HERE FOR EVERYONE

ANNUAL REPORT 2021

Contents

Disclaimer

Since late February 2022, the US, EU, UK and certain other countries have imposed several sets of sanctions against a number of Russian banks and organisations, as well as sectors of the Russian economy and certain individuals. The impact of these sanctions on the Russian economy and specifically the retail sector and our business has yet to be fully assessed. We are doing all we can to keep the business running smoothly, and to continue sourcing and delivering goods at the best value for our customers.

As of the date of publication, trading in Fix Price GDRs on the London Stock Exchange is suspended, and the Company cannot say with any degree of certainty when trading will resume. However, the GDRs listed on Moscow Exchange are trading (subject to limitations imposed by the Bank of Russia).

About the Company

Fix Price at a Glance

One of the **LARGEST** and **FASTEST-GROWING** variety value retailers globally

Three-year revenue CAGR +27%

BEST-IN-CLASS scalable store format ready for future expansion

Deep value across a diverse, **UNIQUE** and constantly-refreshed product range

Considerable potential for **ORGANIC GROWTH** both domestically and in neighboring countries

SUPERIOR return on capital in the industry

STATE OF THE ART IT INFRASTRUCTURE which is constantly enhanced to support future growth

OUR MISSION

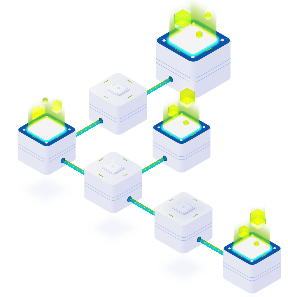
Our mission is to improve the daily lives of our customers by giving them savings on the products they use every day. We do this by offering a wide and unique range of essential items for the whole family at fixed low prices, across thousands of stores in Russia and neighbouring countries. We strive to offer our customers deep value-for-money across a diverse and constantly-refreshed product range, combining convenience with an exciting "treasure hunt" experience on every visit.

OUR VALUE

Customer first

Our promise is to give our customers exceptional value and service on every visit.

Professionalism, integrity and transparency



in all of our relationships with customers, partners, employees and shareholders.

One team

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

KEY FIGURES

Operational highlights[1]

Total number of stores (incl. franchised), stores

		Net store openings	Number of DCs
2021	4,904	737	8
2020	4,167	655	8
2019	3,512	571	8

- Number of stores as of the beginning of period
- Net store openings
- Number of DCs

LFL dynamics[2], %

	Sales	Average ticket	Traffic
2021	7.2	4.0	3.1
2020	15.8	17.8	(1.7)
2019	15.4	7.3	7.6

- Sales
- Average ticket
- Traffic

Selling space, sq. m

2021	1,056,840
2020	889,526
2019	743,489

Presence, Federal District /country

	Russian regions	Neighbouring countries
2021	79	6
2020	78	6
2019	77	5

- Presence in number of Russian regions
- Presence in number of neighbouring countries

Market share in VVR[3] in Russia, %

2021	89.4
2020	89.7
2019	89.4

Retail revenue, RUB million

2021	203,328
2020	166,025
2019	123,194

NPS dynamics, %

2021	63
2020	60
2019	62

Number of loyalty cardholders

2021	16,980,100
2020	11,580,971
2019	7,032,393

[1] Data for number of DCs and stores, selling and total space, regions and countries of presence, number of loyalty cardholders are as of the end of the period

[2] Here and hereinafter, like-for-like (LFL) sales, average ticket and number of tickets are calculated based on the results of stores operated by Fix Price and that have been operational for at least the 12 full calendar months preceding the reporting date. LFL sales and average ticket calculated based on retail revenue including VAT. LFL numbers exclude stores that were temporarily closed for seven or more consecutive days during the reporting period and the comparable period

[3] VVR – variety value retail

Financial highlights[1]

Revenue, RUB million

	Revenue
2021	230,473
2020	190,059
2019	142,880

Net Profit, RUB million

	Net Profit	Net Profit Margin, %
2021	21,389	9.3
2020	17,575	9.2
2019	13,173	9.2

● Net Profit Margin, %

EBITDA[2], RUB million

	EBITDA	EBITDA Margin, %
2021	44,155	19.2
2020	36,788	19.4
2019	27,150	19.0

● EBITDA Margin, %

Net Debt/EBITDA (IAS 17)

	Net Debt/EBITDA
2021	0.4x
2020	0.5x
2019	(0.1x)

[1] Financial data is stated for the period

[2] EBITDA calculated as profit for the respective period adjusted for income tax expense, interest expense, interest income, depreciation and amortisation expense, and foreign exchange gain / (loss), net

ROIC (IFRS 16)[3], %

	ROIC
2021	90.9
2020	98.8

[3] ROIC (Return on Invested Capital) is calculated as operating profit less income tax expense for the LFY divided by Average Invested Capital for LFY and LFY-1. Average Invested Capital is calculated by adding the Invested Capital at the beginning of LFY to Invested Capital at year's end and dividing the result by two. Invested Capital is calculated as total equity plus total current and non current loans and borrowings plus total current and non current lease liabilities plus dividends payable less cash and cash equivalents

KEY PERFORMANCE INDICATORS FOR 2021

Continuous regional expansion:
+737
net store openings

Revenue growth:
21.3 % y-o-y

Improved profitability:
+20 % y-o-y
EBITDA growth

19.2 %
EBITDA margin

+21.7 %
Net Profit growth

Loyalty program membership growth
+46.6 % y-o-y

Balance sheet strength: the IAS 17-based adjusted Net Debt/EBITDA ratio stood at
0.4x
as at end 2021 vs. **0.5x** as at end 2020

90.9 %
ROIC (IFRS 16)

Who We Are

~5,000 stores

RUB 230 billion
revenue in the year 2021

c.2,000 SKUs
across approximately
20 categories

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

Fix Price's product assortment is supported by our strong private brand offering which comprises
c.1/3
of overall merchandise

Fix Price is one of the leading variety value retailers[1] globally and the largest variety value retailer in Russia with almost 5,000 stores and RUB 230 billion in revenue in the year 2021. We provide an affordable and attractive shopping destination, offering a broad range of essential and unique products at several fixed price points. Currently there are 4,445 stores in Russia, with a further 459 stores in neighbouring countries, including Belarus, Kazakhstan, Uzbekistan, Latvia, Georgia and Kyrgyzstan, operating under the Fix Price brand.

Fix Price is the leader in the Russian VVR market by both number of stores and sales. According to Infoline, Fix Price's share in total Russian VVR market in 2021 was estimated to be 89.4%[2], resulting in a market share for Fix Price 8.5 times larger than the rest of the Russian market combined. We have achieved consistent and robust revenue growth over the past three years whilst demonstrating strong like-for-like sales performance. The Company has recorded one of the leading metrics for topline growth, profitability and return on capital among all publicly-traded variety value retailers globally[3]. Our offering includes our own private brands as well as third-party branded and non-branded products, comprising approximately 2,000 SKUs across 20 categories, including non-food, grocery and food products.

[1] Variety Value Retail (VVR) is a retail store that sells general merchandise, such as apparel, automotive parts, dry goods, toys, hardware, home furnishings, and a selection of groceries usually at discounted prices, sometimes at one or several fixed price points

[2] Based on sales, including VAT

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

OUR CONCEPT AND DIFFERENTIATION

The Company operates a "one store" format using a consistent and standardised concept across the entire Fix Price chain, in terms of average store size, product assortment, pricing policies, product layout, equipment, marketing and promotional activities. This approach allows us to ensure the consistency and scalability of our business as well as to improve efficiency and build a consistent brand image with the customers.

Our typical store has an average selling space of c.215 sq. m, and is primarily located in convenient and high-traffic zones, 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 our chain in those settings.

The key pillars that differentiate Fix Price are our market-leading position based on our unique customer value proposition, our stores' format structure which supports significant future growth potential, our consistently strong financial and operational KPIs and our advanced IT solutions.

We are by far the largest variety value retailer in Russia by both sales and number of stores. We also strive to provide an exciting "treasure hunt" experience for our customers. In developing our unique assortment, we aim to surprise consumers with new and exciting goods at affordable prices.

The Fix Price multiple price points policy include eight anchor positions:

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

It allows us to provide an extensive range of products while maintaining the attractiveness of variety value retail

18,600

WHITESPACE STORE OPENING POTENTIAL IN RUSSIA, BELARUS AND KAZAKHSTAN

A format structure that supports significant future growth potential

During the past two years of the COVID-19 pandemic, we have been able to capitalise successfully on the ongoing structural shift in Russian consumer spending towards value offerings; a trend which has also been observed worldwide.

Regular customer feedback ensures Fix Price can identify the right assortment for our clients. We aim to deliver a constantly refreshed product range by launching 40 to 60 new products every week, with more than 60% of our assortment updated up to six times per year.

Consistently strong financial and operational KPIs

Over the past few years, Fix Price has grown its revenue at a rate of 27% CAGR (FY 2021 vs. FY 2019), driven by strong like-for-like performance and a rapid expansion of retail space. We believe there is further potential to expand our operations in Russia as well as in neighbouring countries. The total store potential for the Russian variety value retail market is estimated to be approximately 15,600 stores (including Fix Price stores operating in the market at that time), which is nearly 3.5 times higher than the Group's current store network in Russia[1]. Looking outside of Russia, we expect the total store potential for the respective VVR markets in the neighbouring countries of Belarus and Kazakhstan to be approximately 3,000 stores in total (including Fix Price stores operating in the market at that time).

Advanced IT solutions with social responsibility at the heart

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 gathered from the loyalty card programme allows us to make efficient merchandising, procurement and marketing decisions. We use 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 corporate culture. Fix Price strives to minimise its environmental impact, supports local communities and fosters an inclusive environment for our employees.

Demonstrating this, our Good Deeds programme was awarded "Best Social Projects of Russia" by Social Projects fund. Further underscoring our emphasis on strong corporate governance, we have set rigourous quality control, risk management and corporate policies.

[1] According to Infoline

HISTORY AND DEVELOPMENT

2007

Fix Price is founded by Artem Khachatryan ad Sergey Lomakin, who recognised a market opportunity for an affordable and attractive shopping destination. Fix Price aims to offer Russian families a broad range of essential goods at a fixed and low price, pioneering the variety value retail concept in Russia

LLC Best Price, Fix Price's principal operating subsidiary, is registered, and

THE FIRST
Fix Price store
opens in Moscow

2010

Fix Price launches a franchising business in Russia which rapidly expands our presence across the country

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

2013

The Fix Price retail network reaches

1,144 stores,

with

929 stores

operated by the Company and

215 stores

operated by franchisees

Launch of
the Fix Price Club
LOYALTY PROGRAMME

2015

Fix Price doubles its network, reaching over

2,000 stores,

including

1,681

company-operated stores

and

397 franchise stores

2016

Fix Price introduces **multiple fixed price points** for our merchandise, providing additional pricing flexibility to address the market environment and external factors, primarily foreign exchange rate volatility and inflation

Fix Price begins **expansion into other countries**, granting franchise licenses to open Fix Price stores in Georgia and Kazakhstan

2017

Franchising is launched in Belarus and Latvia

2018

Fix Price implements a click-and-collect shopping option, leveraging the rapidly growing trend in online shopping. Our 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

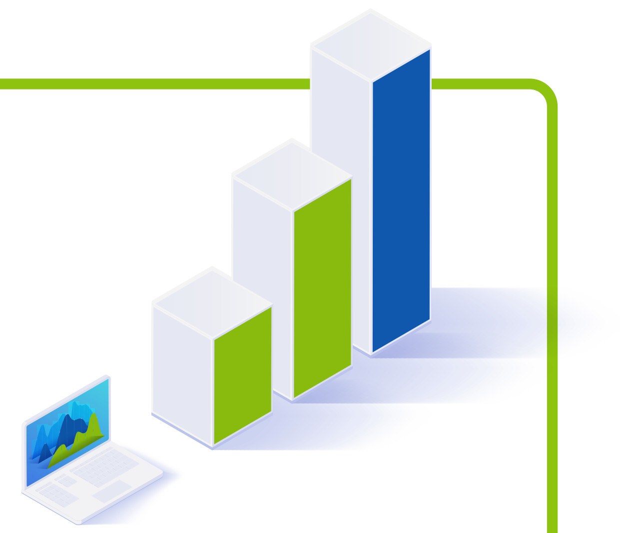
Fix Price opens its first store in Uzbekistan

2021

Fix Price completes

AN INITIAL PUBLIC OFFERING

of its GDRs on the London and Moscow stock exchanges



HIGHLIGHTS OF 2021

January, March

Fix Price expands its product range and adds **new price points** of

RUB **249**

RUB **299**

The new price points enable Fix Price to expand and update its product offering across many product categories

February

Fix Price announces the opening of a new owned distribution center (DC) in Saint Petersburg (Shushary) with a total space of

35,581 sq. m

March

Fix Price global depositary receipts ("GDRs") are listed on the London and Moscow Stock Exchanges, raising

US$ **1.8** billion

in proceeds with an **initial market capitalisation of US$ 8.3 billion**

April

Fix Price, in partnership with Sbermarket, begins to develop an express goods delivery service

СБЕР МАРКЕТ

June

Fix Price again becomes the **winner of the Annual Private Label Awards 2021**. Additionally, our Homestar brand was awarded best PL in the "Drogerie" (household goods) category and our Flarx brand was awarded best PL in the affordable segment

September

Fix Price announces the opening of a new

68,000 sq. m

distribution center (DC) in the Dinskoy District of the Krasnodar region, representing **Fix Price's largest DC to date**

For the third time, Fix Price becomes the **winner of the ECO BEST AWARD** for the best environmental initiative of the Year with its social responsibility programme called **"Dobrye Dela"**

October

Fix Price launches a **new loyalty programme campaign** to boost COVID-19 vaccination rates amongst its customers

November

Fix Price's own brands become the winners of the **"Quality Assurance"** competition, organised with the support of the Committee on Agrarian and Food Policy and Environmental Management of the Federation Council of Russia

Fix Price becomes the winner of the Annual National Consumer Confidence Award **"MARKA No. 1 IN RUSSIA® 2021** in the category "The Low Price Chain"

Fix Price is ranked **second for trust** and **third in terms of visibility** among Russian retailers, according to a new national retail survey, conducted by independent Russian research group Romir[1]. Compared to the previous year, Fix Price's trust index remained unchanged at

84 %,

with visibility going up from 90% to

94 %

Fix Price introduces two **new price points** of

RUB **59**

RUB **79**

Fix Price's Board of Directors establishes an Environmental, Social and Governance Board Committee

December

Fix Price makes its first entry into Infoline FMCG Retail Russia's Top Rating and ranks

7 th

among the FMCG retail chains

Fix Price wins "Company of the Year" and "Service Solution of the Year" at the **2021 Innovations' Time Awards**

[1] https://romir.ru/studies/reyting-doveriya-rossiyskim-riteyleram

STORE PORTFOLIO AND LOCATIONS

	Total number of stores	Number of company-operated stores	% of total	Number of franchised stores	% of total	Net store openings, 2021
TOTAL	4,904	4,368	89.1%	536	10.9%	+737
RUSSIA	4,445	3,975	81.1%	470	9.6%	+554
1. Central FD❶	1,291	1,279	26.1%	12	0.2%	+138
2. Volga FD	928	912	18.6%	16	0.3%	+99
3. South FD	552	524	10.7%	28	0.6%	+70
4. Siberia FD	512	397	8.1%	115	2.3%	+79
5. North-West FD	461	334	6.8%	127	2.6%	+64
6. Urals FD	450	375	7.6%	75	1.5%	+72
7. North Caucasian FD	174	154	3.1%	20	0.4%	+10
8. Far East FD	77	–	–	77	1.6%	+22
Belarus	212	203	4.1%	9	0.2%	+60
Kazakhstan	172	148	3.0%	24	0.5%	+83
Uzbekistan	42	42	0.9%	–	–	+27
Latvia	24	–	–	24	0.5%	+10
Kyrgyzstan	5	–	–	5	0.1%	+3
Georgia	4	–	–	4	0.1%	

- Total number of stores
- Number of company-operated stores
- Number of franchised stores
- % of total
- Net store openings, 2021

❶ Federal District
❷ For company-operated stores
❸ 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., SAP licenses), based on capital expenditures for stores opened in 2021
❹ Average IAS 17-based store EBITDA is calculated as store revenue less store level expenses associated with cost of goods sold, transportation costs, shrinkage costs, staff costs, operating lease expenses, bank charges, security costs, maintenance costs, advertising expenses, utility expenses and other operating expenses for the first full 12 calendar months period since opening (based on Russia-based company-operated stores that were opened during 2020, were operating as of 31 December 2021, and repaid the average net investment (i.e. where the cumulative IAS 17-based store EBITDA since store opening exceeded RUB 4.3 million))
❺ 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 4 above to cover the sum of average net investment, as per Note 3 above, expressed in months
❻ Average store-level ROIC is determined as average IAS 17-based store EBITDA as per Note 4 above divided by average net investment, as per Note 3 above, expressed as a percentage

c. 290 sq. m
average store size❷

c. 215 sq. m
average sales area❷

RUB 4.3 million
average net investment❸

RUB 6.9 million
average IAS 17-based store EBITDA❹

c. 2,000
SKUs

c. 9 months
average payback period❺

160 %
average store-level ROIC❻

Strategic Report

90.9%

ROIC (IFRS 16)

Chairman's Statement

At this important milestone marking the publication of Fix Price's first Annual Report as a public company, I would like to take this opportunity to thank all of our shareholders most sincerely for your continued support for the Company since our IPO.

SERGEY LOMAKIN
Chairman

DEAR SHAREHOLDERS,

Notwithstanding the challenges that we faced during the year, Fix Price delivered strong results in 2021. Although pandemic-related pressures persisted, Fix Price's successful navigation of these challenges allowed us to grow at a remarkable pace. While this validates our original strategy, it also clearly illustrates that the Board and the management team were able to respond effectively to the challenges posed by the macroeconomic and market environment.

Throughout 2021 we did our best to keep products affordable in the face of supply chain disruptions and inflation. In 2022, we and all of Russia find ourselves in uncharted territory, and the challenges that we face now have become much more pronounced. It is very hard at this point to estimate the potential impact of recent events on our business but what I can say is that we will do everything we can to protect the interests of our employees, customers and partners, and will continue to carry out our social role as one of the largest employers in the Russian retail market and supplier of essential goods to the best of our ability. In addition to the business strengths that our CEO Dmitry Kirsanov highlights in his message further on in this Annual Report, I believe that the strength and unanimity of our Board, management team and entire employee base will be crucial to Fix Price's continued development this year and beyond.

For 2021 I am pleased to report 21.3% year-on-year revenue growth, a solid like-for-like sales performance and strong margins at both the EBITDA and net profit level. Our retail network saw equally strong growth – as of the end of 2021 we had substantially expanded the number of our company-operated and franchised stores to 4,904 outlets, compared to c. 4,300 stores at the time of our IPO in March 2021.

During the year, we saw that consumer behaviour worldwide and in our countries of operation continued to shift towards the value segment of the market. It was therefore imperative for us to capture this trend. The variety value retail market in Russia has more than doubled in size over the last five years, and we continue to see substantial potential for it to grow further.

At Fix Price, we firmly believe in the value of both our technology and our people. On the one hand, technology-powered standardisation enables us to run our entire 5,000-store network essentially as a single outlet, reducing costs and allowing for rapid scaling and efficiency improvements across the business. On the other hand, to grasp fully the advantages of Fix Price's state-of-the-art IT infrastructure that we host and develop in-house, we need to have flexible and quick decision-making processes in place. This requires a lean and nimble organisation which comprises dedicated and experienced people. Nearly all of the current management team either began working with Artem Khachatryan and myself in the formative years of the company during 2007-2009 or came up through the organisation subsequently. Their wealth of experience, their depth of detailed knowledge about the business and their unrelenting commitment to its success is commendable, and should not be underestimated.

In 2021, we continued to instill our leading culture across our growing workforce, inspiring our people with a true entrepreneurial spirit that has been purposefully cultivated inside the organisation.

One area where we significantly stepped up our efforts in 2021, and will continue to do so going forward, is ESG. In 2021, we undertook a comprehensive assessment of all our business processes to measure their compliance with industry-best sustainability practices in areas such as quality control, social responsibility, corporate governance and environmental impact. Based on this in-depth analysis we identified four strategic priorities (the '4Ps'): people, product, partners and planet. This 4P approach is helping us to create a roadmap of metrics and activities to further embed ESG into our business and culture. Also, in November 2021, we announced the formation of the Fix Price Board's ESG Committee, consisting exclusively of independent directors and, in mid-2022, we plan to publish our first sustainability report covering Fix Price's key ESG strategic priorities.

On behalf of the Board and the management team, I would like to thank our employees, customers and partners for the commitment they have shown to Fix Price during 2021. Our relationships with these and all of our stakeholders will be more important than ever throughout the remainder of 2022.

SERGEY LOMAKIN,
Chairman

Strategic Pillars

OUR KEY SUCCESS DRIVERS	COMPETITIVE ADVANTAGE	TRACK RECORD
1 **LEADER IN A LARGE AND GROWING MARKET** 	Fix Price is currently one of the fastest-growing retailers among all publicly-listed variety value retailers globally[1]. We are also the leader in the Russian variety value retail market both by number of stores and sales.	**15** years of business development; c. **5,000** stores; Presence in **79** out of the **85** Russian regions covering **98%** of population; **7** countries in our operating area; c. **90** % market share in the Russian Variety Value Retail market
2 **UNIQUE CUSTOMER VALUE PROPOSITION** 	Fix Price's policy is to be the price leader across our product categories and SKUs, offering a broad range of products with significant savings compared to other offline and online retailers. We offer our customers deep value across a diverse, unique and constantly-refreshed product range, satisfying customers' needs for everyday essentials, while providing an engaging "treasure hunt" experience.	**63**% High NPS; **8** distribution centres, including **5** owned centres and **3** leased centres; **SAP ERP** IT backbone used across the business on premise since Day One; Aggregate space of DCs equals c. **282** ths. sqm; Long-term relationships with c. **700** local and international suppliers
3 **OPERATIONAL EXCELLENCE** 	Fix Price's efficient operational model is driven by lean decision-making and a nimble management approach, the standardisation of the store network, highly automated operations, centralised logistics and an efficient procurement and sourcing model.	**100**% standardised store portfolio with the same assortment, prices and a similar look and feel; **46**% of retail sales in 2021 were generated from sales of products to Fix Price's loyalty programme cardholders; c. **2/3** of the product assortment accounted for by general merchandise/ changing assortment which is rotated up to **6 times p.a**; c. **17** million registered loyalty cardholders

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

OUR KEY SUCCESS DRIVERS	COMPETITIVE ADVANTAGE	TRACK RECORD

4 SUBSTANTIAL GROWTH POTENTIAL

The total store potential for the Russian variety value retail market is estimated to be approximately 15,600 stores (including Fix Price stores operating in the market at that time), which is nearly 3.5 times higher than the Company's current store network in Russia.

Outside of Russia, we expect the total store potential for the respective VVR markets to be approximately 3,000 stores combined in Belarus and Kazakhstan.

Net store openings ahead of guidance at **737 stores,** while maintaining robust store economics

+27% **CAGR revenue growth** in FY 2021 vs. FY 2019

STANDARDISATION across the store network enabling fast and massive roll-out

5 BEST IN CLASS FINANCIAL KPIS

Fix Price is one of the leading companies by revenue growth, profitability and ROIC levels among publicly-traded variety value retailers globally based on their publicly reported financial information[1].

90.9% industry-leading ROIC[2]

c. 9 months average store payback

RUB 4.3 million average net investment per store in 2021

19.2% robust EBITDA margin[2]

6 STRONG MANAGEMENT AND GOVERNANCE

The Company benefits from founders with substantial prior experience in discount and non-food retailers and a collaborative and flat organisational structure which allows for rapid and effective decision-making.

INEDs also contribute to the Company's progress with their vast and relevant retail and financial experience.

WELL-BALANCED BOARD

3 out of 7 (or **43%** of) board members are independent

4 Board committees

all members of 2 committees are **INDEPENDENT**

all members of the other 2 committees are **NON-EXECUTIVE**

at least 50% of net income to be paid out as dividends

7 Governance Policies developed in cooperation with international law firm to ensure transparency and compliance with the best practices in terms of corporate governance and sustainability

MANAGEMENT TEAM with proven track record and low rotation

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

[2] For FY 2021 based on IFRS 16

Market Overview

RUSSIAN RETAIL MARKET

Based on information from the Russian Statistics Board (Rosstat), the Russian retail market totalled RUB 39.3 trillion in 2021 and has been steadily growing at 7.5% CAGR over the past four years, and is expected to accelerate further in 2021-2026.

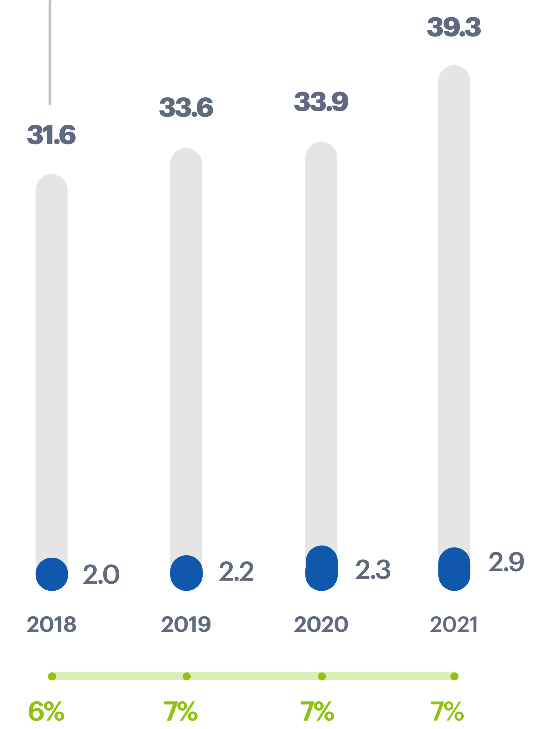
Food and non-food sales were almost equally split, while food products comprised 47% and non-food products accounted for 53% of the total market in 2021. The share of food sales slightly decreased in 2021 as compared to the previous year, following the improvement in consumer sentiment after the initial shock of the COVID-19 pandemic with its associated lockdowns and other restrictions.

