for leases accounted for under IFRS 16 in the consolidated financial statements amount to RUB 13,459 million for the year ended 31 December 2022 (RUB 11,563 million for the year ended 31 December 2021).

14. 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 2022 and 31 December 2021 are disclosed in Note 6.

15. Receivables and other current assets

	31 December 2022	31 December 2021
Trade receivables from franchisees, net of allowance for expected credit losses	1,163	783
Settlements with customs	1,132	701
Forward foreign exchange contracts (Note 24)	-	157
Other receivables, net of allowance for expected credit losses	236	202
	2,531	**1,843**

The following table summarises the changes in the allowance for expected credit losses on trade and other receivables:

	31 December 2022	31 December 2021
At 1 January 2022/ 1 January 2021	**(22)**	**(19)**
Additional allowance recognised on trade and other receivables	(16)	(3)
At 31 December 2022/ 31 December 2021	**(38)**	**(22)**

16. Cash and cash equivalents

	31 December 2022	31 December 2021
Bank current accounts – RUB, KZT, BYN, UZS	3,270	1,509
Bank current accounts – USD, EUR, CNY, GBP	3,740	483
Cash in transit – RUB, KZT, BYN, UZS	2,308	2,013
Cash in hand – RUB, KZT, BYN, UZS	381	348
Deposits – USD	2,082	-
Deposits – RUB, KZT, BYN	11,803	4,426
	23,584	**8,779**

Cash in transit represents cash collected by banks from the Group's stores and not yet deposited in bank accounts as at 31 December 2022 and 31 December 2021.

As at 31 December 2022 RUB, KZT, BYN and USD denominated deposit bank accounts in the amount of RUB 13,885 million had interest rates of 1.25-15.25% and 2-91 day maturity periods (deposits over 90 days are recallable on demand).

As at 31 December 2021 RUB, KZT and BYN denominated deposit bank accounts in the amount of RUB 4,426 million had interest rates of 6.50-8.40% and 12-201 day maturity periods (deposits over 90 days are recallable on demand).

RUB, KZT, BYN, UZS, USD, EUR, GBP and CNY denominated balances in current bank accounts are normally interest free.

17. Equity

Ordinary shares

As at 31 December 2022 and 31 December 2021 the ordinary share capital of the Group was as follows:

	Outstanding ordinary shares	Issued ordinary shares
At 31 December 2021	**850,000,000**	**850,000,000**
Acquisition of treasury shares	(471,307)	-
At 31 December 2022	**849,528,693**	**850,000,000**

As at 31 December 2022 the Company had the authorised share capital of 10,000,000,000 ordinary shares with a par value of EUR 0.001 per share.

As at 31 December 2021 the Company had the authorised share capital of unlimited number of ordinary shares with no par value.

Additional paid-in capital

No contributions into equity were made by shareholders of the Group during the years ended 31 December 2022 and 31 December 2021.

Dividends

No dividends were announced for 2022 during the year ended 31 December 2022.

Interim dividends for 2021 of RUB 11.52 per share, amounting to total dividends of RUB 9,788 million were announced in August 2021 and were paid in full. Final dividends for 2021 of RUB 6.82 per share, amounting to total final dividends of RUB 5,800 million were announced in February 2022. On 17 September 2022 the Board of Directors of the Group canceled the final dividend for 2021.

Treasury shares

On 24 January 2022 the Company announced GDR's buyback programme, which was concluded on 25 April 2022. During the year ended 31 December 2022, the Group acquired 471,307 of the Company's GDR's for a total consideration of RUB 207 million. As at 31 December 2022 the Group had 471,307 treasury shares with the total cost of RUB 207 million.

18. Share-based compensation

On 23 November 2022, the Board of Directors of the Group approved the long-term incentive programmes for its top management and key employees ("the Programme"). The Programme is designed to provide long-term incentives for its participants to deliver long-term shareholder returns, and to retain talent for the Group.

Under the Programme, participants in continuing employment, if certain performance conditions are met, are entitled to a certain number of Group's GDRs, its cash equivalent or a combination thereof at Group's discretion, that is to be granted in three annual tranches over the periods of 2022, 2023 and 2024 with an additional subsequent one year service period required for each tranche. Employee participation in the Programmes is at the Board of Directors' discretion. GDRs are granted under the Programme for no consideration, should this option be selected by the Group.

The annual award is calculated in accordance with the performance-based formula. The formula rewards employees to the extent of the Group's and the individual's achievement judged against both qualitative and quantitative targets, including but not limited to: store annual expansion plan, achievement of the Group's budgeted EBITDA and targeted return on investment capital.

The Group accounts for this Program as an equity-settled share-based payment transaction under IFRS 2, as the Group has no present obligation to settle in cash.