Historically, the traditional grocery trade (open markets and small shops) was the largest retail channel in Russia, but it has been consistently losing volume and share to modern trade formats. Meanwhile, smaller formats (neighbourhood stores, discounters etc.) tend to have demonstrated a higher speed of selling space expansion over the past several years versus the big box formats.

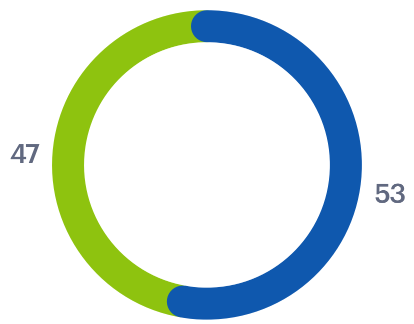
E-commerce has also been aggressively growing with a CAGR of more than 31% between 2016 and 2021 with express delivery services and marketplaces leading the way.

Russian total retail market
RUB trn

+12%
Total Addressable Market CAGR[1]

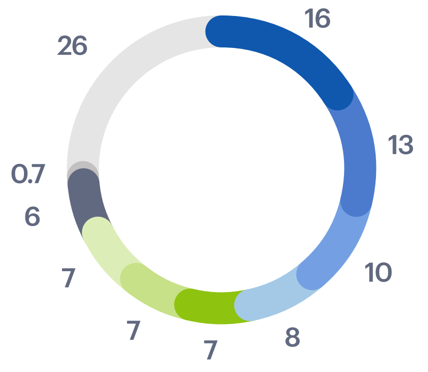


Retail market structure in 2021
%



RUB 2.9 trn
Total addressable market (“TAM”)[1]

7.4%
TAM share in retail market



The Variety Value Retail (the “VVR”) market is one of the fastest-growing Russian retail channels, comprising 0.7% of the total retail market in 2021. The VVR market is expected to grow even faster during 2021 to 2026.

[1] Total addressable market for Fix Price is defined by Infoline as Russian total retail market filtered by taking only applicable assortment separately for food and non-food categories; including VAT

[2] Includes Car Products (4.2%), Leisure and Personal Goods (1.5%), Toys and Kids (1.4%), Pet Care (1.1%), and Other Non-food categories (18.1%)

TOTAL ADDRESSABLE MARKET

The total addressable market comprises retail products which are similar to Variety Value Retail products in terms of the price and assortment offer, but which are currently sold through a variety of different retail channels.

Fix Price:

79 out of **85**
presence in Russian regions

8.5x
bigger vs. the second and only other player[1]

98%
top-of-mind brand awareness[2]

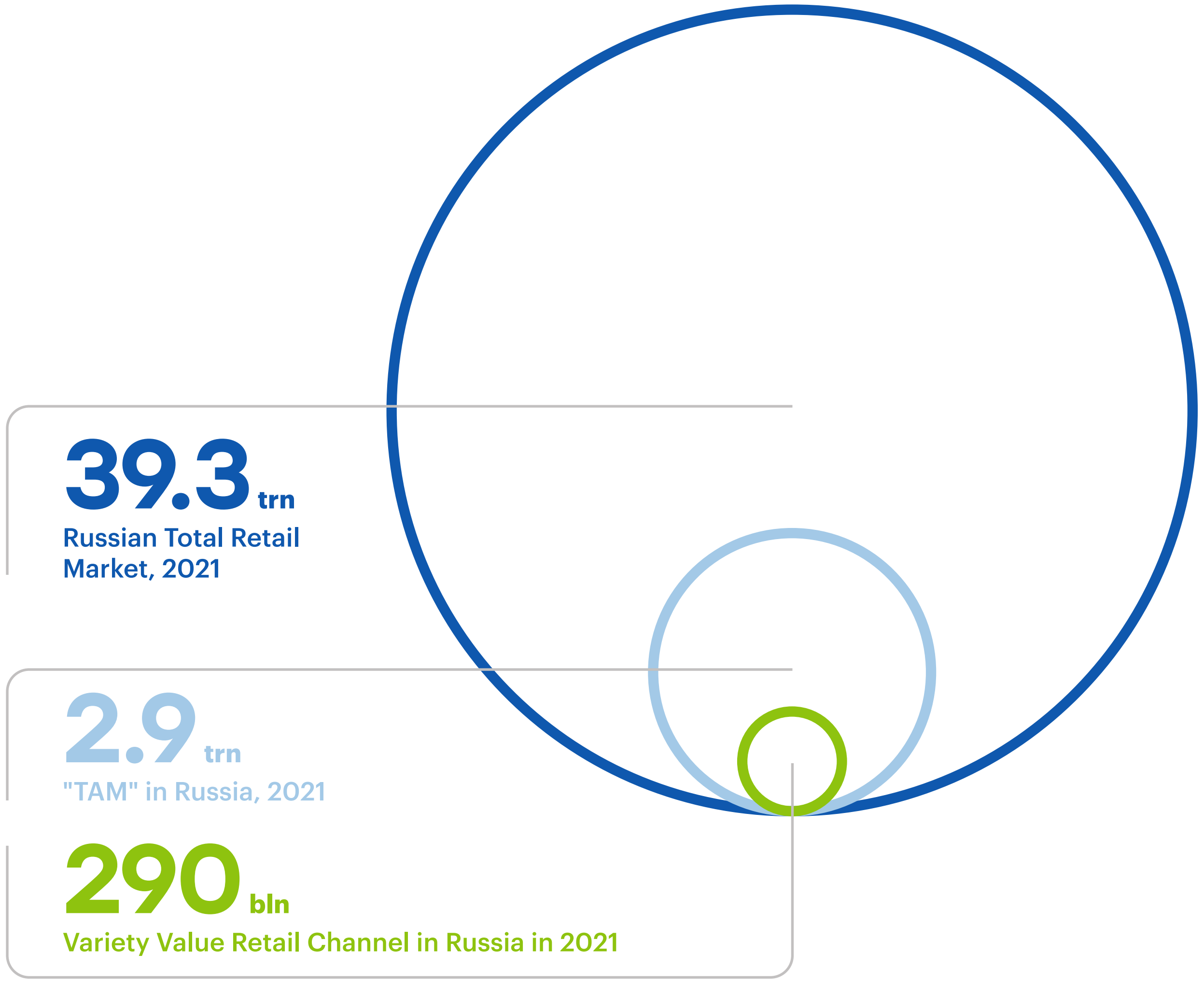
63%
Net Promoter Score[3]

Strong barriers to entry

- **First-** mover advantage
- **Operational complexities** of running a non-food retailer across Russia, the broader CIS and neighbouring countries
- **Well-invested** operations
- **Robust** supply chain
- **Unique** customer value proposition
- **Nationwide** presence

[1] Infoline estimate for 2021 based on Company and other sources' data, measured by sales, including VAT
[2] Guided brand awareness, according to the survey conducted by Vector in cities with 1mm+ population as of Nov'21
[3] NPS refers to Net Promoter Score, according to the survey conducted by Vector in cities with 1mm+ population as of Nov'21

Significant potential in the growing addressable market[4][5]
RUB



	USA	Russia
# of inhabitants per Variety Value Retail store (2020A)[6]	9.6K	29.4K
GDP per capita[7]	$63.4	$10.1

[4] Total addressable market for Fix Price is defined by Infoline as the Russian total retail market filtered by the applicable assortment for food and non-food categories
[5] Including VAT
[6] Based on data from Infoline
[7] World Bank, 2020 data

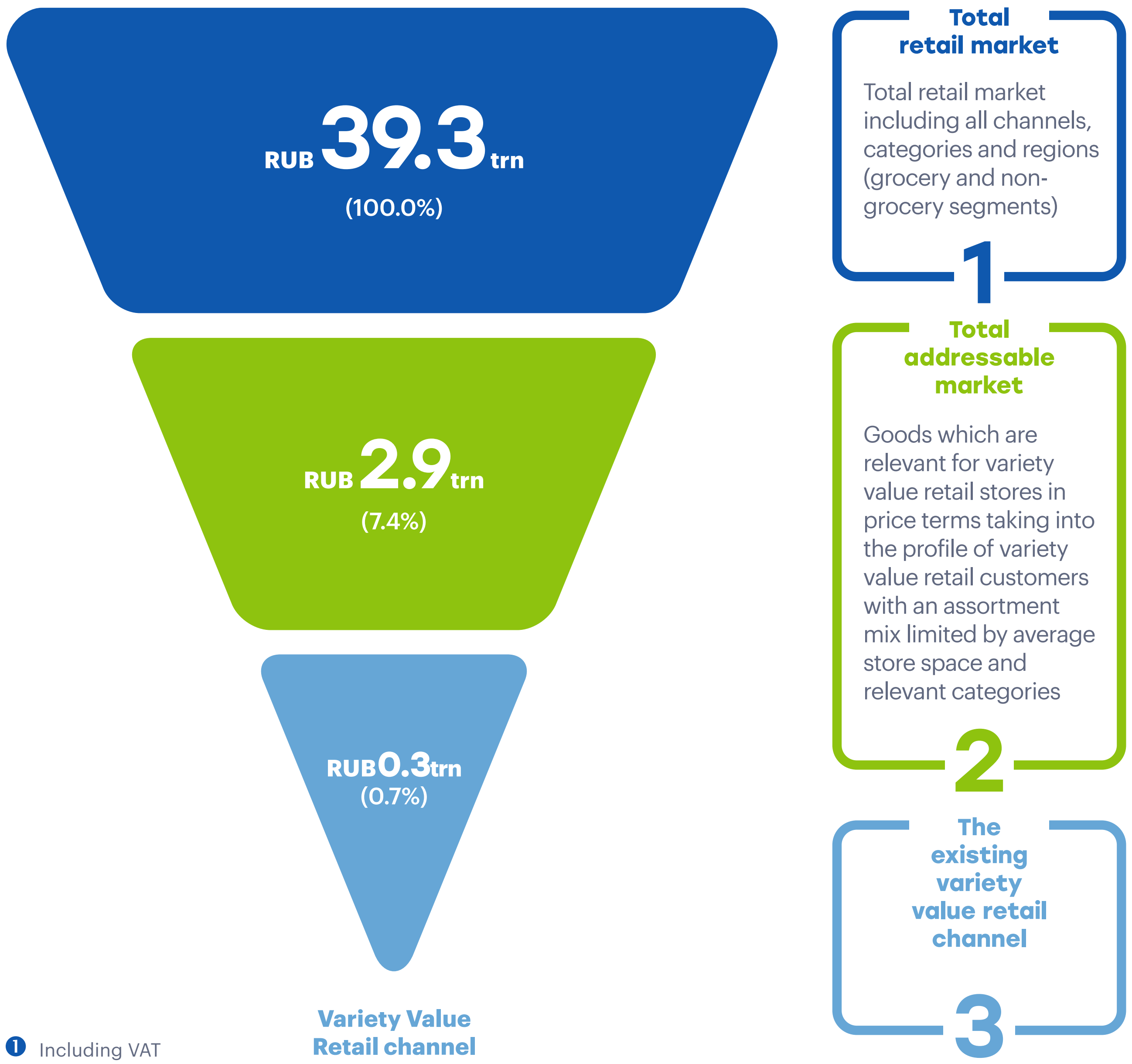
The size of the addressable market in Russia was estimated to be RUB 2.9 trillion in 2021, comprising 7.4% of the total Russian retail market. Non-food categories consistently accounted for more than half of the addressable market, despite the fact that the food and drink category has demonstrated faster growth over the past few years, especially in 2020 due to the COVID-19 pandemic.

The channel split has also been changing over the past few years, with neighbourhood and variety value retail stores strengthening their position at the expense of the declining share of traditional trade.

The total addressable market is set to grow even faster during 2021 to 2026, with the food and drinks, and home products (homewares, home furnishing and DIY) categories being the largest, according to Infoline.

The VVR channel share of the total addressable market is continuing to grow at an accelerating pace and reached 10% in 2021. The VVR channel is expected to become one of the largest channels by market share at the continued expense of traditional and fragmented trade, which is expected to further decrease.

Diligent approach to TAM estimation for 2021[1]



[1] Including VAT

Filtering only relevant products across categories

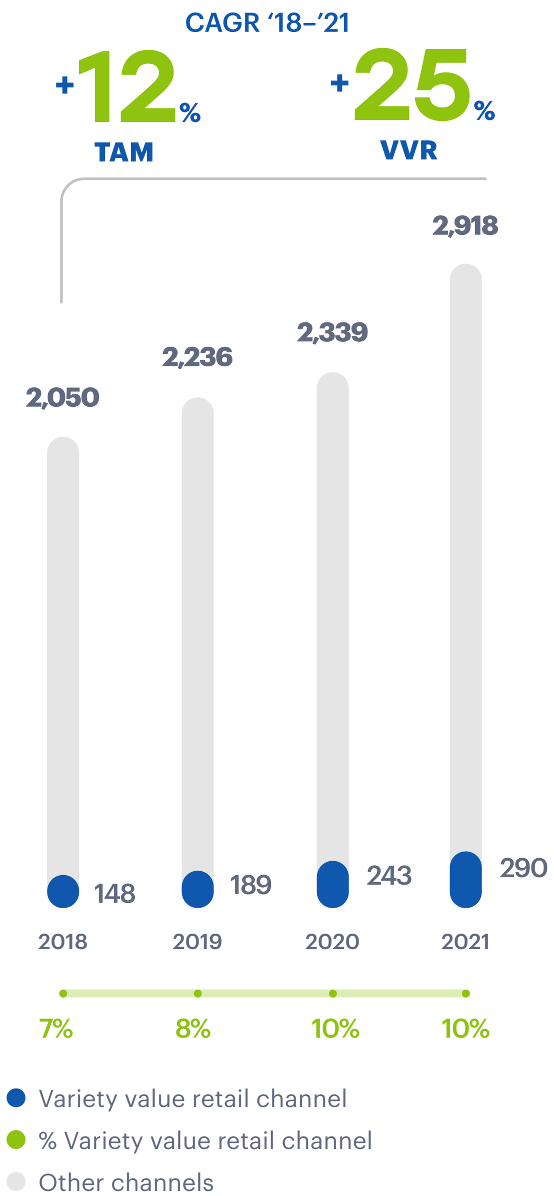
	As % of TAM	As % of total category[2]
Food and Drinks	45%	7%
Homewares, Home Furnishing and DIY	12%	13%
Health and Beauty	8%	10%
Apparel and Footwear	7%	7%
Electronics and Appliance	5%	6%
Toys and Kids	2%	13%
Car Products	2%	4%
Leisure and Personal Goods	2%	10%
Pet Care	2%	14%
Other Non-food Categories	14%	9%

[2] Calculated as Total Addressable Market for the specific category divided by the respective category value in the total retail market

[3] Total addressable market

[4] Variety value retail channel

Sustainable growth of the TAM[3] and VVR[4] channel, RUB bln



THE VARIETY VALUE RETAIL MARKET

Fix Price established the VVR channel in Russia with the opening of our first ever store in 2007 and the formation of Fix Price as the only modern trade player in this channel. The market has been substantially growing since then, although is still at a low base compared to other countries.

Over the years, this segment of the retail market has also been constantly changing; a number of VVR specialist players entered the market, e.g. German retailer Euroshop, Home Market/ Zaodno and Okhapka/Amigo, but had all ceased operations in Russia by the end of 2021.

Due to consumer sentiment moving towards value, and on the back of new openings the VVR channel is expected to continue to grow at an accelerating pace between 2021 and 2026.

218 mln+
population in Russia and other core countries of operation[1]

249 mln+
population in the CIS and neighbouring countries[2]

75%
of Russian population are immediate target customers[3]

c.**70**%
of customers are sensitive to prices[4]

In 2021, Fix Price had an 89.4% share of the VVR channel by sales, including VAT, according to Infoline, and operated 4,445 stores across Russia as of 31 December 2021. Within the VVR channel, the closest competitor to Fix Price is Galamart, which operated 400 stores with an estimated 9.5% market share by sales, including VAT, in 2021.

The VVR channel represented approximately 0.7% of the total retail market in Russia in 2021, while in mature markets, such as the United Kingdom and Canada, it accounted for over 3.5%. It, therefore, lags behind Western countries both in terms of volume and potential consumption per capita, suggesting further growth potential.

WHITE SPACE POTENTIAL

The VVR channel has an estimated potential to grow to up to 18,600 stores across Russia and neighbouring countries (primarily Kazakhstan and Belarus), which is approximately 3.5 times higher than the number of existing stores, according to Infoline.

The current market saturation level differs by regions in Russia, with the Central and Volga regions being the most penetrated, while the Far East region lags significantly behind.

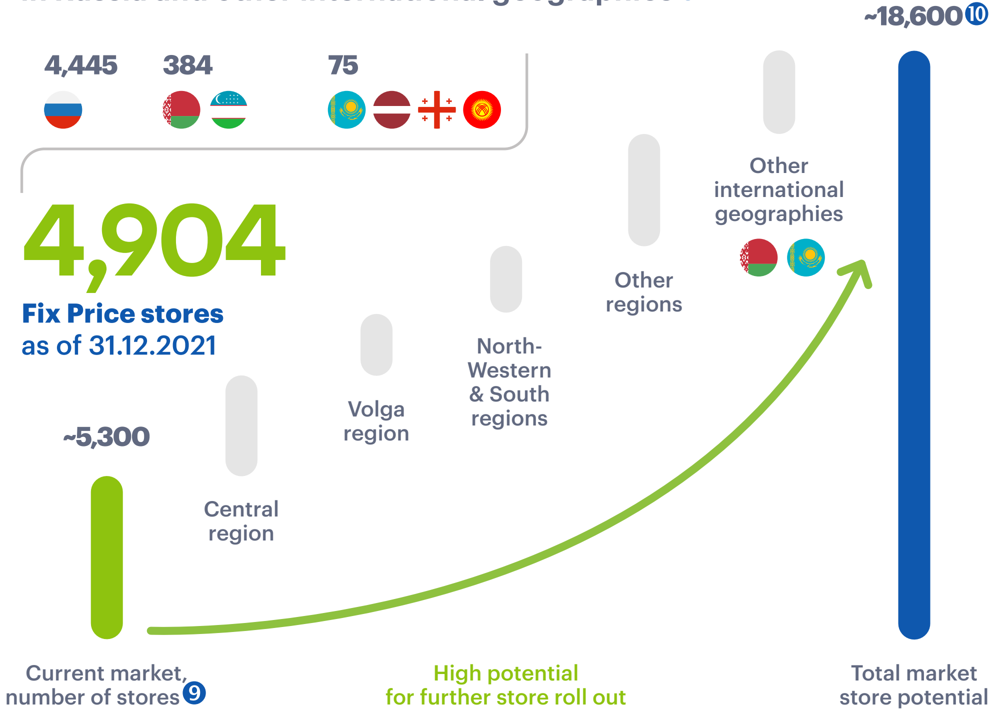
Our medium-term network expansion strategy is to continue to build upon our initial success in Russia and neighbouring countries by expanding into previously untapped or underpenetrated areas. The Company seeks to continue its top line growth by leveraging our unique customer proposition through offering appealing and diverse products at deep value, meeting rapidly changing customer needs and providing an attractive in-store experience for every customer.

[1] World Bank as of 2020, including Fix Price's current countries of operation: Russia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Latvia and Uzbekistan
[2] World Bank as of 2020; includes the CIS countries (Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan and Uzbekistan), Georgia and Latvia
[3] Referring to population earning $622 or less, Rosstat as of 2020, converted at average 2020 exchange rate of 72.32 RUB/USD
[4] According to customer survey by PwC as of 2021

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

Company	Number of stores, end of period 2017	Number of stores, end of period 2021	Market share[5] 2019	Market share[5] 2021	Year of market entry / exit
Fix Price	2,477	4,445[6]	89.4%	89.4%	2007
Галамарт	181	459	8.9%	9.5%	2009
Home market[7]	116				2013 / 2021
ЗАОДНО					
ХОЗЯЮШКА	22	Closing or closed			2010 / 2019
евроШоп	27				2015 / 2018
ОХАПКА	50				2012 / 2018

Total potential of variety value retail stores in Russia and other international geographies[8]



[5] Based on sales, including VAT
[6] Number of Fix Price stores in Russia
[7] Home market and Zaodno merged before exiting the business
[8] Other international geographies refers to Kazakhstan and Belarus
[9] Current number of stores in the VVR channel refers to Russia, Belarus and Kazakhstan – analysed by Infoline
[10] Total store potential for the market for Russia and other international geographies including Belarus and Kazakhstan (for Fix Price and competitors; including existing stores)

Unique Customer Value Proposition

We offer our customers deep value across a diverse, unique and constantly-refreshed product range, satisfying customers' needs for everyday essentials, while providing an engaging "treasure hunt" experience. Our loyalty card programme brings additional value to our customers through a number of attractive benefits. The elements of Fix Price's unique customer value proposition are described in this section of our Annual Report.

DEEP VALUE ACROSS A DIVERSE PRODUCT OFFERING

Fix Price's ambition is to provide our customers with a diversified product range which offers significant savings compared to other offline and online retailers. Approximately one-third of our retail sales comprise consumables and regular products, with the remaining two-thirds comprising general merchandise and rotated products. We strive to offer outstanding value-for-money via an uncompromising "every day low price" strategy across eight anchor, highly-competitive price points. As of 31 December 2021, these price points were all under RUB 300.

We sell a broad range of products offering approximately 2,000 SKUs across 20 different product categories, including household goods, cosmetics and hygiene, stationery and books, clothing, toys, household chemicals, as well as shelf-stable food and drinks.

We offer surprise-filled shopping experiences driven by value-added "WOW" goods which drive traffic and excitement.

Our policy is to be the price leader across all product categories and SKUs. Similar products at Fix Price are generally cheaper than the same basket at other modern Russian food & non-food brick-and-mortar and online retailers.

40–60 products
launched every week driving treasure hunt experience

c. **64**%
of assortment rotated up to six times per year

Product Range

We offer our customers a broad range of relevant and unique products priced at several fixed, low price points. The Company primarily sells non-perishable food products, which do not require refrigeration and, hence, have a longer shelf life. This approach enables us to operate at one temperature zone in all of our distribution centres, resulting in lower capital expenditure requirements. Perishable food products, such as ice cream, which are delivered by suppliers directly to our stores, comprise an insignificant portion of our product offering.

Fix Price's product range is based on a broad, but disciplined SKU count of products intended to satisfy customer demands while at the same time optimising inventory turnover and minimising the stock of slow-moving SKUs. Our product range is controlled centrally to ensure standardisation across the network. We have a streamlined 'test-to-shelves' process for new SKUs premised on a quick decision-making process, implemented by a highly competent and flat-structured procurement department.

Fix Price's product range proposition is based on the frequent rotation of merchandise. We offer on average 40 to 60 new products every week, calculated on an average per year basis, with 64% of the retail sales generated by product range refreshed up to six times per year.

The remaining 36% is accounted for by regular products, which are not typically rotated because customers buy them recurrently (e.g., toilet tissue, aluminium foil, rubbish sacks etc.).

Our product range is regularly reviewed based on market developments, customer behaviour, information from suppliers, evolving customer trends (based on our analysis of customer purchase behaviour and external market analysis), and on the relevance to our proposition and anticipated impact on margins. We constantly look for new ideas to enhance our product range and ensure that our products are among the best and most trendy on the market. In particular, we regularly review the latest global trends in the non-food retail segment and monitor the product ranges of the largest U.S. and European retailers. We also have an active dialogue with suppliers, visit industry fairs and conferences, and monitor social media outlets to identify new ideas and trends.

Our success in non-food category management and product range decisions is largely based on our thorough and ongoing analysis of historical data accumulated over our 14 years of operations. Our sophisticated forecasting tools result in a high degree of automation and standardisation across all operations.

The Company typically launches

8

seasonal collections

of products per year dedicated to holidays

- Valentine's Day
- 23rd of February (Defender of the Fatherland Day)
- 8th of March (International Women's Day)
- Easter
- Gardening products
- 1st of September (back-to-school period)
- Halloween
- New Year & Christmas

This approach is aimed at surprising customers and encouraging repeat visits by keeping Fix Price stores fresh and exciting, and bringing a **"treasure hunt"** element to our customer value proposition.

Product Categories

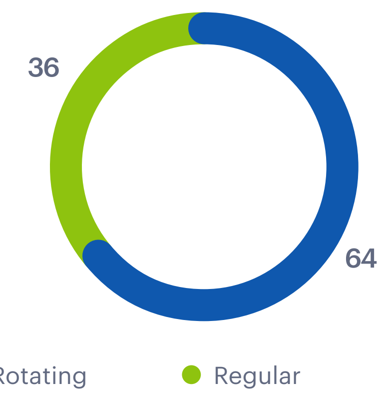
The Consumables/Regular category comprises products which are available on our shelves at all times and consists predominantly of products in the food category, including grocery, confectionary, drinks and snacks, as well as household goods, household chemicals, cosmetics and hygiene products. The General Merchandise/Changing Products category includes non-food products, such as toys, stationery and books, clothing, party and celebration products, as well as accessories.

Our core strategy is aimed at driving both traffic and margin growth. Products in the Consumer/Regular category have historically been the traffic drivers, given that these comprise the products that people tend to need on a regular basis, while products in the General Merchandise/Changing Products category have been the key margin drivers. Margin-driving products are typically found within the non-food categories, with higher unit prices and higher gross margins across all of the product categories.