The fair value of each annual tranche of the Programme is determined using the market price of GDR on the recognised stock exchange at the respective grant date.

The grant date for the first and second tranches of the Programme was determined as 28 December 2022, which is also the date when the service period of the tranches started. Grant date for further tranche did not occur as of 31 December 2022.

Expenses arising from share-based transactions

Total expenses arising from share-based payment transactions recognised during the year ended 31 December 2022 were immaterial.

19. Loans and borrowings

Terms and conditions in respect of loans and borrowings as at 31 December 2022 are detailed below:

Source of financing	Currency	Maturity date	Interest rate as at 31 December 2022	31 December 2022
Short-term loans and borrowings (unsecured)	RUB	2023	8.80-9.20%	17,576
Long-term loans and borrowings (unsecured)	RUB	2025	9.00%	4,352
				21,928

Terms and conditions in respect of loans and borrowings as at 31 December 2021 are detailed below:

Source of financing	Currency	Maturity date	Interest rate as at 31 December 2021	31 December 2021
Short-term loans and borrowings (unsecured)	RUB	2022	7.37-9.45%	21,523
				21,523

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes for the year ended 31 December 2022. 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 2022	Financing cash flows (i)	Other changes (ii), (iii)	31 December 2022
Loans and borrowings	21,523	110	295	21,928
	21,523	**110**	**295**	**21,928**

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes for the year ended 31 December 2021. 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 2021	Financing cash flows (i)	Other changes (ii)	31 December 2021
Loans and borrowings	15,680	5,814	29	21,523
Dividends payable	23,658	(33,446)	9,788	-
	39,338	**(27,632)**	**9,817**	**21,523**

i. The cash flows from loans and borrowings and dividends payable make up the net amount of proceeds from and repayments of loans and borrowings and dividends paid in the consolidated statement of cash flows.
ii. Other changes include interest accrued and paid and the amounts of dividends declared, foreign exchange gains and losses and fair value adjustments.
iii. In 2022, Other changes include accrual of RUB 5,800 million of dividends declared and RUB 5,800 million of dividends canceled.

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 2022 and 31 December 2021 the Group was in compliance with all financial and non-financial covenants stipulated by its loan agreements.

20. Lease liabilities

As at 31 December 2022 and 31 December 2021 lease liabilities comprised the following:

	31 December 2022	31 December 2021
Gross lease payments, including:		
Current portion (less than 1 year)	8,889	7,494
More than 1 to 5 years	4,661	3,991
Over 5 years	881	15
Total gross lease payments	**14,431**	**11,500**
Less unearned interest	(1,819)	(764)
Analysed as:		
Current portion		
Less than one year	7,997	6,971
Non-current portion		
More than 1 to 5 years	3,890	3,751
Over 5 years	725	14
Total present value of net lease payments	**12,612**	**10,736**

The following table summarises the changes in the lease liabilities:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Balance as at 1 January 2022 / 1 January 2021	**10,736**	**10,052**
Interest expense on lease liabilities	1,271	727
Lease payments	(11,199)	(9,902)
New lease contracts and modification of existing lease contracts	12,093	9,965
Foreign exchange gain	(95)	(101)
Currency translation reserve	(194)	(5)
Balance as at 31 December 2022 / 31 December 2021	**12,612**	**10,736**

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 2022 was 8.99% per annum, at 31 December 2021 was 8.15%.

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 2022 and 2021 consisted of the following:

	31 December 2022	31 December 2021
Trade payables	32,600	32,138
Deferred revenue	1,656	2,088
Other payables	220	237
	34,476	**34,463**

Trade payables are normally settled no later than their 120 day term.

Deferred revenue comprises the compensation received from the Depositary in connection with the establishment, administration and maintenance of its Regulation S and Rule 144A depositary receipt facilities, for which revenue is recognised over time and included within Other operating income line item of the consolidated statement of comprehensive income, and the Group's contract liability with regards to the unredeemed customer loyalty points.

As at 31 December 2022 and 31 December 2021 all payables were unsecured.

22. Accrued expenses

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

	31 December 2022	31 December 2021
Accrued salaries and wages	1,992	1,627
Other accrued expenses	10	8
	2,002	**1,635**

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 outbreak of coronavirus infection, 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.

Since February 2022 foreign officials announced further extensions of sanctions earlier imposed in 2014, resulting in a significant change in the operating environment for the Russian economy. The new sanctions imposed by foreign states led to a considerable increase in a Russian Ruble exchange rate, limited the opportunities for Russia to use its foreign currency and gold reserves, the sanctions include restrictions targeting major Russian financial institutions and the Central Bank of Russia. As part of the measures imposed, the London Stock Exchange has suspended trading in a number of companies with ties to Russia, including Fix Price Group PLC. The Central Bank of Russia implemented a number of measures to sustain financial stability, including an increase of its key interest rate to 20% and limitations on cross-border transactions with certain jurisdictions. Adopted measures, together with the governmental support have led to gradual stabilisation with the key interest rate having been subsequently reduced to 7.5% and the exchange rate getting back to 2021 levels. However, as the current inflation rate exceeds 12%, the broader economy in general and the retail sector in particular are still being negatively impacted by the Russian Ruble volatility and sanctions imposed by a number of countries.