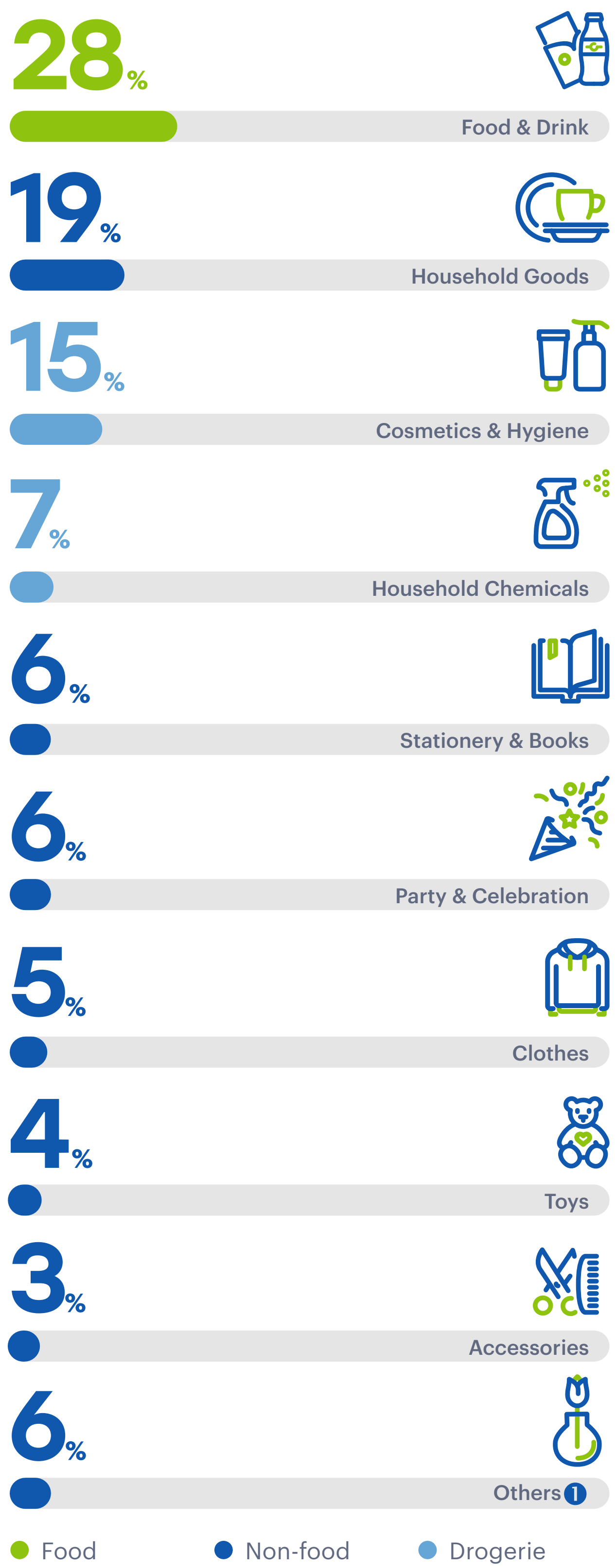
19% of our product range (as a percentage of retail sales) comprised third-party branded products, 49% comprised non-branded (no name) products and 32% comprised private brand products.

Fix Price's retail sales mix by rotation type

%



Fix Price's retail sales mix structure by product category in 2021



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

Branded

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

Non-branded (no name)

We consider non-branded products as the most appropriate category for testing and rotation, given that there are typically no ongoing obligations to continue production of these goods by suppliers. While offering such products, we also enjoy additional flexibilities to respond to customer trends and needs by launching new or innovative SKUs quickly.

Private Brands

Private brands are strategically important to our business because they enable us to deliver an extensive product offering in many consumer categories, provide a significant means of competitor differentiation and typically carry higher margins. The Company designs and develops own private brands in-house and, for some SKUs we reference the successful products of other retailers, which we are able to produce more cheaply. As a result, our private brands are on par with third-party branded products widely available in the market, as far as quality and appearance are concerned.

We aim to achieve an exceptional pricing proposition on private brands as a result of our efficient supply chain management, lower packaging costs and our thorough monitoring of the quality of materials used to manufacture private brand products. By offering private brands, we can also significantly speed up inventory turnover. With their lower cost, private brands typically enhance our margins and contribute towards improving profitability per square meter of store space.

~60 brands are in Fix Price`s private labels' portfolio

Fix Price actively manages our own private brand and third-party branded product mix with the aim of providing a balanced offering that maximises its appeal to our customers. We have a dedicated private brand team that works in conjunction with our category management department to determine the best private label products mix and with our marketing team to determine the optimum private brand advertising strategy.

As of 31 December 2021, Fix Price's private labels' portfolio comprised approximately 60 brands. Our most popular private brands include Cotte, Homestar, Manafort (Consumables/Regular category); Play the Game, Kid's Fantasy (toys within General Merchandise/Changing category); and Greenart, With Love and Snezhnoye Kruzhevo (party and celebration within the General Merchandise/Changing category). Each one of these private labels has its own pricing structure, specific mix of products and target customer group.

We conduct extensive marketing and promotion of private brands, utilising a number of marketing tools. In particular, the Company has registered several domain names dedicated specifically to our private labels and actively promotes these brands using the respective websites. A number of Fix Price private brands have also received various industry awards. We source private brand products primarily from foreign, mainly Chinese, suppliers.

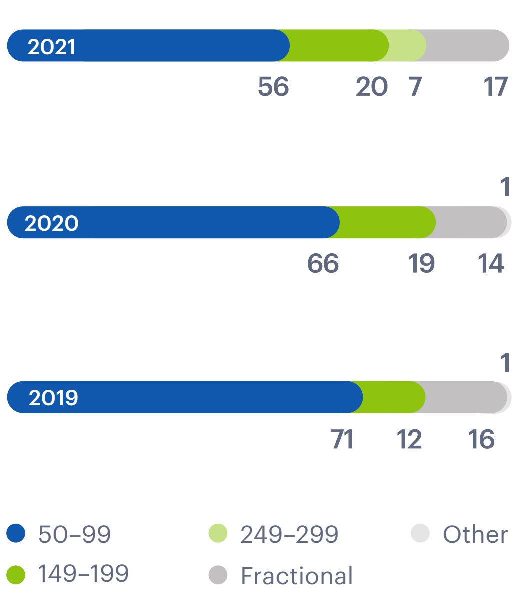
PRICING

We strive to provide great value to our customers. We offer our products at several fixed, low-price points that resonate with our target demographic and with other value-oriented customers. In 2021, approximately 73% of our product range was priced RUB 100 or less, including fractional prices. Products offered at RUB 249 and RUB 299 are primarily referred to as "WOW" products, such as, for example, toys and home décor items, and are offered with the aim of creating a "Can't be so cheap!" customer reaction, as similar products are usually much more expensive at other retail chains and online platforms. We aim to ensure that customers have a strong visibility of our low price, affordable products at eight principal price points available at Fix Price stores. The Company continuously monitors prices for products offered by other retail chains, similar to the ones we offer, to ensure that we have the most attractive pricing proposition to customers.

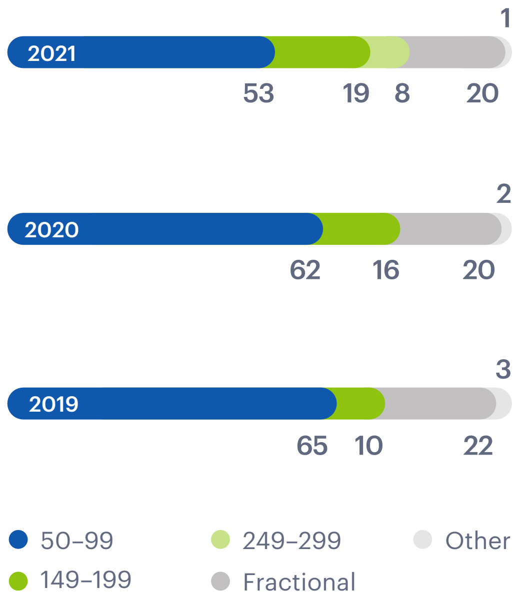
~73% of our product range was priced RUB 100 or less

Multiple price points for various products allow us to be more flexible in responding to the changing market environment, primarily foreign exchange volatility and inflation rate movements, by introducing new SKUs at higher price points or by optimising the cost base. If an existing SKU's margin is not attractive, our approach is to revise 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 or characteristics, without compromising the product's quality. We are experienced in how to use these tools efficiently to ensure quick inventory turnover, continuous product range rotation and fast decision-making processes.

Fix Price's price points as % of retail sales in 2019–2021



Fix Price's price points as % of SKU in 2019–2021



In line with the Company's relentless focus on cost optimisation, we continuously conduct in-depth analysis of the cost structure of sourced merchandise and engage in proactive discussions of pricing architecture with our suppliers in relation to target price and margins, in order to negotiate the most favourable supply terms. We are able to control the cost structure of these products by directing the designs, specifications and technical requirements of products, including packaging, while ensuring that our quality requirements are met.

Our pricing policy and decisions are based on a thorough analysis of historical data and forecasting, which has proven to be extremely accurate to date. In setting prices for products, we take into account market developments and customer behaviour, as well as our understanding of evolving customer needs, based on the analysis of actual purchase behaviour and external market analysis.

Fix Price has also been able to achieve significant cost efficiencies underlying our pricing policy as a result of our effective use of logistics infrastructure. The Company has a strong focus on overall cost optimisation, which contributes to our ability to maintain the deep value proposition to customers. Our pricing strategy is supported by our marketing policy with the customer loyalty programme in the core.

CONVENIENT SHOPPING EXPERIENCE AND AN EXCITING "TREASURE HUNT"

We aim to open stores in those locations where we can benefit from convenience of access and high traffic, with functional floor layouts, designed with easy-to-navigate displays which enable customers to swiftly identify and browse category worlds. We strive for a carefully tailored, engaging and pleasant in-store atmosphere which enhances the shopping experience and reinforces our price image.

According to the Vector Study conducted in November 2021, 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 63%. In addition, our customers expressed high levels of satisfaction with Fix Price stores in terms of in-store experience (service, cleanliness, etc.) with 88% of respondents satisfied with our store's format in general.

63%
Net Promoter Score

88%
of respondents were satisfied with our store's format in general

FAST-GROWING LOYALTY PROGRAMME WITH HIGHLY ATTRACTIVE BENEFITS

Fix Price has a frequently used and effective customer loyalty programme which currently has approximately 17 million registered cardholders. In 2021 the total number of registered loyalty cardholders increased by 5.5 million to 17.0 million, with transactions using loyalty cards accounting for 46% of retail sales[1], on the back of proactive advertising and promotional campaigns for loyalty programme members. The share of active users[2] comprised 54%, creating a "win-win" scenario for customers and the Company.

In general, we benefit from higher customer spend, with the average ticket of loyalty cardholders being approximately 1.8x higher versus the average ticket of non-cardholders in 2021. Also, loyalty programme members visit our stores 1.2x more often on average than other customers. Based on the Vector Study, Fix Price loyalty programme cardholders visit our stores four times a month on average. The benefits that the loyalty programme offers also translate into high levels of Fix Price recognition amongst customers.

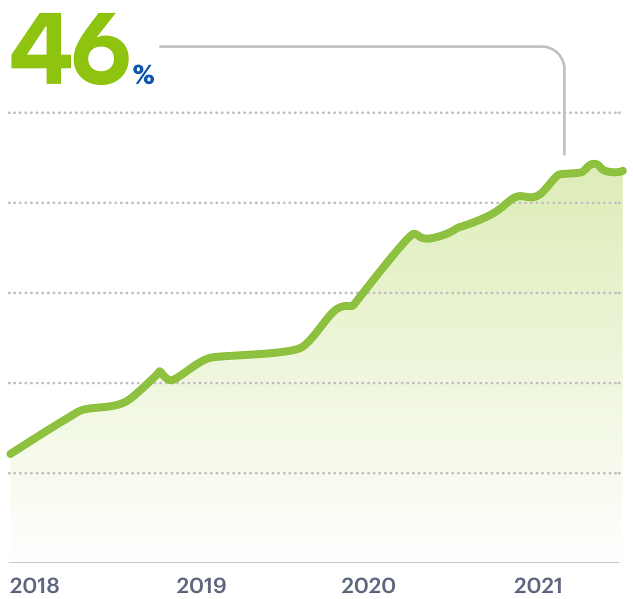
[1] The data on loyalty program is calculated for Fix Price stores operating in Russia

[2] Members of the loyalty program who make at least one purchase per month

Loyalty cardholders visit our stores
1.2x
more often on average
compared to non-cardholders

... and spend more
1.8x
higher average ticket
compared to non-cardholders

Share of retail sales generated by loyalty cardholders in 2021



~17 million

REGISTERED CARDHOLDERS IN THE LOYALTY PROGRAMME

Customers participating in the loyalty programme can purchase a loyalty card for RUB 55 or obtain a virtual free-of-charge card, which enables them to accumulate up to 20% of the check-out value using the card while shopping and then use accumulated amounts (points) to get up to a 50% discount on future purchases.

Cardholders are also entitled to receive free giveaways and exclusive marketing offers. The programme enables cardholders to participate in various promotions and partner offers as well as to take advantage of customised offers, including enhanced bonus points on "Favourite Product" and one-off bonus points in connection with various Fix Price events.

We regularly communicate with our loyalty programme members via e-mail, SMS and mobile app as well as by conducting new product, pricing and other surveys. The purchase history of cardholders provides the Company with valuable data, which we use to identify spending patterns, receive instant feedback and make data-driven marketing strategy decisions aimed at further increasing customer satisfaction and driving sales growth.

Customers participating in the loyalty programme purchase a loyalty card for

RUB 55

Loyalty card enables them to accumulate up to

20%

of the check-out value

Focus on Customers

At Fix Price we are committed to putting our customers first and at the heart of everything we do. Our commercial managers and retail teams have significant experience and strive to deliver an attractive and value-for-money offering to our customers in terms of price, product range, quality, availability, service and shopping environment.

FIX PRICE'S TARGET MARKET AND SHOPPING TRENDS

The typical Fix Price store primarily targets families with children and customers with middle- and low-level incomes. Based on the Rosstat data[1], for approximately 75% of the Russian population monthly income is below RUB 45,000. We also see a growing demand from more affluent customers – the share of customers earning over RUB 30,000 in 2021 increased by 4% compared to 2020. Women remained the majority of shoppers in our stores (68% of total shoppers), while married women with one to two children comprise the core group (>57%) within this target market[2]. The share of men in recent years increased from 26% (in 2011) to 32% (in 2021). Certain customer categories have grown in size since 2016, such as students (from 9% to 11%), white-collar workers (from 22% to 25%) and managers (from 9% to 11%); in contrast, the share of pensioners has dropped from 24% to 14%. Blue-collar workers remained flat at 20%.

Based on the PwC Global Consumer Behavior Survey 2021[3], Russian customers are still sensitive to prices and they realise they benefit from the best value in our stores, as, according to Vector market research, share of customers preferring value-conscious purchases increased by 7% in 2021, while 42% of our customers visit Fix Price stores at least once a week, with one of the main reasons cited as being the "lowest prices", in addition to the range of products, value-for-money, convenient locations and quality of products[2].

[1] Based on publicly available information
[2] Vector market researches as of Spring'21 and Autumn'21
[3] https://www.pwc.ru/en/publications/consumer-insights-survey-2021.html

Audience

Women 68%

Men 32%

White-collar workers 25%

Blue-collar workers 20%

Pensioners 14%

Students 11%

QUALITY CONTROL AND CUSTOMER SATISFACTION

We focus on providing our customers with reliable, quality products. Fix Price has a rigorous quality control management system based on a range of internal quality assurance policies and regulations covering:

- Product quality;
- Defective products;
- Quality assurance for private-brand products;
- Product quality assurance guidelines; and
- Other quality related instructions and regulations.

In accordance with these policies and regulations, Fix Price has established strict quality control procedures whereby we carefully monitor the quality of products on our store shelves and verify product quality at all stages – from production to finished products, including at our distribution centres. Our quality control measures include monitoring our suppliers' production facilities and processes, the laboratory testing of products, the prompt investigation of customer complaints, and the testing and tasting of private-brand, no-name and third-party branded products.

We implement our quality controls both on a centralised basis, as products flow through our centralised supply chain system, and on a local basis, as products are laid out in our stores. Products that do not conform with our standards are identified in a timely manner and promptly removed from shelves.

Our key criteria in the selection of suppliers is their ability to supply quality goods. We audit suppliers and products before their selection, and thereafter on a regular basis during the term of their contracts. We are committed to maintaining long-term relationships with our suppliers and work closely with them to resolve any quality issues and monitor improvements. In the case of unsatisfactory audit results, we provide recommendations to the relevant supplier, provide an improvement plan together with a deadline for its implementation, following which we re-audit the relevant supplier to ensure that the improvements have been put in place.

We have also established customer complaint and remediation process systems to ensure that incidents related to quality matters serve as a trigger for joint quality reviews with suppliers, if required.

Fix Price provides a customer complaints e-mail address while customers can also submit their complaints via the Group's website.

STORE LAYOUT

Fix Price has developed, and employs, standard 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 and store maps, which are designed for easy navigation by customers. Products are displayed and easily accessible in several zones based on product categories, including non-food, drogerie and food, in a design which is replicated across our store network.

Our store format is designed to ensure clear price communication and visually attractive displays, which are prominently located.
In addition, the product organisation is intended to encourage cross-selling, “treasure hunting” and creating a “WOW” customer reaction.
For example, on the designated shelves with the “WOW” signage, we place a selection of products priced at RUB 249 and RUB 299 aimed at creating a strong, “It can't be so cheap!” reaction.

Essentials are typically placed at the back of our stores 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, which is familiar and recognisable to our customers.

Fix Price's central merchandising team oversees our store layouts, as well as conformity with our standards and adaptations for promotional activities.

We seek to minimise customer queuing times by ensuring that a sufficient number of tills are open to serve customers at any one point in time, with a typical store having two to three tills in operation simultaneously.

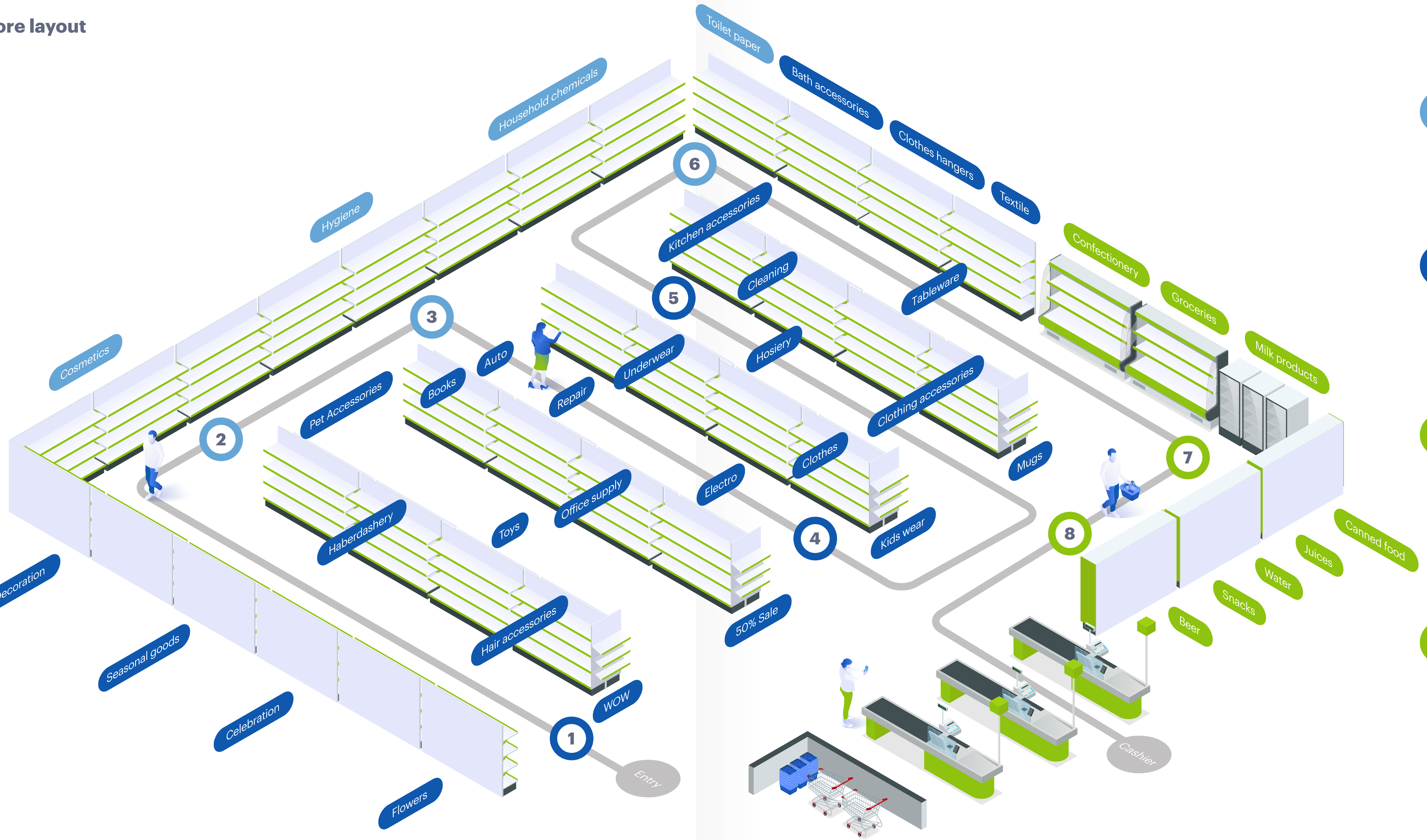
Overview of a typical Fix Price store layout

1 “Wow, no way the price can be that low!” RUB 199

2 “I just needed to get a shampoo...” RUB 79

3 “Great, this place has masks and they don't cost a fortune!” RUB 99

4 “Doesn't this look great? Just like H&M” RUB 149



5 “This is a great bargain!” RUB 199

6 “Better stock up on soap and toilet paper!” RUB 154

7 “I guess I did promise to buy milk... oat milk is even better” RUB 79

8 “So much shopping done – I deserve a snack!” RUB 29.5

- Food
- Non-food
- Drogerie

MARKETING AND ADVERTISING

Fix Price's marketing strategy is aimed at driving store traffic and average ticket increase within our target demographic as well as other value-oriented customers. Our strategy provides for the use of a wide range of marketing channels, including television advertising, printed materials, point of sales materials (POSM), outdoor advertising, online advertising, event marketing as well as the customer loyalty programme.

The Company utilises cost-efficient marketing and advertising campaigns, employing a tailored promotional strategy aimed at our target market segmentation and using the relevant communication channels for reaching these segments. All marketing content is generated in-house. Fix Price's digital marketing, anchored by the Company's social media presence, is growing rapidly. We have accounts on all major social media channels, 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 digital content created by our own customers' experiences at Fix Price stores. Such videos with millions of views are created and uploaded by our customers themselves to various social media groups. Free 'word of mouth' marketing via social media also supports our marketing activity.

In 2021, the Company's social media content included approximately 3,800 videos and posts. Fix Price's digital presence, therefore, significantly contributes to our ability to carry out effective marketing at minimal spend. We also continuously work on our customer website optimisation.

We view the Fix Price mobile app as an efficient tool to reach out to our target audiences, allowing customers to view our product range online and accumulate loyalty programme bonus points. We recorded over 6 million downloads of the app since its launch in August 2018 with over 110,000 daily active users and over 1.7 million monthly active users on average in 2021.

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, our marketing efforts focus on brand repositioning towards younger and higher income audiences by using new marketing channels, improving the visual content of our products and packaging, as well as leveraging feedback to personalise marketing efforts.

NEW CHANNELS DEVELOPMENT

In order to exceed the expectations of our valued customers, Fix Price continues to examine various ways to improve their shopping experience.

For those clients who choose to shop online, Sbermarket provides access to our shelves for the internet buyers via a mobile app and a website. A customer can place an order using Sbermarket's interface which displays a product range of a typical Fix Price store. After filling in a virtual basket and check-out, a client gets a delivery within the next 24 hours or even sooner.

By the end of 2021, more than 500 Fix Price stores in 29 regions of Russia had been involved in our cooperative effort with Sbermarket.

~3,800 videos and posts
Company's social media content in 2021

>6 million
downloads of the app since August 2018

>500 stores
in 29 regions of Russia have been involved in our cooperative effort with Sbermarket

>110,000

ACTIVE USERS DAILY

Business Model

OUR RESOURCES

4,904 stores
in Russia and CIS, across an expansive area

8 DCs
infrastructure with total space of **282,349 sq m**

c. **700** suppliers,
c. 75% of purchases sourced domestically

> **33,000**
personnel —
highly experienced and consistent team

A SCALABLE
store format
with low CAPEX requirement

BEST IN CLASS
ROIC and robust EBITDA

KEY PILLARS OF OUR BUSINESS SUCCESS

STAKEHOLDER VALUE CREATION

TO OUR CUSTOMERS
- Decent quality at best prices
- Treasure hunt & WOW shopping

TO OUR SHAREHOLDERS
- Best in class returns and long-term value creation

TO OUR PERSONNEL
- Career opportunities
- Safe & healthy work enviroment

TO COMMUNITIES
- Support of local communities

TO PARTNERS
- Opportunities for growth & scale & stability

CEO's Statement

DMITRY KIRSANOV
Fix Price CEO

I would like to thank all of our staff most sincerely for their work to keep our stores and logistics facilities operational for our customers. At the same time, we have been able to protect our workforce and minimise the number of COVID-19 cases in the Company.

DEAR SHAREHOLDERS,

This Annual Report is Fix Price's first as a public company. 2021 was a year when we faced adverse conditions, including COVID-related restrictions, high inflation, currency volatility and global supply chain disruptions. Despite this, we continued to grow our store network, added millions of new loyal customers and rewired our supply chain to adapt to the changing environment.

Before turning to a more detailed overview of 2021, I would like to address the new reality that we find ourselves in as of the publication of this Annual Report in April 2022.

At the time of writing, it is too early to give a full assessment of the medium- and longer-term impacts on our business or the broader retail sector of the restrictive measures that have been imposed on the Russian economy, and of the extreme levels of uncertainty that we have seen over the past few weeks.

In early 2022, following a comprehensive assessment of ESG practices that the Company initiated in mid-2021, we published Fix Price's first set of ESG data. The importance of this cannot be underestimated as our management team remains strongly committed to sustainability.

DMITRY KIRSANOV
Fix Price CEO

Many, if not all, of these factors are entirely out of our hands. Our focus, therefore, remains unwavering and concentrated on those things that we can control. As we have done ever since we founded Fix Price in 2007, we are doing everything we can to keep the business running smoothly, and to continue sourcing and putting goods on the shelves that offer the best value for our customers. The importance of this cannot be overestimated in the current challenging environment where ordinary Russians find themselves faced by unprecedented challenges and strains on household finances.

Given the serious pressure on financial markets and the dramatic ruble depreciation that Russian businesses have faced, it is important to underline that Fix Price has historically had a robust financial position, including a strong cash balance and cash generation ability, as well as low leverage. As of December 31, 2021, the Company had RUB 8.8 bn in cash and cash equivalents, about 84% of which was RUB-denominated. Our adjusted net debt to EBITDA ratio as of the same date was at a conservative 0.4x. Operationally, our dependence on imports is limited, with approximately 25% of our purchases sourced internationally, predominantly from China.

Returning to 2021, overall, we achieved or exceeded our operational and financial targets. Revenue for the year was RUB 230.5 billion, an increase of 21.3% year-on-year. EBITDA for the period was RUB 44.2 billion, while the EBITDA margin remained above 19%. While total LFL sales grew by 7.2% year-on-year, our company-operated stores in Russia, which were not affected by COVID-19-related restrictions, recorded even higher LFL sales growth of 9.0%.

737 **stores**
were opened in 2021

79 **regions**
Fix Price presence in Russia

2,000 **SKUs**
Fix Price proposition in 2021

The number of loyal customers, as measured by participation in the Fix Price Loyalty Programme, reached 17 million. We opened 737 new stores during the year, slightly above our previous guidance of 730 new outlets. As of today, Fix Price has a presence in 79 out of Russia's 85 regions, covering approximately 98% of the country's population. We also maintained an active pace of international expansion with one quarter of new stores openings being outside Russia in 2021.

By managing our product assortment in close cooperation with our suppliers and securing swift delivery across our whole store network, we were quickly able to absorb pressures on margins and ensure that merchandise continued to reach our stores, with our shelves remaining fully stocked at all times. In particular, we ordered larger volumes of merchandise and sought to develop alternative supply routes in advance, diverting sea freight to less busy ports and, where possible, switching to rail freight options offering comparable delivery times and prices. Overall, in 2021 we expanded our proposition to approximately 2,000 SKUs, compared to 1,800 in previous years.

These efforts have not gone unnoticed by our customers. By the end of 2021, participation in the Fix Price Loyalty Programme had skyrocketed to 17 million people, a 47% increase over 2020.

As Loyalty Programme members shop at Fix Price's stores on average more often and spend more – average member basket size is 1.8 times higher than for non-members – we believe we were very successful in growing our loyal customer base in 2021. Throughout the year we adjusted our Loyalty Programme terms, utilising purchasing data to reflect evolving customer trends with regard to product assortment and pricing.

Fix Price was established more than 15 years ago. During this time, our business model has repeatedly demonstrated its resilience, and our team – most of whom have been with us since the early days – have shown themselves to be professional and able to take on challenges and devise effective solutions. I believe that we will be able to navigate the current crisis and continue to put our customers first, maintaining our Every Day Low Price strategy and offering our customers best value for money, thanks to all the instruments that we have in place.

On behalf of our management team, I would like to thank all of you, together with our partners and customers, for your continued support during these uncertain times.

DMITRY KIRSANOV,
Chief Executive Officer

Operating Review

Fix Price has cemented its leading market position in 2021, actively developing our operations across Russia and neighbouring countries.

We successfully navigated several challenges during the year, such as high inflation, exchange rate volatility and elevated freight costs. On top of that, COVID-related restrictions in some regions directly impacted our stores located in shopping malls. We have demonstrated that our ability to deliver on those things we can control remains superior. Management used a range of measures to achieve this, including fast assortment rotation, product engineering and the introduction of new price points in order to anticipate and mitigate external headwinds and maintain margins.

Key achievements in FY 2021

Net store openings[1]
737

LFL sales growth
9.0%[2] / 7.2%

Revenue growth year-on-year
21.3%

Loyal customer base growth
47%

[1] Including company-operated and franchised stores

[2] LFL sales growth of Russian stores unaffected by restrictions and adjusted for the leap-year effect

FY 2021 REVENUE AND LFL SALES GROWTH

Fix Price's FY 2021 total revenue increased 21.3% y-o-y to RUB 230.5 billion, driven by store network expansion and like-for-like[3] (LFL, same stores sales) sales growth. The Company's retail revenue rose 22.5% y-o-y to RUB 203.3 billion, while wholesale revenue grew by 12.9% y-o-y to RUB 27.1 billion. The average basket size for FY 2021 reached RUB 287, up 4.9% y-o-y.

LFL sales grew by 7.2% y-o-y in FY 2021, reflecting new restrictions imposed due to COVID-19, as well as an impact of international geographies. LFL sales for Russian stores unaffected by restrictions were up by 9.0%. LFL traffic increased by 3.1%, while the LFL average ticket was up by 4.0%.

Revenue and LFL sales dynamics, Q1 – Q4 2021, %

	Q1	Q2	Q3	Q4
Revenue growth year-on-year	29.2	27.0	17.8	14.5
LFL sales growth	11.9	11.8	4.4	3.2

[3] Here and hereinafter, like-for-like (LFL) sales, average ticket and number of tickets are calculated based on the results of stores operated by Fix Price and that have been operational for at least the 12 full calendar months preceding the reporting date. LFL sales and average ticket calculated based on retail revenue including VAT. LFL numbers exclude stores that were temporarily closed for seven or more consecutive days during the reporting period and the comparable period

LFL sales dynamics, FY 2019 – FY 2021, %

7.2
FY 2021

15.8
FY 2020

15.4
FY 2019

LFL traffic dynamics, FY 2019 – FY 2021, %

3.1
FY 2021

(1.7)
FY 2020

7.6
FY 2019

LFL average ticket dynamics, FY 2019 – FY 2021, %

4.0
FY 2021

17.8
FY 2020

7.3
FY 2019

The strong growth of LFL sales in the beginning of 2021 was driven by the higher average ticket and the solid results from merchandise sales of clothing, stationery, holiday goods and toys. The share of food, which decreased during the spring 2020 lockdown when demand shifted towards non-food items, began to normalise in Q1 2021 which provided additional support to traffic.

Both our retail revenue and LFL sales ramped up between January and March 2021, supported by favourable comparative base effects and our store network expansion, reflecting an increase in company-operated stores following the buyout of franchised stores in 2020.

The dominant macroeconomic factors at the beginning of 2021 were the weakening of the Russian ruble, the rise in raw material prices and supply chain disruptions. These trends put additional pressure on our markets in Q2 2021, further impacted by rising freight costs and commodity prices, which combined with foreign exchange volatility, led to accelerated inflation. As a result, Russian consumers in general began to delay impulse discretionary purchases, switching to food items and non-food essentials.

Between June and July 2021, abnormally hot weather in Russia during the holiday season, and a rise in new COVID-19 cases reduced the frequency of store visits, but we were successful in navigating these headwinds, with both Q2 2021 revenue and LFL sales registering double-digit increases. Continued improvements in operating efficiency and operating leverage also supported our financial performance.

In the second half of 2021, despite the challenging environment for the whole industry, we continued to successfully adapt and support our customers, recording revenue growth in the high teens and a positive LFL performance in Q3 2021. While we faced tough comparative numbers from the previous year, especially in July and August 2021, we delivered a successful 'Back to School' campaign, which drove double-digit LFL sales of seasonal items and stationery, and supported a growing share of non-food discretionary assortment.

Food assortment also recorded double digit LFL sales growth in Q3 2021, reflecting continued strong demand for essentials amid high inflation.

Towards the end of 2021, we remained focused on our operating priorities and strategic initiatives to meet the evolving needs of our customers. While consumer sentiment in Russia started to recover, a rise in COVID-19 cases in November and December led to more cautious customer behaviour and pressure on traffic, which was further compounded by substantially stricter government regulations.

During the course of November and December 2021, several Russian regions introduced various COVID-19 restrictions, including only allowing people with QR-codes confirming their immune status to be admitted to shopping malls (which directly affected Fix Price stores located in shopping malls), self-isolation for elderly people and limiting access to people under 18 years without adults and others. Overall, approximately 1,000+ Fix Price stores were under various restrictions during November and December 2021 for some period of time.

Against this backdrop, we were successfully able to record double-digit revenue increase in Q4 2021 on the back of new store openings and LFL sales growth.

The impact of our international presence is becoming more pronounced as Fix Price continues to actively expand outside Russia. In Kazakhstan, LFL traffic was impacted by government restrictions due to COVID-19, whereby only people with QR-codes confirming their immune status could visit shopping malls (where the majority of Fix Price stores are located). In Belarus, LFL sales were affected by abnormally high inflation amid pressure on real disposable income, while Fix Price had to temporarily reduce the product range due to the state regulation of prices.

However, store economics at the EBITDA level in Belarus and Kazakhstan remains strong, which is why Fix Price is maintaining a healthy pace of new store openings in these countries; over one quarter of net openings in 2021 were outside Russia.

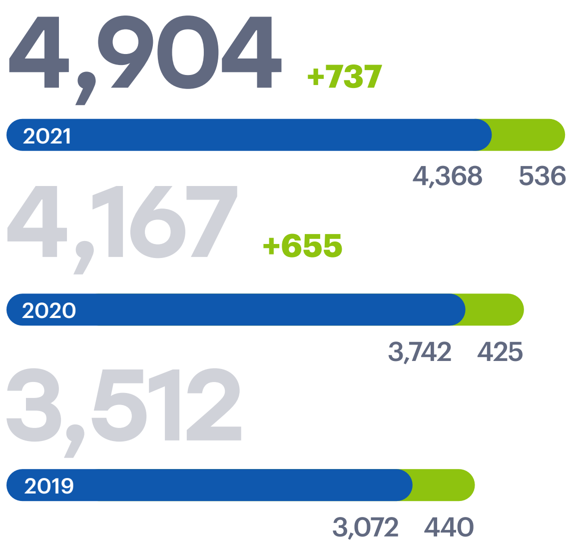
NETWORK EXPANSION

The total number of stores increased by 737 to 4,904 in 2021 (of which 626 were company-operated stores and 111 were franchised stores) or by 17.7% compared to 2020. The total selling space of stores operating under the Fix Price brand increased by 167 ths sqm to 1,057 ths sqm compared to 890 ths sqm in 2020 (18.8% increase y-o-y). The average selling space per Fix Price store was 215 sqm versus 213 sqm in the previous year. Franchised stores amounted to 10.9% of total store count (up 73 basis points y-o-y).

By the end of FY 2021, we increased our presence in Russia to 1,411 cities. As of December 31, 2021, Fix Price had a presence in 79 of Russia's 85 regions, covering approximately 98% of the country's population.

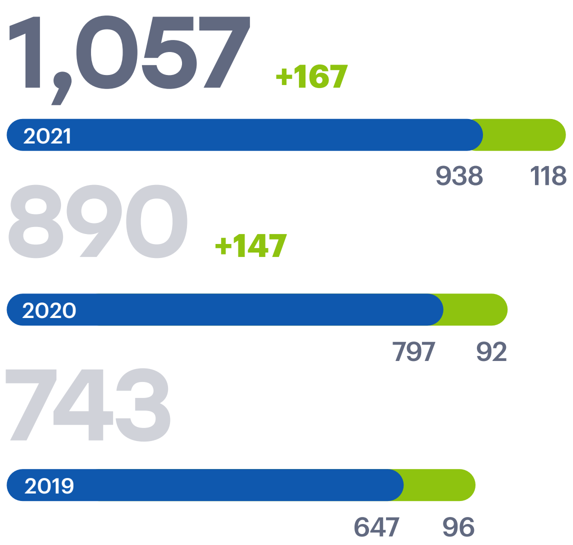
Looking ahead, we aim to maintain the pace of our store network expansion to support further operational and financial growth, with plans to open 750 net new stores in 2022.

Store network expansion, number of stores



Company-operated
Franchised

Selling space expansion, ths sqm



Company-operated
Franchised

4,904
Total number of stores

1,057 ths sqm
Total selling space of stores

215 sqm
Average selling space per Fix Price store

ASSORTMENT AND CATEGORY MIX

We have extended our assortment proposition in the reporting year, with the number of SKUs in Fix Price stores growing to approximately 2,000 compared to 1,800 in the previous years. We were able to mitigate the impact of external factors on our results by introducing new items at higher price points and making targeted adjustments to the products, as well as through faster assortment rotation.

Between January and March 2021, we expanded our product range and added two new RUB 249 and RUB 299 price points. These enabled us to refresh the range of well-known brand products and update our product offering across a range of categories, including clothing, toys, stationery, home decor, kitchenware, food, beauty and cosmetics.

The share of the RUB 249 and RUB 299 price points in retail sales continued to increase during 2021, reaching 12.3% in Q4 2021, while the share of price points above RUB 100 grew to 32.1%, compared to 22.3% for Q4 2020. This was due to the introduction of new products and the repricing of the rotated assortment to offset pressures on the cost of sales.

In November 2021, Fix Price launched two new price points, RUB 59 and RUB 79, and started to expand their respective assortments, while maintaining the best value proposition, which helped to support margin and sales growth in Q4 2021. The RUB 50 and RUB 77 price points were completely eliminated from the assortment matrix by the beginning of 2022, so that the lower end of the range is now represented by the RUB 55, RUB 59, RUB 79 and RUB 99 price points.

During the 2022 New Year season, the product mix shifted more to non-food on a quarter-over-quarter basis, with food accounting for 26.7% of retail sales in Q4 2021.

Seasonal ranges led growth among the non-food assortment with 26% LFL sales increase in Q4 2021, followed by personal care and household goods, books, stationery and DIY products.

Roll-Out of New Stores

Fix Price continues to expand in Russia and internationally, while ensuring a target level of store profitability is maintained. The Company has a broad geographic presence across Russia, successfully operating in towns with a population of 5,000 or more. Given our achievement of a consistent average EBITDA margin for company-operated stores, the Company is well-positioned to continue expansion and drive margins in both large and densely populated cities, as well as less affluent and smaller locations.

NEW STORE DEVELOPMENT AND SITE SELECTION

Fix Price has a comprehensive and effective process to evaluate proposed new store openings supported by advanced IT solutions. The process comprises site selection based on a careful consideration of local social, economic and demographic factors together with an evaluation of the commercial, technical, physical, environmental and legal factors.

After a site has been selected, appraisal and feasibility studies are conducted, rental costs are negotiated and a final decision on the site is made. Fix Price stores are then continuously monitored using leading-edge technology, including customised mobile applications.

SITE SELECTION

The site selection process is supported by advanced IT solutions. White space analysis is based on the performance of the existing stores and a number of major factors including:

- Economic, demographic and strategic factors
- Commercial factors
- Technical and physical factors
- Environmental and legal factors

DECISION PROCESS

The decision process includes a financial appraisal and site visit. Assuming a satisfactory result from the technical and economic feasibility study, this is then followed by a commercial negotiation to acquire the site and subsequent signing of the agreement. After the refurbishment works have finished, personnel hiring, purchase of store equipment and merchandise together with marketing are arranged.

STORE MONITORING

Stores are monitored via in-house IT tools, including mobile applications for employees. Store managers and directors utilise a user-friendly interface installed on tablets or smartphones to check and monitor current business in real-time and report on performance. Regular audits, surprise inspections and “mystery shopper” checks are also implemented.

STORE MAINTENANCE

Maintenance focuses on ensuring compliance with all applicable building, sanitary, and safety regulations with a particular focus on COVID-19 related requirements. Regular audits are conducted by store management department employees and the cleanliness of each store is closely monitored. Stores are also upgraded to ensure the uniformity of the shopping experience across the network. This often includes remodeling store layouts to improve customer journeys within the store and product presentation. Maintenance also includes refitting lighting and replacing equipment as it becomes obsolete.

Economic, demographic and strategic factors

Economic, demographic and strategic factors are carefully considered in order to identify target cities and localities in which new stores could be based. The number of inhabitants (focusing on towns and other locations with at least 5,000 inhabitants), income levels, unemployment rates, socio-demographic composition, local government/administration and the level of competition are scrutinised in each of the cities/localities where new openings are targeted.

Commercial factors

The most important commercial factor for specific site selection is 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, type of district based on the prevailing type of buildings, business infrastructure, industrial buildings, availability of social infrastructure facilities and the general commercial environment.

Technical and physical factors

We also consider a specific site's technical and physical factors which could impact our investment decision, such as the proportion and size of the store, good utility connectivity, traffic patterns and the ability to implement a branded layout and logistical support system. When Fix Price leases space in an existing building, we assess its quality and features, which floor level it is on and uploading options. If we locate a store in a shopping mall, we evaluate the mall's specialisation and the location of the site inside the mall from the perspective of visibility from the entrance to the mall/across the floor.

Environmental and legal factors

Fix Price evaluates environmental factors, such as our ability to comply with environmental and sanitary regulations (including rules regarding minimum distances to residential and public buildings). Also, the legal review is conducted to ensure that the landlord has mandatory legal title to the premises and that appropriate usage approvals are in place.

DECISION PROCESS

Fix Price's store roll-out process is highly automated and utilises an updated database of potential venues generated in-house on the basis of internal analysis and a direct search process. This database enables the quick collection and processing of information on potential store venues based on specific search criteria tailored to the Group's roll-out strategy and other factors. This system is able to generate comprehensive analytics for the chosen sites.

Once the site for a potential new store is identified, we undertake a field trip to assess it and carry out a financial appraisal, including an evaluation of local demographics, retail adjacent areas, property characteristics and economics. 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, IAS 17-based store EBITDA, payback period and NPV. Thereafter, the collated information on the site is submitted for review by Fix Price's Investment Committee that either approves the investment or revises the commercial terms. Following approval, the roll-out process typically takes approximately 60 days from the start of the legal process to acquire the site.

If the investment is approved by our Investment Committee, we then conduct negotiations on the applicable rental rates. Once commercial terms are agreed, our legal, accounting and internal control functions oversee the lease agreement preparation. In negotiating terms with landlords, the Company favours mid-term leases (less than 3 years) and seeks to ensure a balanced mix of leases between those which are sales-linked and fixed rental rates. Once the lease agreement is agreed with the relevant landlord, and all applicable conditions for the store opening are satisfied, the lease agreement is executed.

After refurbishment works are carried out, we hire personnel, source store equipment, arrange marketing and merchandise. Store re-fits and openings are overseen by our store management department, coordinating the involvement of other departments as necessary and assisting the regional operations managers with openings within their respective areas of responsibility.

Our average capital expenditure requirement for a new company-operated store in Russia, including IT equipment and intangible assets (e.g., SAP licenses), is approximately RUB 4.3 million[1]. Capital expenditure for new store openings is incurred entirely in local currency.

RUB ~4.3 million

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

[1] Based on capital expenditures for stores opened in 2021

STORE MONITORING

Fix Price has developed, and constantly updates, a range of mobile applications for our employees which assist with the automation of all in-store operations. Store managers and directors utilise a user-friendly interface installed on tablets or smartphones to check and monitor current business in real-time and report on performance. Such solutions are aimed at facilitating standardisation and improving the performance of personnel across the stores by reducing routine task time. These tools allow store managers to track an agreed number of key store performance indicators, including sales as compared to budget, LFL performance, loyalty programme card sales, results of regular store audits, store ranking across the entire network and within a store sub-group.

Store managers also use a store management app which allows them to monitor current tasks execution such as stock and cleanliness checks together with inventory management, in order to obtain full information on products and manage claims submissions. Those apps are integrated with the Company's IT infrastructure allowing senior management to monitor store performance in real time, including store-level key performance indicators.

We regularly audit our stores through surprise inspections and "mystery shopper" checks focusing on assortment, cleanliness, cashier performance and cash handling. If compliance with these key performance indicators falls below the 80% level, 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, most recently, with a particular focus on COVID-19 related requirements. In case of malfunctions or breakdowns, a request is generated in the internal management information system to call contractors to fix any malfunctions. Store management department employees perform regular audits to monitor the cleanliness of each store and decide on upgrading stores to ensure uniformity of the shopping experience across the network as well as on replacing equipment which becomes obsolete.

Our average capital expenditure on refurbishments for company-operated stores is approximately RUB 2.5 million per store.

RUB ~ 2.5 mln per store

Average capital expenditure on refurbishment for company-operated stores

IT Infrastructure

Fix Price strives to implement the best available IT technologies across the supply chain and in our stores to keep pace with the rapid growth of the Company. Internally-driven IT developments are aimed at reducing operational costs and increasing efficiency. We also strive to increase the availability of the latest technologies at the checkout and provide our customers with a fast, comfortable and secure service. There are several major IT systems which we utilise to run the operations seamlessly.

INTERNAL IT INFRASTRUCTURE

Our cornerstone ERP system which is supported inhouse and located on the Company`s servers is an SAP software package based on the ORACLE proprietary solution. It covers cash and inventory management, purchasing, pricing, in-store systems and head office functions, such as HR and finance. The system provides management with the full cycle of stock rotation together with overview of financial flows and accounting. The bridge between SAP and the personnel management system BOSS-HR Officer allows us to keep centralised time sheets for stores and warehouses.

Module SAP (budgeting)

We are currently finalising a new standard SAP FI-FM module launch. This will provide control over budget planning and expenditures, help track future cash flows as well as prevent budget overdrafts. Completion of the project is planned in the first half of 2022.

WMS (warehouse management system)

WMS Logistic is a software system which is designed to manage technological operations inside our warehouses in real time. Integration of SAP and WMS provides effective operations within all distribution centers.

One of the solutions used in this system is a module for control of assembled pallets with merchandise. Our logistics specialists together with the business security function developed a procedure that enables the control of assembled pallets directly at distribution centres. The system compares the actual weight of an assembled pallet both at the entry and exit points. If during the weighting of an assembled pallet a difference is detected between these two weights, amounting to 0.8 or more of the weight of the lightest box, the pallet will not be shipped but will instead be referred to the security function's control area where the error will be identified and addressed. In this case, the security function makes sure that no pallets that have not been properly assembled are sent out to the stores. This technology allows Fix Price to reduce the costs and time to address incomplete pallet assembly issues at the warehouse, which reduces the risk of delivery of non-conforming orders to the stores.

Proprietary demand forecasting tool (demand forecasting system)

The Auto-Order module inside the SAP architecture allows us to place an order automatically for the replenishment and/or restocking of stores' inventory. The introduction of this functionality has significantly improved the efficiency of managing inventory balances on the store level.

QlikView (visualisation tool)

The QlikView Business Intelligence tool is used for business analytics, operational management of key indicators, building reports, dashboards etc.

OpenText (information management tool)

The OpenText electronic document management system is implemented as an extension of our SAP backbone. It runs a single database, provides electronic document approval, archiving, etc. All our sub-divisions are connected online into the electronic document management system, which allows a record-breaking reduction of time for approvals.

SET Retail (POS system)

Fix Price has implemented a modern advanced POS system, SET10, with broad functionality and huge potential for further development to meet the growing business needs and modern retail trends. SET10 is designed to provide the collection of sales data from the cash tills online, to manage the commodity base and directories on the registers and transfer data to Fix Price's ERP.

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. A user-friendly interface on tablets and smartphones allows managers to view and monitor the current operational tasks in real time and report on the results. This solution helps to increase the productivity of staff in stores, reducing the time spent on standard tasks. The system provides centralised remote monitoring of the condition of store premises.

Support the Supply Chain

Dedicated software is designed to automate repetitive operations related to deliveries; import supply management, customs' support, transportation management, certification control, calculation of planned and actual cost etc.

IMPROVING CUSTOMER EXPERIENCE

Fix Price continuously strives to improve the customer experience by using the latest innovations and technologies across all related processes at our checkouts.

Self-service checkouts

Fix Price's first self-service checkouts were installed in 2021 as part of a successful pilot programme in one of our Moscow stores. The implementation of self-service checkouts allows to reduce staff workloads during peak hours, and thus to increase footfall while optimising costs. During the pandemic, self-checkouts also secure personal safety by reducing customer contacts with store employees. In 2022, all newly opened company-operated stores in Russia will be equipped with self-service checkouts.

SET Mark system for controlling the turnover of marked goods at the checkout

SET Mark Centrum technology is designed to prevent cashiers' mistakes when working with marked goods, counterfeit sales, identify thefts and prevent competitors' provocations.

Coupon Service SLS

A Set Loyalty Service (SLS) coupon service has been fully implemented across the network. This technology is able to process any number of coupons reliably and quickly.

Supply Chain

The efficiency of our sourcing competencies and distribution platform is critical to supporting Fix Price's geographical expansion, maintaining our low pricing, and ensuring that we have sufficient merchandise at store level that can be quickly rotated in line with the product range guidelines. Our supply chain is, therefore, one of the key elements of the Company's business model and represents one of our key competitive advantages.

Our supply chain includes:

- sourcing
- direct import capabilities
- warehousing
- storage infrastructure (distribution centres)
- deliveries of products to stores

SUPPLIERS

Sourcing

Fix Price sources products in a manner that is designed to achieve low cost, fast response and frequent product rotation and sell-through. We strive to maintain a transparent procurement model, whereby we engage in proactive discussions of pricing architecture with suppliers with a view to obtain the best supply offers.

The Company maintains a long-standing, direct, dynamic and collaborative relationship with suppliers and vendors which provide us with access to quality products at attractive prices.

Fix Price negotiates the customised features of our products with suppliers, including packaging, taste, design, weight and other characteristics, leveraging our market position and scale aimed at maximising profitability. We also benefit from exclusive arrangements with some of our suppliers regarding the customisation of products.

Due to the scale and pace of expansion, knowledge of customer behaviour, a well-developed supply chain and lean decision-making process, the Company is able to offer the potential for greater market share to our vendors, which, in turn, has enabled Fix Price to increase margins and competitiveness.

This has contributed to the attractiveness of our offering and pricing for our customers and, hence, higher footfall in our stores.

Our procurement team is divided into 11 category management groups acting as full-cycle commercial departments. This structure is maintained to provide substantial flexibility to the procurement team allowing for a quick and streamlined decision-making process in relation to category management and sourcing. Each category management group is responsible for SKU selection and delivery of stock to stores. Each category manager, effectively acting as a commercial head of the relevant product category, is responsible for the development and management of his category.

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

Product managers are responsible for contract negotiations, private brands management, refunds and coordination with the marketing department. Supply managers or import managers, depending on the product category, are responsible for the placement of orders, stock maintenance at the DC level and shipment documentation.

We utilise an electronic trading system (Cislink) for monitoring and obtaining favourable supply terms if the supplier selection process is based on a tender process. The system automatically selects the best offer which we can accept.

Fix Price has implemented a number of dedicated policies such as a Code of Conduct and Business Ethics policy, a Modern Slavery and Human Trafficking Policy, an Anti-Bribery and Anti-Corruption Policy all of which outline the rules and objectives that the Company is committed to adhering to in relation to supplier selection. This excludes forced or child labour and ensures that human rights of employees of suppliers are observed. 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 a periodic evaluation of such compliance.

Fix Price enjoys a quick and streamlined test-to-shelves process for new SKUs. The delivery of merchandise takes on average one week from the time of order placement, when ordering from domestic suppliers. In relation to overseas suppliers, it usually takes seven to eight months from the order date.