The combination of the negative factors affecting the Russian economy 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.

Contractual commitments

The Group has contractual capital commitments not provided within the Group's consolidated financial statements as at 31 December 2022 in the amount of RUB 2,268 million, VAT inclusive (as at 31 December 2021: RUB 3,934 million, VAT inclusive). These commitments relate to the acquisition of the new distribution centres and office building.

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 position, 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 the 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 2022 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 3% of the Group's total assets as at 31 December 2022.

Coronavirus disease (Covid-19)

The Covid-19 outbreak was first reported near the end of 2019 in Wuhan, China and since then, the virus has spread worldwide having various impacts on the global economy and businesses. In 2022 the Covid-19 pandemic shows signs of easing as some countries have lifted travel bans, cancelled lockdowns and eased quarantine measures. Many governments have announced curtailment of certain measures to provide financial and non-financial assistance to the affected entities.

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, the Group has not experienced any significant supply chain disruptions or product availability issues, moreover the Group's revenues continued to grow.

However, whilst downside risks associated with the Covid-19 pandemic have largely receded, an ongoing uncertainty still remains with regards to wider economic and social impacts of the Covid-19 pandemic, both in the short term and in the long term.

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.

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 Yuan 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 2022 the Group had no forward foreign exchange contracts. As at 31 December 2021 the fair value of assets related to forward foreign exchange contracts amounted to RUB 157 million which were recognised within Receivables and other financial assets.

During the year ended 31 December 2022 the gain from forward foreign exchange contracts amounted to RUB 339 million (2021: RUB 243 million gain), and was included in the "Foreign exchange loss, net" line item in the consolidated statement of comprehensive income.

94% of the Group's sales to retail and wholesale customers are priced in Russian Rubles, therefore there is immaterial currency exposure in this respect. Other sales are retail sales of Best Price Kazakhstan, Fix Price Zapad LLC, FIXPRICEASIA LLC 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 2022 and 31 December 2021 is as follows:

	Assets 31 December 2022	Assets 31 December 2021	Liabilities 31 December 2022	Liabilities 31 December 2021
USD	2,194	414	-	68
CNY	3,637	8	6,163	9,874
EUR	24	4	15	997
GBP	-	1	-	-

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 2022		31 December 2021
Depreciation in RUB/CNY	+15%	(379)	+10%	(987)
Appreciation in RUB/CNY	- 15%	379	- 10%	987

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 2022		31 December 2021
Depreciation in RUB/USD	+15%	329	+10%	35
Appreciation in RUB/USD	- 15%	(329)	- 10%	(35)

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 2022		31 December 2021
Depreciation in RUB/EUR	+15%	1	+10%	(99)
Appreciation in RUB/EUR	- 15%	(1)	- 10%	99

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 2022 the Group had floating rate interest-bearing short-term liabilities amounting to RUB 7,550 million. As at 31 December 2021 the Group had no floating rate interest-bearing short-term 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 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 arising from wholesale revenue stream. 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. Allowance for expected credit losses is provided 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 and local 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 2022
Credit Bank of Moscow	Russia	ruA+	10,183
Bank of China	Russia	A1	2,564
LGT	Switzerland	Aa1	2,110
Sberbank of Russia	Russia	AAA (RU)	2,029
Halyk Bank of Kazakhstan	Kazakhstan	Baa2	1,907
Raiffeisenbank	Russia	ruAAA	1,258
Alfa Bank	Russia, Belarus	ruAA+	556
Other			288
Total			**20,895**

The table below shows the balances that the Group has with its major banks as at 31 December 2021:

Bank	Country of incorporation	Rating	Carrying amount as at 31 December 2021
Sberbank of Russia	Russia	Baa3	2,559
Credit Bank of Moscow	Russia	Ba2	1,202
VTB Bank	Russia	Baa3	1,130
Alfa Bank	Russia	Baa3	1,023
LGT	Switzerland	Aa1	352
RCB	Cyprus	Ba2	64
Other			88
Total			**6,418**

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*	Carrying amount
As at 31 December 2022					
Loans and borrowings*	18,032	5,175	-	23,207	21,928
Payables and other liabilities	32,820	-	-	32,820	32,820
Lease liabilities*	8,889	4,661	881	14,431	12,612
	59,741	**9,836**	**881**	**70,458**	**67,360**
As at 31 December 2021					
Loans and borrowings*	22,503	-	-	22,503	21,523
Payables and other liabilities	32,375	-	-	32,375	32,375
Lease liabilities*	7,494	3,991	15	11,500	10,736
	62,372	**3,991**	**15**	**66,378**	**64,634**

Fair 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 measured at fair value on a recurring basis and classified as Level 2 instruments. The fair value data is provided by banks, based on the updated quotations source.