Supplier Base

Fix Price has a large, diversified and predominantly domestic supplier base. In 2021, we had approximately 700 suppliers. Our supplier base is constantly growing, having increased from 507 suppliers as of the end of 2019 to 686 as of 31 December 2021.

The top five and top ten suppliers accounted for 35% and 44% of the Company's cost of goods sold, respectively, in 2021. The top five suppliers are primarily Chinese agents that work directly with hundreds of manufacturers in China.

~700 suppliers

Fix Price supplier base

In 2021, approximately 75% of our products have been sourced from domestic suppliers, with the remaining portion sourced from other countries, predominantly China. Food, cosmetics, and clothes comprise the key categories of products we source from domestic suppliers, while toys, kitchenware, household goods and accessories comprise the key categories of imported products.

Principal Supply Terms and Conditions

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

Since a significant number of Fix Price's suppliers produce tailor-made products catered to our assortment strategy and price points, the contracts typically stipulate that Fix Price provides suppliers with specifications and technical requirements of products.

In relation to sourcing certain products from China, before order placement, Fix Price receives a product sample from our Chinese suppliers which then undergoes product certification by independent certification agencies. If certification is not successful due to product defects or other reasons, the order is cancelled.

~75%

of Fix Price purchases have been sourced from domestic suppliers

DISTRIBUTION

We operate eight modern distribution centres (DCs) with a total space of approximately 282 thousand sqm, including five owned DCs located in Pushkino (Moscow region), Vnukovo (Moscow region), Yekaterinburg, St. Petersburg and the Krasnodar region. Three leased DCs are located in Novosibirsk, Kazan and Voronezh. Our distribution centres are strategically located based on the geographical presence of our retail network in Russia and neighbouring countries. Close to 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, for example, ice-cream and similar products that require certain temperature regime for storage).

In 2021, the Company built and launched its own new distribution centres in St. Petersburg and Krasnodar.

The total area of the distribution centre in St. Petersburg is 35,581 sqm which includes warehouse space of 30,509 sqm. The newly built DC serves 411 stores in the Vologda region, the Leningrad Region, the Novgorod Region, the Pskov Region, the Republic of Karelia and the Tver region, some of the Company's stores in Belarus and franchisee stores in Murmansk.

The total area of the distribution centre in Krasnodar is 67,272 sqm which includes warehouse space of 60,665 sqm. The new distribution centre serves 626 stores in 11 Russian regions: the Krasnodar region, the Rostov and Astrakhan Regions, the Stavropol Region, Adygea, Kalmykia, Kabardino-Balkaria, Karachay-Cherkessia, Ingushetia, Dagestan, and North Ossetia. Goods from this warehouse will also be sent to Georgia.

Fix Price intends to increase our owned distribution centre space gradually. A new owned DC with total space of 68,000 sqm is currently under construction in the Moscow Region. This DC will serve the Central and Southern Federal Districts, boosting our ability to keep store shelves full for years to come.

Fix Price Distribution Centres as of December 31, 2021

Location	Storage area (sqm)	Status	Lease expiry
Pushkino, Moscow region	27,774	Owned	
Vnukovo, Moscow region	27,959	Owned	
Ekaterinburg	22,061	Owned	
Novosibirsk	44,117	Leased	Lease expires in Jun 25
Saint Petersburg	35,581	Owned	
Kazan	32,867	Leased	Lease expires in Mar 27
Krasnodar	67,272	Owned	
Voronezh	24,718	Leased	Lease expires in Jul 24

282,349 Total storage area (sqm)

TRANSPORTATION

Almost all of our transportation needs for product delivery services are outsourced with a small number of trucks owned for flexibility and internal cost benchmarking purposes. Fix Price engages a number of third-party outsourcing companies to provide delivery services.

Usually, Fix Price enters into one-year contracts with these outsourcing companies that provide performance incentives based on service quality. The performance, pricing and selection of these outsourcing companies are periodically reviewed to ensure a high level of delivery service at the optimal cost.

Where 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 distribution centres. Customs clearance is involved with respect to imported goods. The customs clearances process is overseen by customs brokers. Railway transportation is used primarily for deliveries from China to the Company's DCs located in Novosibirsk and Yekaterinburg.

Financial Review

Fix Price demonstrated a solid operational and financial performance in 2021, marked by impressive margin resilience and the successful adaptation of the business to market headwinds and external pressures. These results are testament to both the strengths of the Fix Price business model and to the ability of the management team to anticipate and respond to the challenges that arose during the year.

+21.3%
revenue growth

+20.0%
EBITDA growth

+21.7%
net profit growth

P&L HIGHLIGHTS

Fix Price's **revenue** rose 21.3% y-o-y to RUB 230.5 billion in 2021, driven by store network expansion and LFL sales growth. LFL sales for our Russian stores unaffected by COVID-19 restrictions and adjusted for the effect of the leap year, rose by 9.0%. LFL sales for the Company increased by 7.2% y-o-y in 2021, reflecting the impact of various COVID-19 restrictions in Russia and Fix Price's international geographies.

The Company's **gross profit** rose 19.3% y-o-y to RUB 73.4 billion in 2021, with a **gross margin** of 31.8% as compared to 32.4% in 2020. Whilst the gross margin initially deteriorated during the first half of 2021 (146 basis points lower in H1 2021 compared to H1 2020), thanks to the continuous efforts of our management and store teams in terms of agile and proactive sourcing, the reengineering of our product assortment and the reshuffling of our price points architecture, we were able to restore the gross margin to 2020 levels during the course of H2 2021. For example, in Q3 2021 the gap in the gross margin compared to Q3 2020 had narrowed to just 36 basis points, while by Q4 2021, the gross margin was 32.9% or 80 basis points higher than Q4 2020. This considerable achievement is in large part due to our ability to adjust the product assortment and to reduce the impact of higher costs arising from an increase in raw material prices and global shipping costs.

Statement of comprehensive income highlights

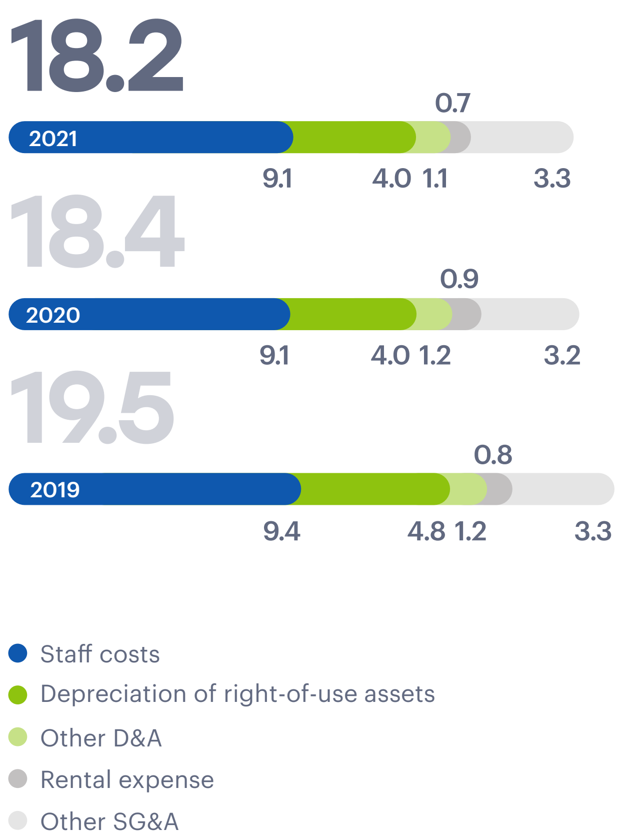
RUB mln	FY 2021	FY 2020	FY 2019	Change FY 2021 vs FY 2020, %	Change FY 2021 vs FY 2019, %
Revenue	230,473	190,059	142,880	21.3%	61.3%
Gross Profit	73,400	61,515	45,961	19.3%	59.7%
as % of revenue	31.8%	32.4%	32.2%	(52 bps)	(32 bps)
SG&A	(41,991)	(34,932)	(27,879)	20.2%	50.6%
as % of revenue	18.2%	18.4%	19.5%	(16 bps)	(129 bps)
EBITDA (IFRS 16)	44,155	36,788	27,150	20.0%	62.6%
as % of revenue	19.2%	19.4%	19.0%	(20 bps)	16 bps
Profit for the period	21,389	17,575	13,173	21.7%	62.4%
as % of revenue	9.3%	9.2%	9.2%	3 bps	6 bps

Despite a higher share of food in the sales mix in 2021, we were able to restore the gross margin to 2020 levels through careful product rotation and redesign, the introduction of new price points and a solid sell-through of the seasonal New Year assortment, while keeping price levels competitive.

Selling, general and administrative expenses (SG&A) were RUB 42.0 billion in 2021, an increase of RUB 7 billion or 20.2% as compared to 2020. 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 bank charges, and security and maintenance costs.

SG&A expenses decreased by 16 basis points as a percentage of revenue to 18.2% in 2021 due to improved efficiencies in staff costs, rental and D&A expenses as well as security and advertising costs.

SG&A breakdown
% of revenue



Staff costs were 9.1% as a percentage of revenue and remained flat in 2021 versus 2020. Although we experienced rising staff costs towards the end of the year due to a tightening in the labour market and COVID-19 travel restrictions, this was offset the improved efficiency of HQ personnel.

Rental expenses remained virtually unchanged in absolute terms year-on-year and as a percentage of revenue (in accordance with IFRS 16) fell to 0.7% in 2021, as compared to 0.9% in 2020. An improvement in lease terms reflected our strong negotiationg power with landlords in the post-COVID enviroment.

We strive to be flexible in all areas of our business and continued to opt for variable as opposed to fixed lease contracts. This was reflected in the share of variable lease contracts as a percentage of total lease contracts increasing to 57% in 2021 from 49% in 2020.

Depreciation and amortisation (D&A) expenses slightly decreased as a percentage of revenue from 5.2% in 2020 to 5.1% in 2021.

As for other SG&A items, **bank charges and security services** were flat to slightly down as a percentage of revenue in 2021. We also saw some improved efficiency in **advertising costs**.

Other operating income and share of profit of associates supported of Fix Price's margins, increasing 22 basis points to 0.4% of revenue, principally due to a combination of higher proceeds from the sale of waste, such as cardboard and stretch film for the purpose of recycling, and income received from a depositary bank in connection with the IPO.

As a result, **EBITDA under IFRS 16** increased by 20.0% to RUB 44.2 billion in 2021 as compared to RUB 36.8 billion in the previous year. The **EBITDA margin** stayed in the healthy 19%+ zone in 2021 for the third consecutive year.

Net finance costs more than doubled in 2021 to RUB 1.6 billion as compared to RUB 0.7 billion in 2020. The increase in net finance costs was driven by the growth in loans and borrowings y-o-y, higher loan rates and a decrease in interest income from bank deposits and financial instruments.

In 2021 we recorded a minor **foreign exchange loss** of RUB 83 million, compared to a RUB 136 million foreign exchange gain in the previous year. The Company hedges FX-denominated purchases, resulting in the revaluation of FX-denominated trade accounts being partially offset by forward contracts.

The **effective tax rate** decreased to 30.1% in 2021 as compared to 33.2% a year ago. The abnormally high effective tax rate in 2020 was due to the withholding tax accrued on extraordinary high intra-group dividends in Q4 2020.

Fix Price's **profit for the period** increased by 21.7% to RUB 21.4 billion in 2021 as compared to RUB 17.6 billion in 2020, with a net profit margin of 9.3% which was in line with 2019-2020 levels.

Rental expenses under IFRS 16

0.7 %

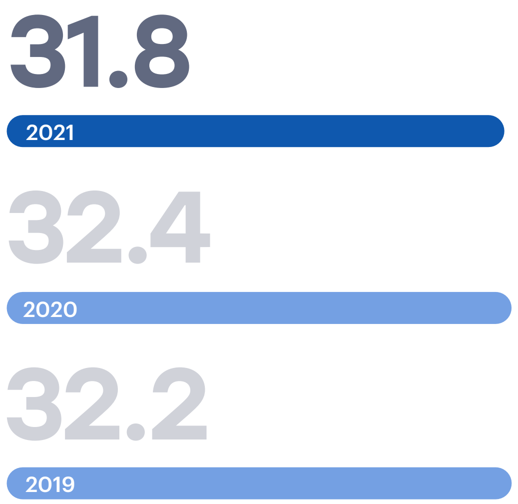
of revenue

+22 bps

other operating income and share of profit of associates (as a percentage of revenue) growth

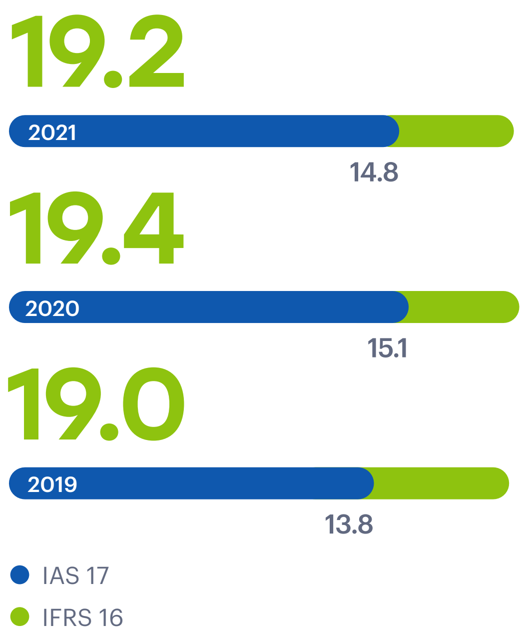
Gross margin development

%



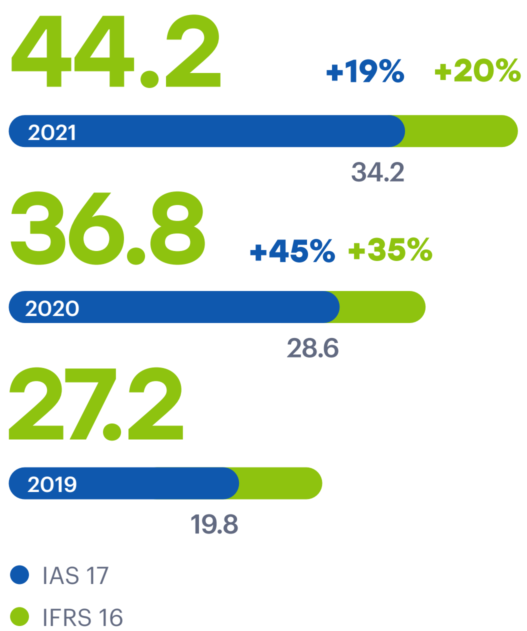
EBITDA margin development

%



EBITDA development

RUB bln



FINANCIAL POSITION AND CASH FLOWS HIGHLIGHTS

The Company's balance sheet remains strong reflecting Fix Price's conservative financing policy.

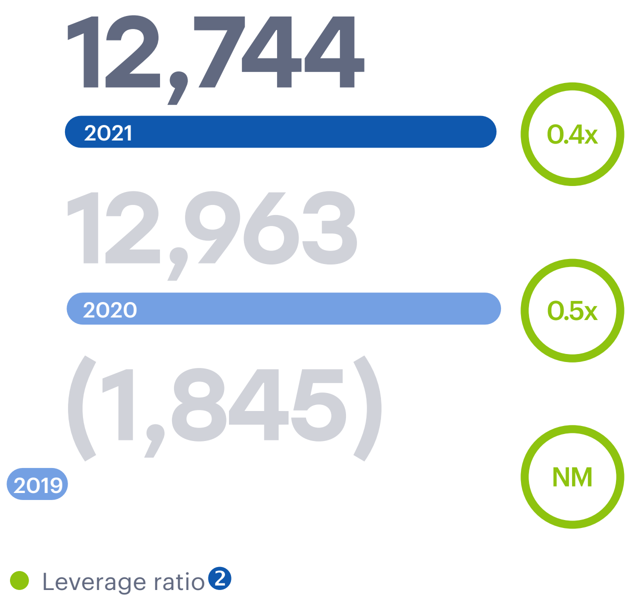
Loans, borrowings and lease liabilities stood at RUB 32.3 billion as of December 31, 2021, an increase of RUB 6.5 billion as compared to RUB 25.7 billion as of December 31, 2020.

The IAS 17-based adjusted net debt to EBITDA ratio remained low at 0.4x in 2021 versus 0.5x in 2020.

Net trade working capital stood at RUB 7.9 billion as of 31 December 2021 compared to RUB 1.1 billion as of 31 December 2020. Our inventory days increased to 78 days from 66 days in 2020, which is strong for a retailer selling predominantly non-food.

An increase in net trade working capital in 2021 was due to the combination of the build-up in inventories amid the purchasing of additional safety stock to mitigate supply chain disruptions, the higher cost of inventory due to inflation, the increase in the active assortment matrix and the shift in the product mix towards higher price points.

NET DEBT / (CASH)[1]
RUB mln



[1] Reflects IAS 17-Based Adjusted Net Debt / (Cash) calculated as the total current and non-current loans and borrowings less cash and cash equivalents adjusted for dividends payable to shareholders

[2] Reflects IAS 17-Based Adjusted Net Debt / (Cash) divided by IAS 17 EBITDA calculated as IFRS 16 EBITDA minus Rent expense and associated non-lease components net of variable lease costs and Costs of lease of low-value items; "NM" defined as "Not Meaningful"

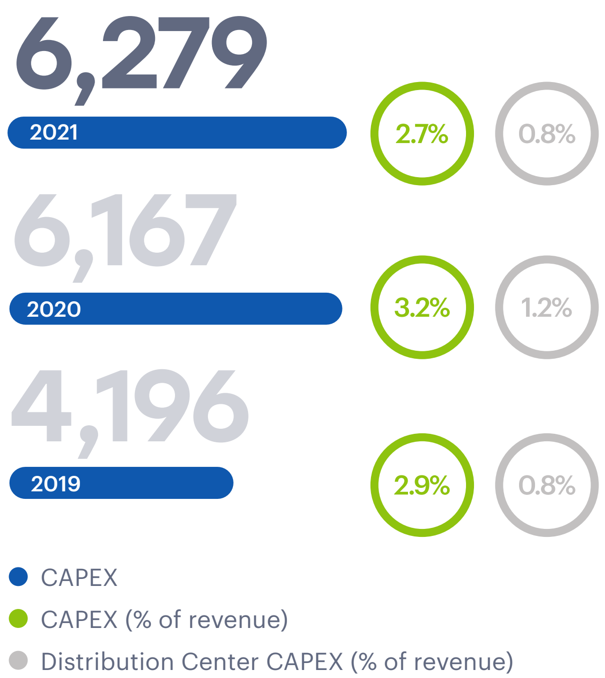
Net trade working capital development[3]
RUB mln

[3] Excludes Other current assets and liabilities; Trade NWC calculated as Inventories plus Receivables and other current assets minus Payables and other financial liabilities

The Company's **CAPEX** stood at RUB 6.3 billion in 2021 compared to RUB 6.2 billion in 2020, while as a percentage of revenue CAPEX decreased to 2.7% in 2021 from 3.2% in 2020.

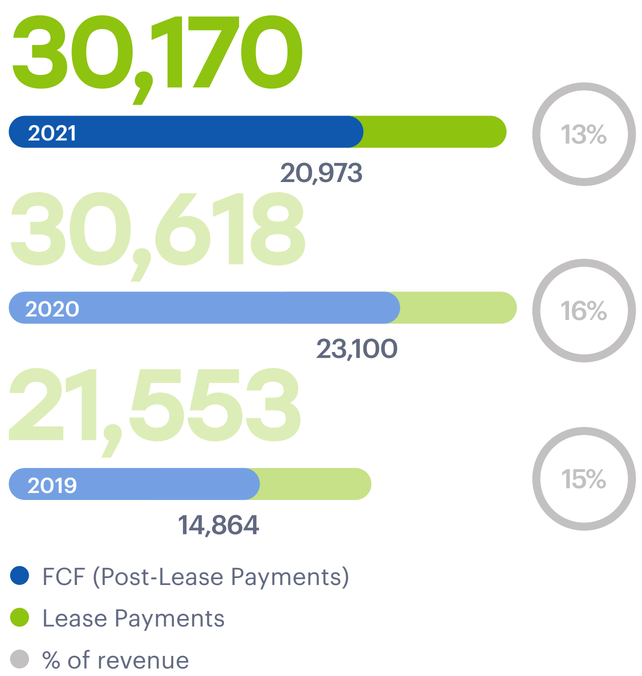
Capex composition
%

CAPEX[4]
RUB mln



[4] Capital Expenditure is calculated as cash flow related to the acquisition of property, plant and equipment and the acquisition of intangible assets for the relevant period

FCF dynamics[5]
RUB mln



[5] FCF is calculated as Net cash flows generated from operations 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)

Risk Management

RISK MANAGEMENT SYSTEM

Fix Price’s risk management system aims to facilitate effective decision-making to support the future growth of the business, taking any uncertainties into careful consideration. It is aligned with our Risk Management Policy and Regulations on Risk Assessment, including the ISO 31000 and COSO ERM international risk management standards. The internal regulations define the structure and processes of the risk management system, in particular, the principles, goals and objectives, common terminology, key elements, functions and roles of participants in the risk management process as well as its main stages.

The goal of the risk management system is to contribute to the effectiveness of decision-making in the development of the Group's business, taking into account uncertainties.

Risk management addresses the identification of the key risks affecting the Group's budget and achievement of business targets; the assessment of risk levels, their significance and implications; and the preparation of risk mitigation plans.

RISK MANAGEMENT AS PART OF THE GROUP'S CORPORATE CULTURE

The Group recognises that risk management is essential to its corporate culture and strives to further improve its approach to risk management in compliance with best international practices. The Group promotes greater awareness of its risk management system amongst employees and supports the embedding of risk management practices into their day-to-day activities. The Group considers employee involvement in risk management to be a valuable and vital contribution to the successful achievement of the Group's strategic objectives.

RISK MANAGEMENT SCENARIO

1. Risk Identification

Identification of risk sources, causes, events and implications

2. Risk Analysis Risk Assessment

Analysis of risks, the nature of risks, their implications and measurement of the impact on the Group's strategic objectives

3. Risk Response Risk-based Decision

Development, implementation and control of risk management measures

4. Risk Monitoring Risk Description

Supervision of the identification, assessment, implementation and control of risk management measures, and communication of the results

PARTICIPANTS IN THE RISK MANAGEMENT PROCESS

Fix Price identifies, analyses and assesses risks, and develops preventative measures regularly. Risk management is integrated into the core business processes and is focused on improving the quality of decision-making, taking account of various uncertainty factors. The Group also offers periodic training on risk management to our employees.

Risk management functions are divided between the Board of Directors, the Audit Committee, senior management and business units:

- The Board of Directors monitors the progress of risk management activities and determines areas of risk management to prioritise;
- The Audit Committee reviews the performance of the risk management system and reports the results achieved on an annual and quarterly basis;
- Senior management is responsible for the monitoring and control of the risk management system;
- Business units undertake risk management measures in their respective areas of activity; and
- The Control and Audit Department coordinates the overall risk management process.

RISK CATEGORIES

To build an effective risk management system, the Group divides all risks into the following categories:

- Strategic risks are those that affect the long-term business objectives of the Group, such as risks associated with strategy decisions concerning demand, cost, quality and the price of services provided, as well as resource provision and environmental uncertainties.
- Operational risks are categorised as the risks of losses resulting from inadequate or wrong internal processes, employee decisions, systems and technical means, or from external events, including emergencies, equipment failures, etc.
- Financial risks are categorised as the risks of losses associated with the financial activities of the Group.
- Compliance risks are categorised as the risks of losses arising from legal or regulatory sanctions, reputational loss caused by the non-compliance with, or improper application of, laws, instructions, rules, standards, codes of conduct and/or ethical business practices.

ASSESSMENT METHODS

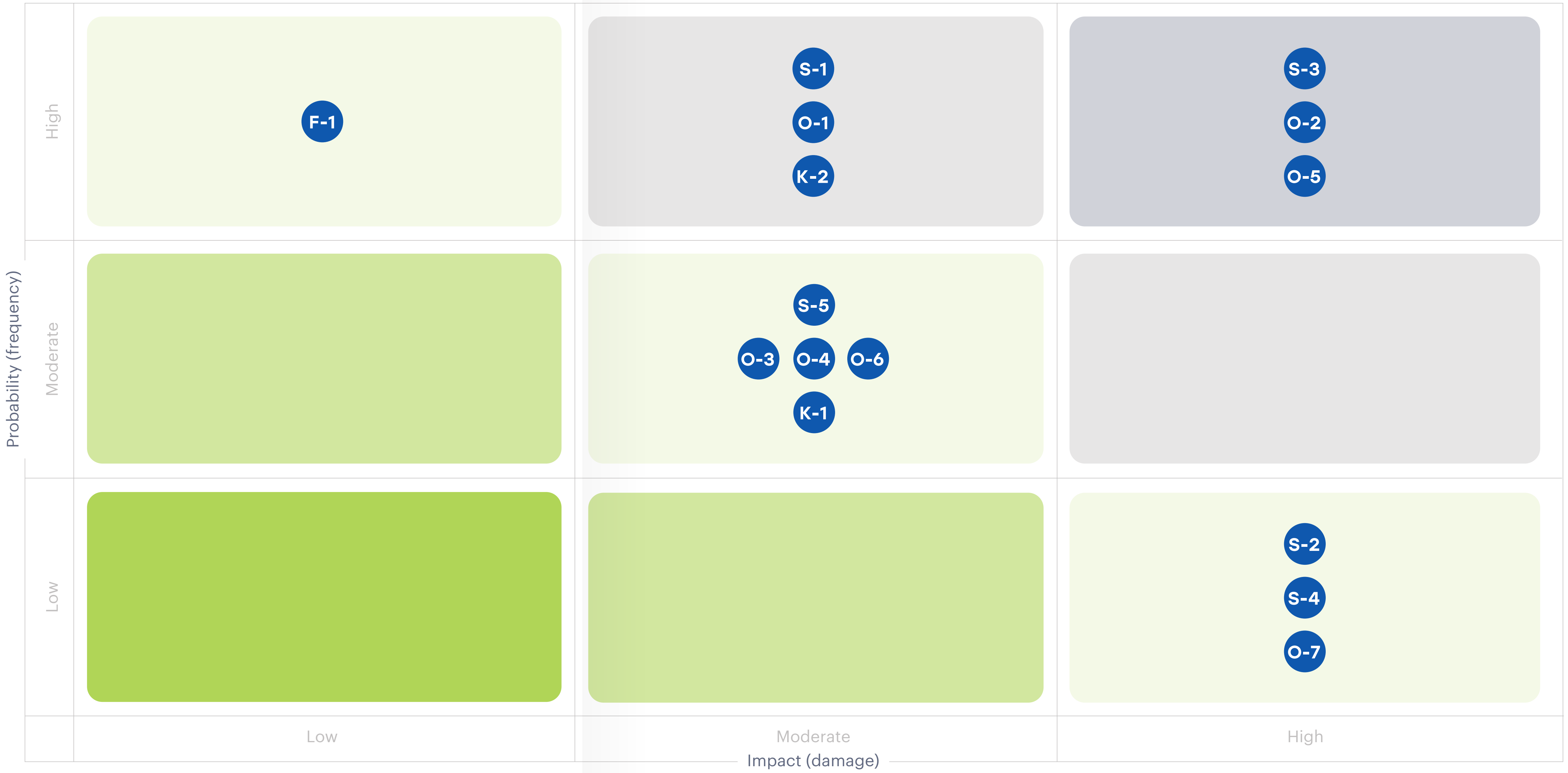
When assessing risks, the Group uses qualitative and quantitative methods.

Qualitative risk assessments are provided by risk owners, who categorise risk levels according to a risk matrix and select the appropriate response strategy.

In terms of quantitative methods, risk scores are calculated based on the sum of risk likelihood, impact and response. The higher the score, the more impactful the risk and the more important and valuable it is to develop a set of mitigation measures, as well as preventive ones.

KEY RISKS

The Group's business units, together with the Control and Audit Department, ensure a comprehensive approach to risk identification and assessment, including a comprehensive risk register and risk map. The risk register includes data on all identified risks, and is used by the Group for management purposes, whereas the risk map is a graphical representation of the Group's risk profile. Both the register and the map are continually updated in light of new risks and the statistics regarding materialised risks are submitted to the Board of Directors on an annual basis.



S-1	Risk of pressure on gross margin
S-2	Risk of construction and installation contractors refusing to perform work on agreed terms
S-3	Outsourcing risk
S-4	Reputation risk
S-5	Risk of publishing inaccurate business information
O-1	Risk of supply chain disruptions
O-2	Risk of higher employee turnover
O-3	Information security risk
O-4	Risk of IT system failure
O-5	Risk of trade restrictions in the wake of the COVID-19 pandemic
O-6	Risk of poor internal controls
O-7	Risk of warehouse assets protection
F-1	Currency risk
K-1	Fraud and corruption risk
K-2	Risk of changes in the local legislation related to product range or pricing restrictions

Type	Risk	Risk response	Risk mitigation
S-1	Risk of pressure on gross margin	Reduction	Expanding the Russian supplier base (provision of a duplicate contract with a second Russian supplier for each item to ensure security of supply); increasing the number of freight forwarders; redistributing supplies between cheaper lines
S-2	Risk of construction and installation contractors refusing to perform work on agreed terms	Reduction	Ensuring construction and installation contracts are distributed amongst a number of different contractors; finding new contractors, conducting tenders to revise costs
S-3	Outsourcing risk	Reduction	Reducing the share of outsourcing; changing counterparties in case they fail to provide the Company with a sufficient number of employees in a timely manner and at competitive prices
S-4	Reputation risk	Reduction	Managing the work of the Ethics Committee; monitoring the effectiveness of the hotline; complying with the Code of Business Ethics; developing the Group's corporate culture
S-5	Risk of publishing inaccurate business information	Reduction	Timely planning of disclosures; ensuring best practice is followed
O-1	Risk of supply chain disruptions	Reduction	Reducing the share of imports in purchases; searching for alternative ways to ship goods from China (railway, sea, trucks); searching for alternatives/replacements from Russian suppliers; increasing the number of freight forwarders to transport goods; redistributing supplies to cheaper shipping lines
O-2	Risk of higher employee turnover	Reduction	Analysing the labour market; revising salaries and/or benefits appropriately to ensure competitiveness
O-3	Information security risk	Reduction	Applying security systems and tools to counter information attacks (DDOS, WAF, NGFW, antiviruses, etc.); developing and introducing information security regulations; ensuring employment contracts for Group employees are based on up-to-date information security regulations; investigating any violations of information security rules and regulations by Groups employees; training in relevant information security procedures for employees who monitor compliance

Type	Risk	Risk response	Risk mitigation
O-4	Risk of IT system failure	Reduction	Redistributing the IT system load between different systems; forecasting the growing load on the systems; upgrading the server farm in due course; using the testing landscape for fine-tuning; creating a stock of reserve telecommunications equipment; implementing a fail-safe circuit to connect at key facilities (offices, data processing centres (DPCs), distribution centres (DCs)); providing redundant communication channels at key facilities (offices, DPCs, DCs)
O-5	Risk of trade restrictions in the wake of the COVID-19 pandemic	Reduction	Monitoring changes to the Essentials List in detail; adjusting the product range for possible restrictions that may arise quickly; developing alternative ways of trading — online, click & collect, etc
O-6	Risk of poor internal controls	Reduction	Enhancing the design of internal controls to improve productivity; automating control procedures; reviewing and establishing workable standards for the controls
O-7	Risk of warehouse assets protection	Reduction	Procuring contracts for scheduled maintenance; arranging inventory insurance
F-1	Currency risk	Reduction	Hedging currency risk with derivatives; reducing the number of contracts with an exchange rate risk; recording the exchange difference boundaries in contractor/supplier contracts
K-1	Fraud and corruption risk	Reduction	Updating anti-corruption regulations and the Regulations on Tender Procedures; including anti-corruption clauses in contracts for the purchase of goods/services; conducting audits of potential corruption by Group employees and/or suppliers of goods/services
K-2	Risk of changes in the local legislation related to product range or pricing restrictions	Acceptance	Purchasing goods from local producers; supplier turnover; negotiating on the business terms and conditions

Sustainable Development

19 ths tonnes

OF WASTE SOLD FOR RECYCLING

Sustainable Development

SUSTAINABLE DEVELOPMENT FRAMEWORK

In 2021, for the first time in our history, Fix Price undertook a comprehensive assessment of all business processes to measure the Company's compliance with industry-best sustainability practices (e.g. quality control, social responsibility, corporate governance and environmental impact).

It is important for us that our first step in establishing and implementing an ESG strategy was to obtain objective data on the Company's environmental and social impacts, as well as the best corporate governance practices.

In November 2021, Fix Price's Board of Directors approved the establishment of the Environmental, Social and Governance (ESG) Committee. The Committee advises the Board on the Company's sustainability strategy, monitors its ESG performance and tracks Fix Price's progress in delivering on its ESG commitments.

In 2021, we initiated the preparation of our first sustainability report and conducted an opinion poll amongst our key stakeholders, including staff, customers, suppliers, investors, business partners, management and mass media, interviewing more than 15,000 respondents. We have leveraged the poll's key findings to enhance the implementation of our ESG strategy across the Company.

In February 2022, Fix Price disclosed its first set of non-financial metrics in a dedicated ESG databook and presentation. This important disclosure is to be followed by the publication of our first sustainability report later this year outlining the Company's key ESG strategic priorities.

OUR SUSTAINABILITY APPROACH OVERVIEW

We strive to create a unique customer experience that offers **THE MOST RELEVANT ASSORTMENT AT OUTSTANDING VALUE**

We are strongly committed to our business and we are proud to be customers of our own stores.
We **CARE ABOUT OUR PRODUCTS** and work hard **CONTINUOUSLY TO EXCEED OUR CUSTOMERS` EXPECTATIONS** with **HIGH QUALITY** goods at affordable prices

Our **UNIQUE VALUE PROPOSITION** and **TREASURE HUNT** experience make us increasingly appealing to all customer target groups

We **ENGAGE WITH OUR PARTNERS** across the whole value chain to ensure continued sustainable growth

Our people make a difference knowing that **WE VALUE THEIR EFFORTS** to make Fix Price a better place to work, shop and grow

THE 4PS APPROACH

We have carefully reviewed our ESG activities and identified four strategic priorities (**the '4Ps'**): people, product, partners and planet. These are the areas where the Company will focus its efforts in the coming years.

PEOPLE

We want to create a comfortable and safe environment for all of our employees and partners and provide them with relevant training and development opportunities. Additionally, we work hard to build strong relationships with our local communities by contributing to their development.

PRODUCT

We are determined to provide a product range made up of high quality and healthy products at low prices, based on customer feedback, whilst minimising our products' environmental footprint. We connect with our customers and strive to create a unique customer experience.

PLANET

Our goal is to reduce the Company's environmental impact, including greenhouse gas emissions and waste, and to increase the use of sustainable packaging.

PARTNERS

We endeavour to promote the principles of sustainable development and responsible business practices along the entire value chain.

OUR PEOPLE

People are at the heart of the Company's decisions; our employees are key to ensuring the Fix Price business model is efficient and customer-oriented. We strive to create a supportive environment for everyone and build a culture of learning and growth. Our employees are also our customers, and, every day, they make changes that create unique customer value, effect positive changes in society, and contribute to local communities.

83%
proportion of women in total workforce[1]

100%
proportion of store managers enrolled in our mentoring programme

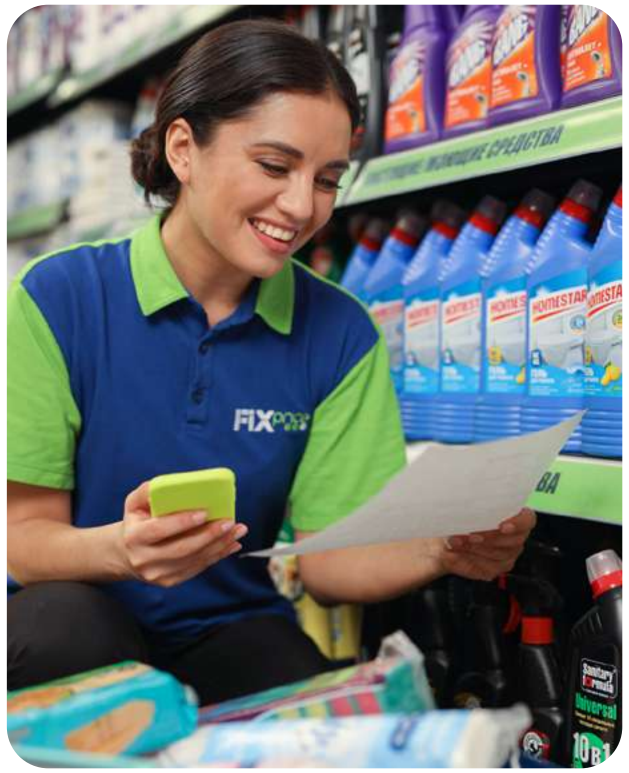
100%
proportion of store employees and DC and office new hires receiving training

12,743
new hires

0
number of work-related fatalities for employees and contractors

28
total Lost Time Injury cases for employees and contractors

Talent Development



Fix Price prioritises the training of our store employees, and we have developed various training courses based on a competency matrix. We try to make the training process convenient and engaging for all of our staff; to ensure a safe work environment. All our new hires are trained in occupational safety standards, and we require staff at our distribution centres to undergo introductory training before they start. For office employees, we provide internal training in core competencies, as well as external training in specific areas.

The Company has also launched a coaching and mentoring programme that gives employees the opportunity to share their expertise and experience with colleagues. We have implemented a mentoring system for store and distribution centre personnel to help them identify opportunities for professional and personal development[2].

[1] Numbers are given as of FY 2021 and, if not stated otherwise, comprise employees of LLC Best Price – the main operating company of the Fix Price Group

[2] For certain positions for which it is most needed

Safety in the Workplace

We promote safety and wellbeing among all employees and conduct regular assessments of working conditions. We enable office staff to work from home to minimise the risk of COVID-19 infection.

Personnel Management and Motivation

We offer our employees a voluntary health and dental insurance programme, store loyalty cards and an opportunity for top performers to receive interest-free loans. The Company's management welcomes staff feedback via email, intranet or otherwise, including complaints, work-related issues or suggestions for improvements.

LEAGUE OF FUTURE CHAMPIONS PROGRAMME

Fix Price supports the League of Future Champions charitable foundation.

We have placed boxes to collect donations from customers in more than **3,000 of our stores**

In 2021, we raised more than **RUB 4.5 mln** for the foundation

All of funds raised went to the development of youth football in Russia.

"GOOD DEEDS" PROGRAMME

Fix Price's social programme 'Good Deeds' aims to encourage eenvironmentally-friendly behaviour, to promote sports and a healthy lifestyle, and support socially vulnerable groups.

Using an application form, customers can submit suggestions for a social programme and propose where this could be carried out.

Key 2021 accomplishments:

27 social institutions families and shelters assisted

>400 trees planted

200 kg of waste collected and **100 kg recycled** in a partnership with the Clean Coast environmental campaign

PRODUCT: HOW WE BUILD TRUST

Customers' needs are a cornerstone of our operations. We work hard to deliver the best possible service and provide our customers with a unique customer experience.

To ensure the high quality of our products, we take various measures through a product's entire life cycle. The Company selects applicable quality control and inspection tools, applying a risk-based approach associated with the product category and/or type of supplier. For instance, children's goods are one product area where our controls are most rigourous.

In spring of 2021, Fix Price won the 11th "Golden Teddy Bear" national award for childrens' goods and services in three categories: "Best cosmetics and hygiene products"; "Environmental Education Project"; and "Best Charity Project".

In June 2021, Fix Price was proud to be named the winner of two categories at the Annual Private Label Awards 2021. 'Homestar' won the best household private label, and 'Flarx' won best private label in the economy segment.

In November 2021, Fix Price's own brands became the winners of the "Quality Assurance" competition, organised with the support of the Committee on Agrarian and Food Policy and Environmental Management of the Federation Council of Russia. In the same month, we won the Annual National Consumer Confidence Award for the value-chain category.

We actively protect our customers' personal data received from our loyalty programme and are pleased that no security breach has ever taken place.

612
Fix Price in-house physical inspections of samples [1]

147
additional post-inspection laboratory tests

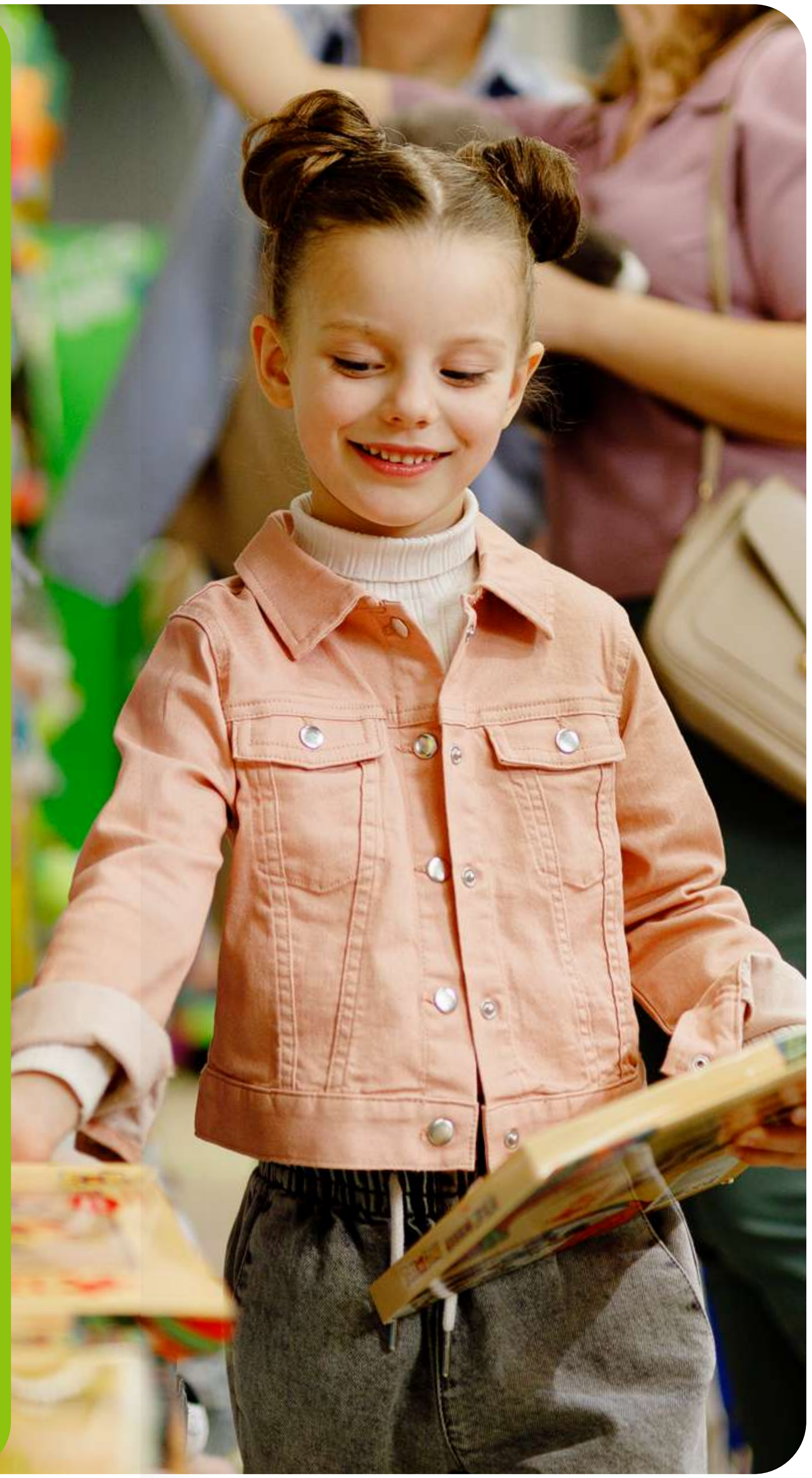
1,657 **laboratory tests**
were conducted to certify imported merchandise for sale in the Russian Federation

1,386 **laboratory tests**
were held to examine and prove the quality of merchandise for imported goods certification

63%
NPS (Net Promoter Score) [2]

>17 mln
loyalty cardholders

0
number of data breaches involving personally indentifiable information



PARTNERS: BUILDING A RESPONSIBLE BUSINESS TOGETHER

Building strong and transparent relationships with our partners across the whole supply chain is essential to our business.

We are committed to creating a transparent and sustainable supply chain, and we require all our suppliers to enforce internal controls to eliminate corruption and forced labour. Additionally, we regularly remind our shipping agents of the need to follow safe driving practices.

Fix Price employs a risk-based approach to audits of our suppliers in order to maximise the effectiveness of our inspections and minimise the risks to our stakeholders.

We conduct audits of private label suppliers every two to three years. Suppliers are checked according to a detailed checklist (with more than 110 data points) that assesses, inter alia, such ESG aspects as:

- Product quality;
- Waste management procedures;
- Health and safety controls.

In order to pass an audit, a supplier must comply with at least 90% of the checklist's requirements.

c. 700 suppliers [1]

min. 90%
required supplier checklist compliance to pass an audit

[1] All numbers as of FY 2021 if not stated otherwise
[2] NPS according to Vector Marketing Research as of Autumn 2021

PLANET: OUR COMMITMENT TO ENVIRONMENT

We recognise the importance of environmental initiatives, and we are proud to have implemented multiple sustainability practices, including waste management and energy saving technologies.

OUR EFFORTS
have been recognised with Eco Best Awards in 2019–2021

19 **ths tonnes**
waste at DCs that is sold for recycling, incl.[1]

91% **cardboard**

9% **strech film**

Our eco-focused approach feeds into many initiatives:

- Rechargeable batteries are restored after 3 to 5 years of service, or are handed over for recycling
- Pallets are withdrawn from circulation for restoration after 4 to 5 cycles
- Waste (such as stretch film and cardboard) is compressed and collected from stores and distribution centres
- Instead of conventional lighting, we use LED lighting and motion sensors in our stores and warehouses
- Our transition to electronic documents has significantly reduced paper use
- We use Mobius loop marking to inform our customers about the possibility of package recycling

[1] As of FY 2021

COVID-19 RESPONSE

We are committed to ensuring the safety of our employees and customers and recognise our responsibility to comply with all health and legal requirements. We launched advanced sanitary measures in our shops and offices when the pandemic began.

We regularly disinfect our shop floors, shelves, checkout areas and other spaces and make sure that both our employees and customers maintain social distancing.

To our customers

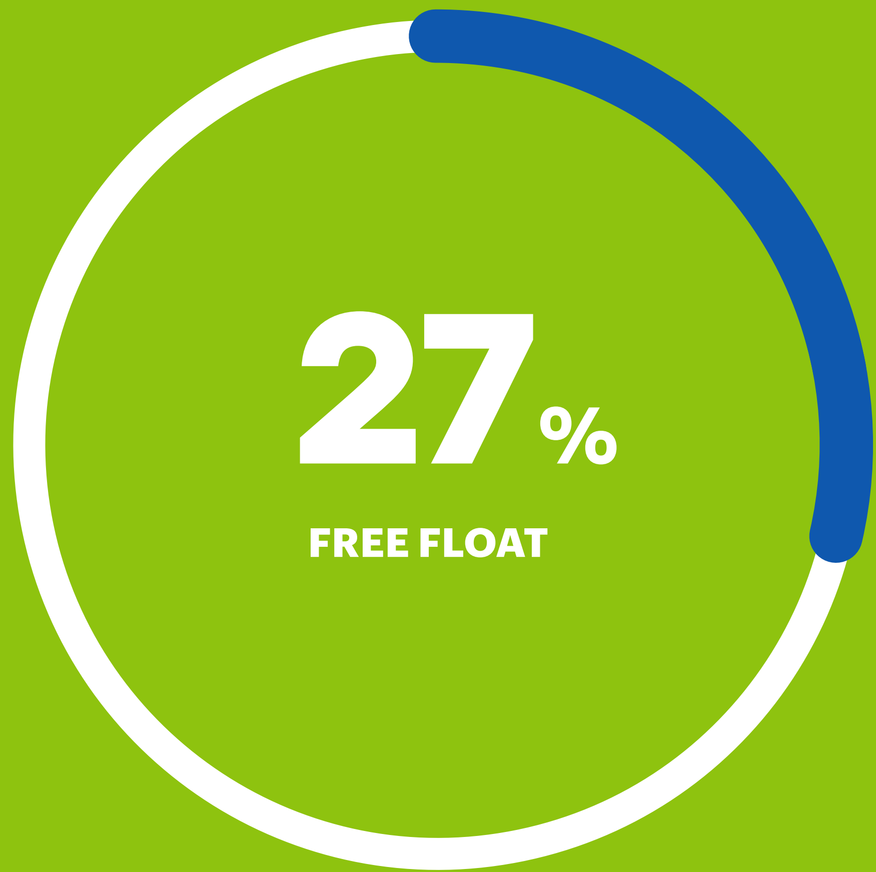
- During the first wave of the pandemic, we promptly introduced personal protection products, such as masks and antiseptics, and have kept their prices low to maximise accessibility
- We provided our customers with an opportunity to buy products online (with delivery provided by our partners) enabling them to stay at home and thus minimising the risk of COVID-19 infection
- In Q4 2021, we launched a dedicated campaign to support COVID-19 vaccination; vaccinated customers received additional bonuses of RUB 1,000 to their loyalty cards. Overall, the Company allocated 10 million bonus points during this initiative

To our staff

- We encouraged our office employees to work remotely
- In 2020, we provided our employees with COVID-19 insurance. In 2021 and onwards, we replaced it with a financial assistance package for afflicted employees
- Thermal cameras were installed at the entrance of DCs to prevent entry by personnel with a high temperature
- We have encouraged all of our personnel to get vaccinated and we track the level of vaccination amongst our employees, that reached 89% as of the end of 2021[2]
- All Company`s premises have been equipped in accordance with health regulations
- We provided our in-store and DC personnel with leaflets and instructions on anti-COVID-19 sanitary measures

[2] Share of vaccinated employees of LLC Best Price – the main operating company of the Fix Price Group

Corporate Governance



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

Regulations

Fix Price Group Ltd. is a BVI company and, as such, its corporate governance arrangements are mainly determined by the requirements of the BVI Business Companies Act, 2004 (as amended, the "BCA").

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.

Currently, under Russian law and the Moscow Exchange regulations, as the GDRs are listed on the LSE, no additional corporate governance requirements result from the admission to trading of the GDRs on the Moscow Exchange.

The Company's activities, including those of its Board of Directors, are governed by its Memorandum and Articles of Association ("M&AA"). Furthermore, each Board committee is governed by the Terms of Reference approved by the Board of Directors.

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

Policy	Description	Effective date
Share Dealing Policy	Establishes 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.	26 April 2021
Inside Information and Disclosure Policy	Ensures that the Group complies with all applicable rules and regulations (including MAR and Russian Insider Information Law) in relation to identification, control and disclosure of inside information.	26 April 2021
Sanctions and Export Control Policy	Ensures that the Group complies with all applicable economic and financial sanctions, laws and regulations that impose trade and financial restrictions on activities with certain territories, entities and individuals.	29 December 2021
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. Pursuant to this policy, the Group has committed, among other things, to implement 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.	29 December 2021
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, including by requiring suppliers to comply with this policy and the periodic evaluation of their compliance with the policy, as well as by ensuring that suppliers do not engage in any manufacturing, marketing or selling counterfeit products to the Group.	29 December 2021
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.	29 December 2021
Anti-Bribery and Corruption Policy	Ensures that the Group's personnel comply with all applicable anti-corruption laws, rules and regulations; pursuant to, and in line with this policy, the Group has committed to conduct business in an ethical manner and has developed and maintains procedures to mitigate bribery and corruption risks.	29 December 2021
Code of Conduct and Business Ethics	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; in particular, it establishes a framework for ensuring diversity and zero tolerance to discrimination, commits to acting in accordance with international human and labour rights standards and ensures that the information in relation to the Group published in public communications is complete, fair, accurate, timely and comprehensive.	29 December 2021

Corporate Governance Structure

Fix Price Group Ltd. maintains an effective system of corporate governance in compliance with the requirements of the Financial Conduct Authority and BVI legislation, as well as international best practices. The Group seeks to continually enhance its corporate governance practices to ensure the protection of the rights of its shareholders and other stakeholders.