In determining the fair value of lease liabilities management of the Group relied on the assumption that the carrying amount of lease liabilities approximates their fair value as at 31 December 2022 and 31 December 2021, as it reflects changes in market conditions and takes into account the risk premium and the time value of money.

* Amounts related to loans and borrowings and lease liabilities include future interest.

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, key management personnel, as well as other related parties.

Transactions with related parties for the years ended 31 December 2022 and 31 December 2021:

	2022	2021
Associates:		
Sales of goods	2,657	2,646
Royalty fees	108	104
Other*:		
Dividends declared	(4,193)	(7,087)
Dividends canceled	4,193	-
Receipt of the loans payable	4,060	-
Interest expense accrued on loans payable	292	-
Payment of dividends	-	(27,399)

* Other related parties comprise immediate and indirect shareholders of the Company.

As at 31 December 2022 and as at 31 December 2021 the outstanding balances with related parties were as follows:

	31 December 2022	31 December 2021
Associates:		
Trade and other receivables	13	13
Advances from customers	(128)	(89)
Other*:		
Loans payable	(4,352)	-

For details on the remuneration of key management personnel please refer to Note 8.

26. Capital management

The Group's objectives when managing capital are (i) to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and (ii) to maintain an optimal capital structure to reduce the cost of capital.

While the Group has not established any formal policies with regard to debt to equity proportions, the Group reviews its capital needs on a regular basis to determine actions to balance its overall capital structure via (i) new share issue, (ii) return of capital to shareholders, (iii) securing a new debt or (iv) redemption of existing debt.

27. Post balance sheet events

There were no significant events after the reporting date.

* Other related parties comprise immediate and indirect shareholders of the Company.

About the Report

The Annual Report of Fix Price Group PLC for 2022 (hereinafter also referred to as Fix Price, the Company or the Group) has been prepared based on the information available to Fix Price Group PLC and its subsidiaries as of 31 December 2022, unless otherwise implied by the meaning or content of the information provided. This Annual Report is addressed to a wide range of stakeholders and reflects the key performance results of Fix Price for 2022 in such matters as strategic and corporate governance as well as financial and operating results. The Annual Report has been prepared in accordance with the requirements of the applicable laws.

Disclaimer

This Annual Report contains forward-looking statements that reflect expectations of the Company's management. The forward-looking statements are not based on actual circumstances and include all statements concerning the Company's intentions, opinions, or current expectations regarding its performance, financial position, liquidity, growth prospects, strategy, and the industry in which Fix Price Group PLC operates. By their nature, such forward-looking statements are characterised by risks and uncertainties since they relate to events and depend on circumstances that may or may not occur in the future. Such terms as "assume", "believe", "expect", "predict", "intend", "plan", "project", "consider" and "could" along with other similar expressions as well as those used in the negative usually indicate the predictive nature of a statement. These assumptions contain risks and uncertainties that are foreseen or not foreseen by the Company. Thus, future performance may differ from current expectations, therefore the recipients of the information presented in the Annual Report should not base their assumptions solely on it.

In addition to official information on the activities of Fix Price Group PLC, this Annual Report contains information obtained from third parties and from sources which Fix Price Group PLC finds to be reliable. However, the Company does not guarantee the accuracy of this information, as it may be abridged or incomplete.
Fix Price Group PLC offers no guarantees that the actual results, scope, or indicators of its performance or the industry in which the Company operates will correspond to the results, scope, or performance indicators clearly expressed or implied in any forward-looking statements contained in this Annual Report or elsewhere. Fix Price Group PLC is not liable for any losses that any person may incur due to the fact that they relied on the forward-looking statements. Except as expressly envisaged by applicable law, the Company assumes no obligation to distribute or publish any updates or changes to the forward-looking statements reflecting any changes in expectations or new information as well as subsequent events, conditions, or circumstances.

Management Statement of Responsibility

I hereby confirm that:

- the financial statements prepared in accordance with the International Financial Reporting Standards represent an accurate and fair reflection of the Company's assets, liabilities, financial position, profits, and losses as well as those of its consolidated subsidiaries as a whole; and
- the management report includes a fair description of the development and performance of business operations and the Company's position as well as that of its consolidated subsidiaries as a whole along with a description of the main risks and uncertainties they face.

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Member of the Board of Directors and CEO

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