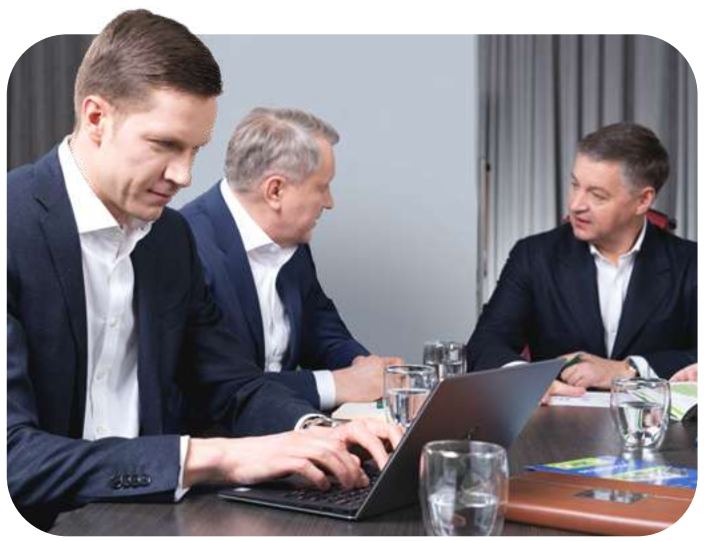
The highest corporate body of Fix Price Group Ltd. is the General Shareholders Meeting.

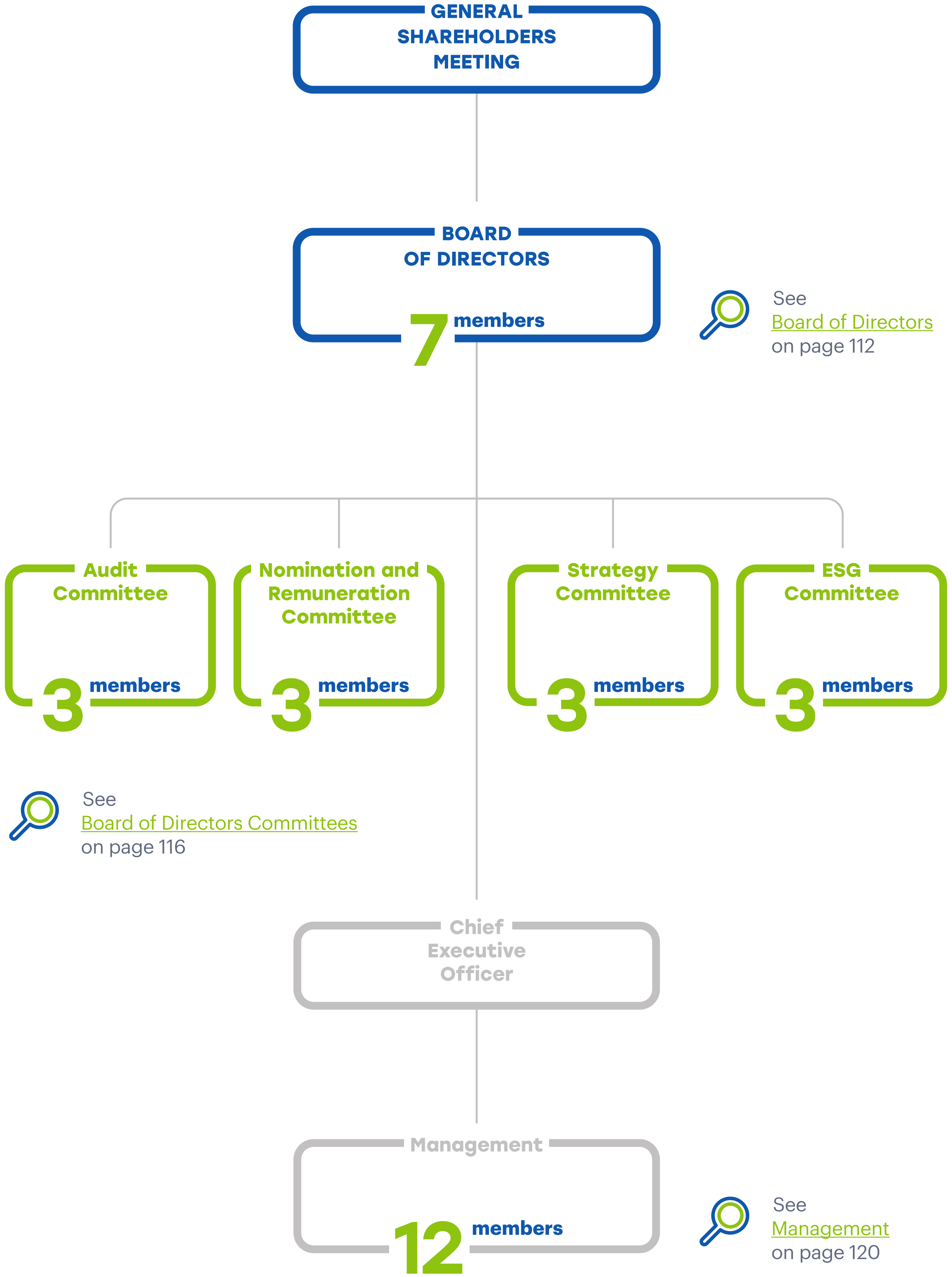
The Board of Directors is elected by the shareholders and reports to them. The Board of Directors is in charge of the strategic management of the Group and supervises the Group's executive team.

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

CORPORATE GOVERNANCE DEVELOPMENT

In 2021, in anticipation of admission of its GDRs to trading on the LSE, the Company implemented a number of changes to its governance structure. The Board of Directors established an Audit Committee, a Nomination and Remuneration Committee and a Strategy Committee, with the responsibilities stated below. Additionally, an ESG Committee was established in July 2021.





See Board of Directors on page 112

See Board of Directors Committees on page 116

See Management on page 120

General Shareholders Meeting

All
Committees
are chaired by Independent Non-Executive Directors

The Company is committed to having a meaningful dialogue with shareholders. All Annual General Meetings are conducted in accordance with the BVI legislation. Shareholders in a general meeting are entitled to appoint and remove directors of the Company.

The next Shareholders Meeting is expected to be held in 2022.

See
Shareholder and Investor Engagement
on page 130

Board of Directors

Name	Status	Tenure[1]
Sergey Lomakin	Chairman and Founding Shareholder	1
Alexander Tynkovan[2]	Deputy Chairman, Independent Non-executive Director	1
Artem Khachatryan	Founding Shareholder	1
Dmitry Kirsanov	Executive Director	1
Alexey Makhnev	Non-executive Director	1
Elena Titova[3]	Independent Non-executive Director	1
Gregor Mowat	Independent Non-executive Director	1

Competence of the members of the Board of Directors

Strategy	Finance	Retail
6 directors	5 directors	5 directors

[1] Mssrs Lomakin, Khachatryan and Makhnev served as directors of the supervisory board of the Company from 2016 until the IPO when the supervisory board was dissolved and the Board of Directors was created

[2] As of the date of this Annual Report publication, Alexander Tynkovan resigned from the Board of Directors

[3] As of the date of this Annual Report publication, Elena Titova resigned from the Board of Directors

The Board of Directors is responsible for managing the Company and may exercise all powers of the Company in doing so, except to the extent that any such power (either generally or in relation to a particular matter) is required or reserved by the BCA or the M&AA to be exercised by the shareholders.

The Board of Directors consists of seven members, three of whom are independent. The Board of Directors established an Audit Committee, a Nomination and Remuneration Committee, a Strategy Committee and an ESG Committee.

The Committees are comprised of the members of the Board of Directors, who are elected based on their relevant professional experience and relevant expertise. When electing members of the Committees (including the Chairmen of the Committees), the following aspects are taken into consideration: education and professional training of the candidates, their work experience within the Committee's area of activity, as well as other necessary proficiencies and experience. All Committees are chaired by Independent Non-Executive Directors.

Board of Directors

Chairman

Member

A Audit Committee

N Nomination and Remuneration Committee

S Strategy Committee

E ESG Committee

7 members of the Board of Directors

S

SERGEY LOMAKIN
Chairman and Founding Shareholder

Mr. Sergey Lomakin together with Mr. Artem Khachatryan founded the Group in 2007. Mr. Lomakin has served as a director since 2016. Mr. Lomakin has significant experience in the Russian retail sector based on a long track record of investments in, and management of, retail businesses in Russia. His previous experience in the retail sector includes founding and managing the Russian food and non-food retail chain Kopeika. In the last 20 years, Mr. Lomakin had a number of leadership roles in the retail sector, including as CEO of Kopeika Group from 2002 to 2007. In 2003, Mr. Lomakin received an MBA degree in General Management from the Academy of National Economy under the Government of the Russian Federation. Mr. Lomakin graduated from Moscow State Mining University in 1997.

300,939,854 number of shares

35.40% percentage in the share capital

N S E

ALEXANDER TYNKOVAN [1]
Deputy Chairman
Independent Non-executive Director

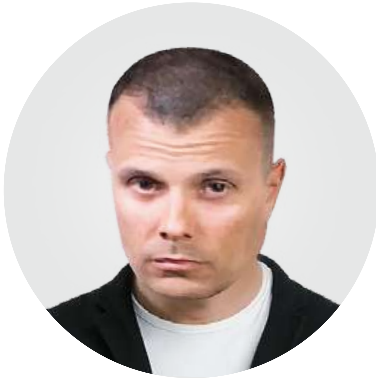
Mr. Alexander Tynkovan has significant experience in the retail sector and has recognised expertise in building and managing large companies and creating effective corporate governance systems. He founded M.Video (currently M.Video-Eldorado) in 1993 and was General Director / CEO from then until 2016. In 2007, he led the company's IPO. In 2017, Mr. Tynkovan sold his stake in the company to the SAFMAR group.

Currently, Mr. Tynkovan is the Chairman of the Board of Directors of M.Video-Eldorado, focusing primarily on Strategy and Digital Transformation. From 2008 to 2015, and then from 2021, he has been a member of the Supervisory Board of X5 Group (formerly X5 Retail Group N.V.).

He graduated with honors from the Moscow Power Engineering Institute in 1992.

Does not own any interest in the share capital

[1] As of the date of this Annual Report publication, Alexander Tynkovan resigned from the Board of Directors



ARTEM KHACHATRYAN
Founding Shareholder

Mr. Artem Khachatryan together with Mr. Sergey Lomakin founded the Group in 2007. Mr. Khachatryan has served as a director since 2016. Mr. Khachatryan has over 20 years of experience in the retail industry, being one of the founders of the Russian food and non-food retail chain Kopeika and acting in various managerial capacities in the Russian retail sector, including as the Logistics Department Director of Kopeika Group from 1999 until 2007. Mr. Khachatryan graduated from the Moscow State Mining University in 1997.

303,250,181 number of shares

35.68% percentage in the share capital

DMITRY KIRSANOV
Executive Director

Mr. Dmitry Kirsanov has acted as General Director (CEO) of Best Price LLC, the Group's principal operating subsidiary, since 2007. Mr. Kirsanov has over 20 years of experience in the retail industry. He previously worked as a Sales Executive Officer at Kopeika from 1999 until 2007 and, prior to that, from 1994 until 1997, at Coffee Trade Company and Soft Pro. Mr. Kirsanov holds degrees in Management from the Open University of the U.K. and the International Business Academy, received in 2002 and 2003 respectively. Mr. Kirsanov also underwent studies under the MBA-Synergy programme of the Plekhanov Russian University of Economics in 2007.

10,376,005 number of shares

1.22% percentage in the share capital

Board of Directors

Chairman
Member
A Audit Committee
N Nomination and Remuneration Committee
S Strategy Committee
E ESG Committee

A S

ALEXEY MAKHNEV
Non-executive Director

Mr. Alexey Makhnev has served as a director since 2016. Mr. Makhnev has almost two decades of expertise and experience within the Russian consumer and retail sector. He was Vice President in Corporate Finance at UFG/Deutsche Bank from 2003 to 2007 and afterwards from 2007 to 2009 was Executive Director in Investment Banking at Morgan Stanley. Mr. Makhnev also held various management positions at VTB Bank and currently serves as Senior Vice President and adviser to the First Deputy Chairman of VTB Bank (PJSC) and Vice Chairman of VTB Capital. Mr. Makhnev is a member of the Board of Directors of PJSC Magnit and PJSC LSR Group. Mr. Makhnev graduated from Saint Petersburg State University of Economics and Finance in 1998 and completed post graduate studies of Equity Markets in 2001.

Does not own any interest in the share capital

A N E

ELENA TITOVA[1]
Independent Non-executive Director

Ms. Elena Titova has over 22 years of experience in investment banking. She is currently an independent member of the Supervisory Board of Bank Trust and an independent member of the Board of Directors of Qiwi Plc.

At the start of her career, Ms. Titova worked as an international markets specialist at a subsidiary of W.R. Grace & Co. (USA). Ms. Titova then held a number of positions in the New York and London offices of Goldman Sachs before heading their Moscow office. In 2006, Ms. Elena Titova joined Morgan Stanley in Moscow as Head of the Investment Banking Division and then became a President and General Director of Morgan Stanley Bank in Russia and a member of its Board of Directors. Between 2014 to 2018, Ms. Titova was Chief Executive Oficer of UBS Bank, Moscow, and Country Head for Russia and CIS at UBS. Ms. Titova graduated from the Moscow Lomonosov State University with a degree in Economics and received an MBA from Kellogg Business School, Northwestern University, IL (USA).

Does not own any interest in the share capital

[1] As of the date of this Annual Report publication, Elena Titova resigned from the Board of Directors

A N E

GREGOR MOWAT
Independent Non-executive Director

Mr. Gregor Mowat spent more than 20 years working in the audit and accounting profession, mainly with KPMG. With a principal focus on banking and financial services clients, he also covered other sectors including oil and gas and natural resources. In 2011, Mr. Mowat was appointed CFO of KPMG in Russia and the CIS, a role he held until 2016 and which required him to take responsibility for all the support functions in a multijurisdictional professional services firm with 4,000 staff. In 2013, in addition to his CFO responsibilities, Mr. Mowat was appointed Managing Partner of KPMG in Kazakhstan, growing the business significantly in a challenging economic environment. After being part of the team that set up and implemented new corporate governance rules for KPMG in Russia and the CIS, including being a founding member of the Board of Partners, in 2016, Mr. Mowat joined his family in the UK where he co-founded LOQBOX, a financial inclusion FinTech with a mission to end financial exclusion globally. Mr. Mowat also serves on the Board of Directors, inter alia, at PIK GROUP and Nord Gold plc. Mr. Mowat graduated from Durham University with a degree in English Literature and Language in 1994. He was admitted as a Member of the Institute of Chartered Accountants of Scotland in 1998.

Does not own any interest in the share capital

4 Committees
Audit, Nomination and Remuneration, Strategy, ESG

3 Directors
Independent Non-executive

THE BOARD OF DIRECTORS' ACTIVITIES IN 2021

The Board has established a schedule of meetings. In 2021, the Board of Directors held five meetings; three in person and two online. All members of the Board participated in all five meetings, and a total of 31 matters were discussed.

Board education and constant involvement in the business processes of the Company and its operations contribute to the Board focus and dedication as well as cohesion and Board dynamics. The Board self-assessment is considered to be held in 2022.

Topics and number of matters

4 Financial and operational results

4 Audit, risk management and internal control

4 Group activities and development

4 Corporate governance

3 Approval of internal documents

3 GDRs

2 Budget

2 Dividends

5 Other

[1] As of the date of this Annual Report publication, Elena Titova resigned from the Board of Directors

[2] Effective 1 April 2022, Alexey Makhnev resigned from the Audit Committee

[3] As of the date of this Annual Report publication, Alexander Tynkovan resigned from the Board of Directors

BOARD OF DIRECTORS COMMITTEES

The Board of Directors has four committees. Committee composition:

Name	Independence	Nomination and Remuneration Committee [1]	Audit Committee [2]	Strategy Committee	ESG Committee
Gregor Mowat 	✓	✓	Chairman		✓
Elena Titova [1] 	✓	✓	✓		✓
Alexey Makhnev 			✓	✓	
Alexander Tynkovan [3] 	✓	Chairman		Chairman	Chairman
Sergey Lomakin 				✓	

N Nomination and Remuneration Committee [1] [3]

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

It also assists the Board of Directors in discharging its responsibilities in relation to remuneration, including reviewing the Group's overall compensation policy, making proposals to the Board of Directors as to the remuneration of the directors of the Company and of the Group's Senior Management.

In 2021, the Nomination and Remuneration Committee held two meetings; one in person and one online. The primary focus of the agenda for both meetings was the incentive programmes for top management and key executives. All members of the Committee attended both meetings.

A Audit Committee [1] [2]

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

In 2021, the Audit Committee held three meetings; one in person and two online. All members of the Committee participated in all meetings. A total of 10 matters were discussed, regarding topics such as taxation, risk management and internal auditing.

S Strategy Committee [3]

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

The first meeting of the Committee was held in February 2022.

E ESG Committee [1] [3]

The ESG Committee assists the Board of Directors in exercising its supervisory function with regard to corporate citizenship and sustainability issues. Among others, the primary duties of the Committee include ensuring the fulfilment of the Group's ESG obligations, monitoring and evaluating risk in relation to working conditions, the safety of personnel and contractors and the impact on the environment, as well as managing the Group's relations with stakeholders.

The first meeting of the Committee was held in November 2021. The agenda included a discussion of the Group's ESG initiatives and their relevance to the Company, the ESG objectives and results. Besides overseeing the Group's current and planned ESG projects, the Committee has also evaluated the Group's strategic ESG priorities together with its planned ESG initiatives.

Management

Fix Price's management team comprises a group of highly experienced retail industry veterans. On average, each member of the management team has over 10 years of experience within Fix Price Group Ltd. and, therefore, possesses deep knowledge of the Group's operations and has considerable expertise.

Management

DMITRY KIRSANOV
Chief Executive Officer

Dmitry Kirsanov has held the position of CEO of Best Price LLC, the principal operating subsidiary of Fix Price Group Ltd., since 2007. Mr. Kirsanov has over 20 years of retail industry experience. He previously worked as Sales Executive Officer at the Kopeika retail chain from 1999 until 2007 and, prior to that, from 1994 until 1997, at the Coffee Trade Company and Soft Pro. Mr. Kirsanov graduated with management degrees from the Open University of the UK and the International Business Academy in 2002 and 2003, respectively. Mr. Kirsanov also studied under the MBA-Synergy programme of the Plekhanov Russian University of Economics in 2007.

10,376,005 number of shares

1.22% percentage in the share capital

14 years within the Company

ANTON MAKHNEV
Chief Financial Officer

Anton Makhnev was appointed as Chief Financial Officer of Best Price LLC in 2018. Prior to this appointment, he served as a Director of Corporate Finance and Investor Relations for Fix Price. Before joining the Group, between 2013 and 2017, Mr. Makhnev worked as Purchasing Director for the Magnit retail chain and from 2007 until 2013 across various capital markets and investment banking divisions at Morgan Stanley in London, UK. He graduated from the Saint-Petersburg State University of Economics and Finance in 2007.

937,000 number of shares

0.11% percentage in the share capital

5 years within the Company

INNA KONDRATYEVA
Director of Category Management Department

Inna Kondratyeva was appointed as the Director of Category Management Department of Best Price LLC in 2013. Prior to this appointment, from 2008 until 2013 she worked as a Marketing Director and as a Category Manager from 2007 until 2008 at Best Price LLC. Prior to her joining the Group, from 2004 until 2007, Ms. Kondratyeva held various positions within the category management function of Kopeika. Ms. Kondratyeva graduated from Orel State University in 2000 and from the Moscow Transport Institute in 2002. She also received an MBA degree from the Moscow University of Economics and Finance "Synergy" in 2008.

625,600 number of shares

0.07% percentage in the share capital

14 years within the Company

OLEG SHTAINAGEL
Logistics Director

Oleg Shtainagel was appointed as the Logistics Director of Best Price LLC in 2007. Prior to this appointment, from 1999 until 2007, he held various positions at Kopeika. Mr. Shtainagel graduated from the Moscow State University of Civil Aviation in 1996 with a degree in Engineering, and from the Moscow Academy of Entrepreneurship of the Moscow Government in 2003 with a degree in Economics.

664,700 number of shares

0.08% percentage in the share capital

14 years within the Company

Management

VLADIMIR POGONIN
Store Management Department Director

Vladimir Pogonin was appointed as the Store Management Department Director of Best Price LLC in 2021. Prior to this appointment, he served as Real Estate Director at Fix Price from 2019 to 2021. From 2013 until 2018, he was a Sales Director at the Monetka retail chain and from 2011 to 2013 he was a Territory Manager. During the period from 2000 to 2011, Mr. Pogonin was involved in setting up the franchising project for Kopeika and served as General Director of Kopeika's franchisee partner company. Mr. Pogonin graduated from the Serpukhov Higher Military Engineering School of Missile Forces in 1991 with a degree in Cybernetic Engineering.

680,000 number of shares

0.08% percentage in the share capital

2 years within the Company

VICTORIA SMIRNOVA
Director of Marketing Department

Victoria Smirnova was appointed as Director of Marketing Department for Best Price LLC in 2012. Prior to this appointment, from 2009, she was responsible for marketing and advertising development at Best Price LLC and occupied various positions including Head of Marketing unit. Prior to joining the Group, Victoria worked at KSA LLC as a brand manager for the C&E distribution of international brands. Ms. Smirnova graduated from the Moscow State University of Economics, Statistics and Informatics in 2007 with a degree in Brand Management, from the National Research University Higher School of Economics in 2017 with a Master's degree in Psychological Analysis and Psychoanalytic Business Consulting, and also studied under the MBA marketing and sales programme of the Moscow Technological University.

340,000 number of shares

0.04% percentage in the share capital

13 years within the Company

ANTON MAXIMENKO
HR Director

Anton Maximenko was appointed as HR Director for Best Price LLC in 2009. Prior to his appointment, from 2001 until 2007, he served at various HR positions at the Kopeika retail chain, including as head of HR. Mr. Maximenko graduated from the Bauman Moscow State Technical University in 2001 with a degree in Economics and Management, and from the Plekhanov Russian University of Economics in 2005 with a degree in Strategic Management.

312,800 number of shares

0.04% percentage in the share capital

13 years within the Company

MARINA KROSHKINA
Chief Accountant

Marina Kroshkina was appointed as the Chief Accountant for Best Price LLC in 2007. Prior to this, from 2004 until 2006, she served as the Deputy Chief Accountant at Kopeika and, from 2006 until 2007, as a Chief Accountant at Adidas. In 2003, Marina graduated from the Higher School of Economics with a degree in financial management. Ms. Kroshkina graduated from the Mari State Technical University in 1988 with a degree in Radiotechnology and in 1998 with a degree in Accounting.

299,200 number of shares

0.04% percentage in the share capital

14 years within the Company

Management

ELENA IVANOVA
Director of Controlling Department

Elena Ivanova was appointed as the Director of Control-and-auditing Department of Best Price LLC in 2017. She previously served as a Chief Controller of Best Price LLC starting from 2009. Prior to her joining the Group, from 1999 until 2007, she held various positions within the financial planning functions of companies such as the Pharmstandard group, and in 2007, she was a Controller at the retail chain Monetka. Ms. Ivanova graduated from the Mari State Technical University in 1999 with a degree in Management and also holds a Ph.D. in Economics from the same university which she received in 2006.

299,200 number of shares

0.04% percentage in the share capital

12 years
within the Company

IRINA OSIPOVA
Chief Treasurer

Irina Osipova was appointed as the Chief Treasurer of Best Price LLC in 2007. From 2004 until 2007 she served as the Head of Cash Flow Management at Kopeika. Ms. Osipova graduated from the Turkmen State Institute of Economics and Management in 1981.

299,200 number of shares

0.04% percentage in the share capital

14 years
within the Company

OLEG LEKSIN
Head of IT

Oleg Leksin was appointed as the Head of IT of Best Price LLC in 2013. Prior to this appointment, from 2007 until 2010, he worked at the retail chain Monetka as the Head of the technical support centre within the Company`s IT function, and from 2005 until 2007, he held various positions at Kopeika, including as the Head of Projects within the company's IT function. Mr. Leksin graduated from the Moscow Engineering Physics Institute in 1999.

312,800 number of shares

0.04% percentage in the share capital

9 years
within the Company

ANDREY ZAYKIN
Head of Security

Mr. Andrey Zaykin was appointed as the Head of Security of Best Price LLC in 2009. From 2000 until 2007, he held various senior positions at Kopeika in transportation and logistics, including as the Head of Transport Logistics. From 2007 until 2017, Mr. Zaykin also held a part-time role as the Head of Business Support at the retail chain Monetka. Mr. Zaykin graduated from the Moscow State University of Environmental Engineering in 2008 with a degree in Economics and Management.

312,800 number of shares

0.04% percentage in the share capital

13 years
within the Company

Internal Control and Risk Management

INTERNAL AUDIT

The Internal Audit Department of Fix Price Group Ltd. supports the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, internal control and governance processes.

The Head of the Internal Audit reports to the Audit Committee functionally and to the CEO administratively.

The Internal Audit Department adheres to The Institute of Internal Auditors International Professional Practices Framework and the Company's own internal audit policy.

The responsibilities of the Internal Audit Department include:

- Developing a risk-oriented annual internal audit plan;
- Conducting internal audits following the established requirements and procedures;
- Monitoring the resolution of deficiencies identified during audits;
- Assisting the Company's management in developing and monitoring the implementation of measures to improve risk management, internal controls and corporate governance;
- Providing the Audit Committee with reports on the internal audit activity;
- Developing and maintaining a Quality Assurance and Improvement Programme that covers all aspects of the internal audit activity.

RUB ~25 mln[1]

Total remuneration paid in 2021 for the audit and non-audit services to Deloitte & Touche

EXTERNAL AUDIT

Deloitte & Touche CIS (TIN 7703097990), legal address: 5 Lesnaya St., Moscow, 125047, Russia, a member of Self-regulatory Organization of Auditors Association "Sodruzhestvo" (AAC SRO). Deloitte & Touche CIS is included in the control copy of the register of the auditors and audit organisations with the registration number ORNZ 12006020384, and as one of the global leaders in the provision of professional services, was approved as the auditor of the Company's consolidated financial statements prepared in accordance with International Financial Reporting Standards. Deloitte & Touche CIS was registered in accordance with the legislation of the Russian Federation on October 30, 1992 by the Moscow Registration Chamber.

The Board of Directors approved Deloitte & Touche CIS as the Company's external auditors to provide:

- an independent audit of the consolidated financial statements of the Group prepared under the International Financial Reporting Standards for the year ended 31 December 2021 and
- an independent review of the interim condensed consolidated financial information of the Group for the six months ended 30 June 2021

[1] Does not include payments to Deloitte & Touche during the IPO preparation process

Ethics and Anti-Corruption

Fix Price Group Ltd. 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 stopping 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:

- Safeguards against corruption, including by identifying and subsequently eliminating causes of corruption, and trains Group employees;
- Detects, prevents and stops corruption-related offences, and exposes and investigates these offences, in accordance with the Company's policy and other regulations;
- Minimises and/or eliminates the consequences of corruption-related offences for the Group.

The CEO is responsible for the implementation of the 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

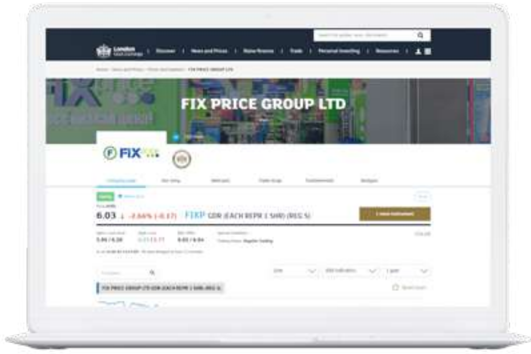
Information Disclosure

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

- Fix Price's Memorandum and Articles of Association,
- information on governing bodies,
- other required information.

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

Representatives of the Company participated in numerous investor conferences held virtually due to COVID-19-related travel restrictions and held conference and video calls with analysts and investors.



In addition, the Company discloses information on the LSE Company`s page https://www.londonstockexchange.com/stock/FIXP/fix-price-group-ltd/company-page and

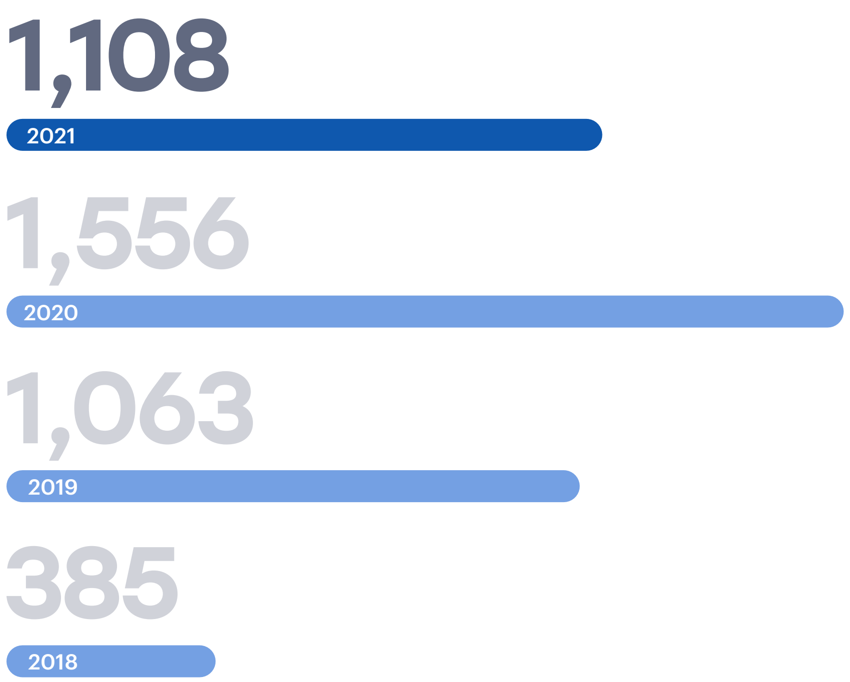
via the Interfax disclosure server https://www.e-disclosure.ru/portal/company.aspx?id=38370

The 2021 Annual Report is the first to be released by the Company. The Report was approved by the Board of Directors.

Remuneration Report

The aggregate amount of remuneration (including contingent or deferred compensation) the Group paid, and benefits in kind the Group granted, to the members of the Board of Directors and Senior Management for services in all capacities provided to the Group is stated in the chart below.

Remuneration
RUB mln



Shareholder and Investor Engagement

Ticker on LSE & MOEX

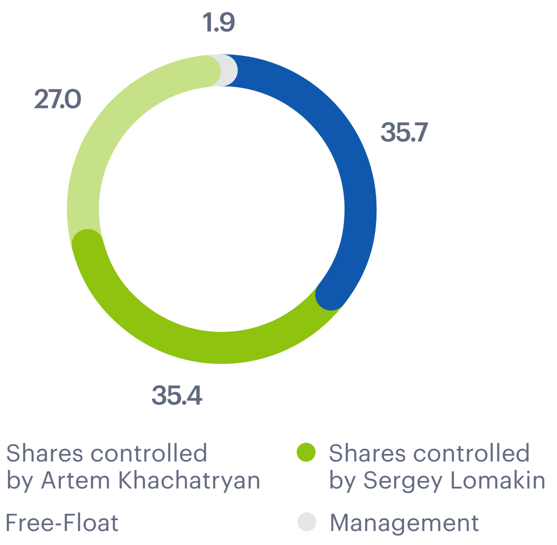
FIXP

850,000,000
ordinary shares
the Company's share capital

ORDINARY SHARES

Following the Company's successful IPO, trading in Fix Price Group Global Depositary Receipts ("GDRs") began on the London Stock Exchange and 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 end of 2021
%



There were no significant changes in the shareholding structure in 2021.

INVESTOR INTERACTION

Fix Price Group Ltd. strives to attract and retain new and existing investors respectively. The Company utilises multiple communications channels to engage with the investment community.

10
CONFERENCES

236 investor meetings

3 results conference calls

3 earnings releases

210 funds covered

DIVIDENDS

As of December 31, 2021, the Company's dividend policy implies semi-annual dividend payment, with a target payout ratio of at least 50% of net profit for the period as calculated under IFRS. The Board regularly intends to review the dividend policy with a view to prioritising the investment requirements for the Group's growth and net leverage targets, whilst balancing the need to return any accumulated excess cash to shareholders should this arise. The Group currently plans to maintain a conservative financial policy with the targeted IAS 17-Based Adjusted Net Debt/(Cash) to IAS 17-Based Adjusted EBITDA ratio below 1x in the mid-term, and has no intention to accumulate a significant excess cash balance.

The interim dividend of RUB 11.5 per GDR/Share announced by the Board implies a 100% payout ratio of net profit calculated on an IFRS basis for the six-month period ended 30 June 2021. The interim dividend was paid on 28 September 2021 to shareholders on the register at the close of business on 24 September 2021, with 23 September 2021 being an Ex-Dividend Date.

The Board announced a final dividend of RUB 6.8 per share/GDR, bringing an annual dividend to 18.3 RUB per GDR/Share for the period ended 31 December 2021, which implies a 73% payout ratio of net profit calculated on an IFRS basis.

Dividends declared
RUB mln

	Dividends declared, RUB mln	Payout ratio, %
2021	15,588	73%
2020	32,644	186%

RUB 18.3
per GDR/Share
the FY2021 dividend

INVESTOR CALENDAR

2021

15 April	Q1 2021 Operating Results	Virtual
12 May	Morgan Stanley EEMEA Conference	Virtual
19 May	Sberbank CIB "The Inside Track" Virtual Conference	Virtual
2 June	Bank of America Merrill Lynch Emerging Markets Debt & Equity Conference 2021	Virtual
12 August	Q2 and H1 2021 Operating and Financial Results	Virtual
8–9 September	Citi GEM Conference	Virtual
9–10 September	Goldman Sachs 28th Annual Global Retailing Conference	Virtual
22 September	J.P. Morgan: Russia Matters Speaker Series	Virtual
27 September	HSBC Global Emerging Markets Forum	Virtual
27 October	3Q and 9M 2021 Operating and Financial Results	Virtual
8 November	Goldman Sachs CEEMEA Conference	Virtual
1–2 December	UBS Global Emerging Markets	Virtual
10 December	Wood`s Winter Wonderland Conference	Virtual

2022

10–11 January	Citi's 1st Emerging Europe Virtual Conference	Virtual
19 January	J.P. Morgan CEEMEA Opportunities Conference	Virtual
24 January	Q4 and FY 2021 Operating results	Virtual
9–10 February	VTB Capital "Russia Calling!" Conference	Virtual
28 February	FY 2021 Financial results	Virtual
end of April	Q1 2022 Operating and Financial Results	Virtual
mid August	Q2 and H1 2022 Operating and Financial Results	Virtual
end of October	Q3 and 9M 2022 Operating and Financial Results	Virtual

Appendices

Appendix 1. Statement of Management's Responsibilities for the Preparation and Approval of the Consolidated Financial Statements for the year ended 31 December 2021

Management is responsible for the preparation of the consolidated financial statements of Fix Price Group Ltd. (hereinafter, the "Company") and its subsidiaries (hereinafter, the "Group") that present fairly the consolidated financial position of the Group as at 31 December 2021 and the consolidated results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards (hereinafter, "IFRS") as issued by the International Accounting Standards Board ("IASB").

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards of jurisdictions in which the Group operates;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2021 were approved by management of the Company on behalf of the Board of Directors of the Company on 27 February 2022.

On behalf of management:

DMITRY KIRSANOV
Chief Executive Officer

ANTON MAKHNEV
Chief Financial Officer

Appendix 2. Independent Auditor’s Report

To the Shareholders of Fix Price Group Ltd.:

OPINION

We have audited the consolidated financial statements of Fix Price Group Ltd. (hereinafter, the “Company”) and its subsidiaries (hereinafter, the “Group”), which comprise the consolidated statement of comprehensive income for the year ended 31 December 2021, consolidated statement of financial position as at 31 December 2021, 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 2021, 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 2021 and 2020 the inventories held by the Group comprise RUB 40,566 million and RUB 26,991 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.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Taxation matters: uncertain tax treatments As at 31 December 2021 and 2020 the Group's balance of income tax payable comprised RUB 5,087 million and RUB 5,423 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 uncertain tax positions given the inherent uncertainty. The Group's income taxes are disclosed in Note 8 on and the Group's contingent liabilities with regards to taxation are disclosed in Note 22.	Our audit procedures related to Taxation matters 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 conjunction 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 International Financial Reporting Standards ("IFRSs"), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 № 21906100113),

Engagement partner,

Acting based on the power of attorney issued by the General Director on 24 December 2021 authorizing to sign off the audit report on behalf of AO "Deloitte & Touche CIS" (ORNZ № 12006020384)

27 February 2022

Appendix 3. Consolidated Financial Statements for the year ended 31 December 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2021
(in millions of Russian Rubles, except earnings per share)

	Notes	2021	2020
Revenue	5	230,473	190,059
Cost of sales	6	(157,073)	(128,544)
Gross profit		**73,400**	**61,515**
Selling, general and administrative expenses	7	(41,991)	(34,932)
Other operating income		873	291
Share of profit of associates		44	49
Operating profit		**32,326**	**26,923**
Interest income		131	376
Interest expense		(1,778)	(1,125)
Foreign exchange (loss)/gain, net		(83)	136
Profit before tax		**30,596**	**26,310**
Income tax expense	8	(9,207)	(8,735)
Profit for the year		**21,389**	**17,575**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		(13)	7
Other comprehensive (loss)/income for the year		**(13)**	**7**
Total comprehensive income for the year		**21,376**	**17,582**
Earnings per share			
Weighted average number of ordinary shares outstanding	17	850,000,000	850,000,000
Earnings per share, basic and diluted (in Russian Rubles per share)[1]		25.20	20.70

[1] The earnings per share amounts and weighted average number of shares outstanding, basic and diluted, for all periods herein retrospectively reflect the Group's 17,000-for-1 share split, which was effected on 26 February 2021.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

(in millions of Russian Rubles)

	Note	31 December 2021	31 December 2020
Assets			
Non-current assets			
Property, plant and equipment	10	18,142	13,308
Goodwill		198	205
Intangible assets	11	1,221	873
Capital advances	12	549	2,284
Right-of-use assets	13	9,636	8,554
Investments in associates		58	73
Total non-current assets		29,804	25,297
Current assets			
Inventories	14	40,566	26,991
Right-of-use assets	13	1,718	1,724
Receivables and other current assets	15	1,843	902
Prepayments		1,801	303
Value added tax receivable		418	515
Cash and cash equivalents	16	8,779	26,375
Total current assets		55,125	56,810
Total assets		84,929	82,107
Equity and liabilities			
Equity			
Share capital	17	1	1
Additional paid-in capital	17	154	154
Retained earnings/(accumulated deficit)	17	7,830	(3,771)
Currency translation reserve	17	(6)	7
Total equity/(deficit)		7,979	(3,609)
Non-current liabilities			
Lease liabilities	19	3,765	3,713
Deferred tax liabilities	8	533	385
Total non-current liabilities		4,298	4,098
Current liabilities			
Loans and borrowings	18	21,523	15,680
Lease liabilities	19	6,971	6,339
Payables and other financial liabilities	20	34,463	26,751
Advances received		601	582
Income tax payable		5,087	5,423
Tax liabilities, other than income taxes		2,372	2,068
Dividends payable	17	—	23,658
Accrued expenses	21	1,635	1,117
Total current liabilities		72,652	81,618
Total liabilities		76,950	85,716
Total equity and liabilities		84,929	82,107

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2021
(in millions of Russian Rubles)

	Note	2021	2020
Cash flows from operating activities			
Profit before tax		30,596	26,310
Adjustments for:			
Depreciation and amortisation	10,11,13	11,829	9,865
Write-offs of merchandise inventories relating to shrinkage and write-down to net realisable value	6,14	2,036	1,595
Change in allowance for expected credit losses		8	4
Share of profit of associates		(44)	(49)
Interest income		(131)	(376)
Interest expense		1,778	1,125
Foreign exchange loss/(gain), net		83	(136)
Operating cash flows before changes in working capital		46,155	38,338
Increase in inventories		(15,624)	(9,134)
(Increase)/Decrease in receivables and other financial assets		(978)	29
Increase in prepayments		(1,499)	(46)
Decrease/(Increase) in VAT receivable		97	(358)
Increase in payables and other financial liabilities		7,518	5,872
Increase in advances received		20	128
Increase in tax liabilities, other than income tax		302	1,547
Increase in accrued expenses		518	414
Net cash flows generated from operations		36,509	36,790
Interest paid		(1,907)	(1,207)
Interest received		131	374
Income tax paid		(9,396)	(5,687)
Net cash flows from operating activities		25,337	30,270
Cash flows from investing activities			
Purchase of property, plant and equipment		(5,706)	(5,674)
Purchase of intangible assets		(573)	(493)
Proceeds from sale of property, plant and equipment		60	5
Dividends received from associates		60	58
Proceeds from repayment of loans issued		—	79
Net cash flows used in investing activities		(6,159)	(6,025)
Cash flows from financing activities			
Proceeds from loans and borrowings		25,500	18,445
Repayment of loans and borrowings		(19,686)	(7,792)
Lease payments		(9,197)	(7,518)
Dividends paid		(33,446)	(14,214)
Net cash flows used in financing activities		(36,829)	(11,079)
Total cash (used in)/from operating, investing and financing activities		(17,651)	13,166
Effect of exchange rate fluctuations on cash and cash equivalents		55	1,328
Net (decrease)/increase in cash and cash equivalents		(17,596)	14,494
Cash and cash equivalents at the beginning of the year	16	26,375	11,881
Cash and cash equivalents at the end of the year	16	8,779	26,375

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

(in millions of Russian Rubles)

	Notes	Share capital	Additional paid-in capital	Retained earnings/ (Deficit)	Currency translation reserve	Total equity/ (Deficit)
At 1 January 2020		1	154	11,298	—	11,453
Profit for the year		—	—	17,575	—	17,575
Other comprehensive income for the year		—	—	—	7	7
Total comprehensive income for the year, net of tax		—	—	17,575	7	17,582
Dividends	17	—	—	(32,644)	—	(32,644)
At 31 December 2020		1	154	(3,771)	7	(3,609)
At 1 January 2021		1	154	(3,771)	7	(3,609)
Profit for the year		—	—	21,389	—	21,389
Other comprehensive loss for the year		—	—	—	(13)	(13)
Total comprehensive loss 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions of Russian Rubles)

1. General information

Fix Price Group Ltd. (the “Company”, earlier, before November 2020, Meridan Management Ltd) was incorporated in May 2008 in accordance with the Business Companies Act of the British Virgin Islands. The address of the Company’s registered office is Commerce House, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands (“BVI”).

Fix Price Group Ltd. together with its subsidiaries (the “Group”) is one of the leading variety value retailers globally and the largest variety value retailer in Russia operating under the trade mark “Fix Price”. The Group’s retail operations are conducted through a chain of convenience stores, located in the Russian Federation, Belarus, Kazakhstan and Uzbekistan. The Group is also engaged in wholesale operations by servicing a number of franchisees that operate in distant regions of the Russian Federation, as well as in a number of international locations.

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

Fix Price Group Ltd. is the holding entity of the Group and there is no consolidation that takes place above the level of this Company.

As at 31 December 2021 and 31 December 2020 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 2021	Ownership interest 31 December 2020
Kolmaz Holdings Ltd	Cyprus	Intermediate holding company	100%	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	Retails 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 27 February 2022.

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 conducting analysis, including preparing cash flow forecasts for at least 12 months from the date of approval 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 Covid-19 pandemic has not had a material 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. 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.

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 Ltd.	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 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:

	Closing rate on 31 December 2021	Closing rate on 31 December 2020	Average rate for the year	
Currency			2021	2020
KZT	0.1690	0.1755	0.1726	0.1741
BYN	29.1458	28.6018	29.0198	29.5858
UZS	0.0069	0.0071	0.0069	0.0073

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 loans receivable and are measured at amortised cost applying the effective interest rate as these instruments are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ (losses). Impairment losses are presented as a separate line item in the statement of profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash deposits and highly liquid investments with original maturities, from the date of acquisition, of three months or less, that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(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 and other receivables. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition.

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.

(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.

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. The Group's contingent liabilities with regards to taxation are disclosed in Note 22.

4. New and revised international financial reporting standards

Adoption of New Standards and Interpretations

In the year ended 31 December 2021, 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) Amendments to IFRS 7, IFRS 9, IAS 39, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase II

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

(b) Amendments to IFRS 16: Covid-19-Related Rent Concessions

The amendments published by IASB in May 2020 provide lessees with a practical expedient that relieves a lessee from assessing whether a COVID-19-related rent concession is a lease modification. In March 2021, the Board issued Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022. The Group preferred not to take an exemption from assessing whether a COVID-19-related rent concession is a lease modification and continued applying its accounting policy consistently thus not taking advantage of the practical expedient introduced by the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2021. 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 the June 2020 Amendments to IFRS 17) *Insurance Contracts;*
- IFRS 10 and IAS 28 (amendments) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;*
- Amendments to IAS 1 *Classification of Liabilities as Current or Non-current;*
- Amendments to IFRS 3 *Reference to the Conceptual Framework;*
- Amendments to IAS 16 *Property, Plant and Equipment-Proceeds before Intended Use;*
- Amendments to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract;*
- Annual Improvements to IFRS Standards 2018-2020 Cycle; and Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases;*
- 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*.

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 2021 and 31 December 2020 consisted of the following:

	2021	2020
Retail revenue	203,328	166,025
Wholesale revenue	27,145	24,034
	230,473	190,059

6. Cost of sales

Cost of sales for the years ended 31 December 2021 and 31 December 2020 consisted of the following:

	2021	2020
Cost of goods sold	151,112	123,809
Transportation and handling costs	3,925	3,140
Write-offs of merchandise inventories relating to shrinkage and write-down to net realisable value	2,036	1,595
	157,073	128,544

7. Selling, general and administrative expenses

Selling, general and administrative expenses for the years ended 31 December 2021 and 31 December 2020 consisted of the following:

	2021	2020
Staff costs	20,884	17,329
Depreciation of right-of-use assets	9,198	7,618
Other depreciation and amortisation	2,631	2,247
Bank charges	2,535	2,009
Rental expense	1,667	1,642
Security services	1,613	1,343
Repair and maintenance costs	925	757
Advertising costs	767	659
Utilities	712	570
Other expenses	1,059	758
	41,991	34,932

Staff costs include statutory social security and pension contributions (defined state contribution plan) in the amount of RUB 3,184 million and RUB 2,699 million for the years ended 31 December 2021 and 31 December 2020, 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. Income tax expense

	2021	2020
Current tax expense	9,059	8,696
Deferred tax expense	148	39
Income tax expense	9,207	8,735

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

	2021	2020
Profit before tax	30,596	26,310
Theoretical tax expense at 20%, being statutory rate in Russia	(6,119)	(5,262)
Withholding tax on intra-group dividends	(3,067)	(3,900)
(Expenses)/Income subject to income tax at rates different from 20%	(45)	413
Non-taxable items	131	14
Deferred tax liability on the undistributed retained earnings of the Group's subsidiaries	(107)	—
Income tax expense	(9,207)	(8,735)

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

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)

Movements in the deferred tax assets and liabilities for the year ended 31 December 2020 were as follows:

	31 December 2019	Charged to profit or loss	31 December 2020
Tax effects of deductible temporary differences			
Trade and other payables	58	—	58
Accrued expenses	65	37	102
Other	—	17	17
Deferred tax assets	123	54	177
Tax effects of taxable temporary differences			
Inventories	(58)	(15)	(73)
Property, plant and equipment	(409)	(55)	(464)
Investments in associates	(9)	(6)	(15)
Trade and other receivables	—	(6)	(6)
Intangible assets	7	(11)	(4)
Deferred tax liabilities	(469)	(93)	(562)
Net deferred tax liabilities	(346)	(39)	(385)

In 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. No deferred tax liability was recognised in respect of taxable temporary differences associated with investments in subsidiaries as at 31 December 2020.

9. Key management remuneration

The total compensation relating to the key management personnel of the Group amounted to RUB 1,080 million and RUB 1,556 million during the years ended 31 December 2021 and 31 December 2020, 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*.

10. Property, plant and equipment

Movements in the carrying amount of property, plant and equipment during the years ended 31 December 2021 and 31 December 2020 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 2020	2,599	8,078	6,495	82	5	17,259
Additions	—	—	—	—	4,557	4,557
Transfers	1,070	2,090	1,222	81	(4,463)	—
Disposals	—	(180)	(308)	(1)	—	(489)
Effect of translation to presentation currency	—	8	3	1	—	12
At 31 December 2020	3,669	9,996	7,412	163	99	21,339
Additions	—	—	—	—	7,315	7,315
Transfers	3,499	2,606	1,162	112	(7,379)	—
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

	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 2020	187	3,751	2,383	56	—	6,377
Depreciation charge	27	1,212	658	14	—	1,911
Disposals	—	(139)	(118)	(1)	—	(258)
Effect of translation to presentation currency	—	1	—	—	—	1
At 31 December 2020	214	4,825	2,923	69	—	8,031
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
Net book value						
At 1 January 2020	2,412	4,327	4,112	26	5	10,882
At 31 December 2020	3,455	5,171	4,489	94	99	13,308
At 31 December 2021	6,892	6,290	4,750	175	35	18,142

Buildings primarily represent distribution centers owned by the Group. As at 31 December 2021, buildings with a carrying amount of RUB 855 million were pledged as security (as at 31 December 2020 no assets have been pledged as security).

11. Intangible assets

Movements in the carrying amount of intangible assets during the years ended 31 December 2021 and 31 December 2020 were as follows:

	Software	Other	Total
Cost			
At 1 January 2020	640	73	713
Additions	407	86	493
At 31 December 2020	1,047	159	1,206
Additions	522	50	572
At 31 December 2021	1,569	209	1,778
Accumulated amortisation and impairment			
At 1 January 2020	170	33	203
Amortisation charge	93	37	130
At 31 December 2020	263	70	333
Amortisation charge	153	71	224
At 31 December 2021	416	141	557
Carrying amount			
At 1 January 2020	470	40	510
At 31 December 2020	784	89	873
At 31 December 2021	1,153	68	1,221

12. Capital advances

As at 31 December 2021 capital advances consist of advances for equipment. Distribution centers in Saint Petersburg and Krasnodar were put into operation in February 2021 and September 2021, respectively. As at 31 December 2020 capital advances consist of advances for construction of distribution centers in Saint-Petersburg and Krasnodar.

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 6 years. Movements in the carrying amount of right-of-use assets were as follows:

	Leased premises and buildings for the year ended	
	31 December 2021	31 December 2020
Cost		
At 1 January 2021/ 1 January 2020	24,490	14,950
New lease contracts and modification of existing lease contracts	10,283	9,818
Lease prepayments	70	110
Disposals	(782)	(350)
Effect of translation to presentation currency	(11)	(38)
At 31 December 2021/ 31 December 2020	34,050	24,490

	Leased premises and buildings for the year ended	
	31 December 2021	31 December 2020
Accumulated depreciation and impairment		
At 1 January 2021/ 1 January 2020	(14,212)	(6,787)
Depreciation expense	(9,271)	(7,782)
Disposals	782	350
Effect of translation to presentation currency	5	7
At 31 December 2021/ 31 December 2020	(22,696)	(14,212)
Carrying amount		
At 1 January 2021/ 1 January 2020	10,278	8,163
At 31 December 2021/ 31 December 2020	11,354	10,278

	For the year ended	
	31 December 2021	31 December 2020
Amounts recognised in profit and loss		
Depreciation expense of right-of-use assets	9,199	7,618
Interest expense on lease liabilities	727	656
Foreign exchange (gain)/loss, net	(101)	113
Expenses relating to variable lease payments not included in the measurement of the lease liabilities	1,661	1,628

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 11,563 million for the year ended 31 December 2021 (RUB 9,802 million for the year ended 31 December 2020).

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 2021 and 31 December 2020 are disclosed in Note 6.

15. Receivables and other current assets

	31 December 2021	31 December 2020
Trade receivables from franchisees, net of allowance for expected credit losses	783	500
Settlements with customs	701	309
Forward foreign exchange contracts (Note 23)	157	30
Other receivables, net of allowance for expected credit losses	202	63
	1,843	902

The following table summarises the changes in the allowance for expected credit losses on trade and other receivables:

	31 December 2021	31 December 2020
At 1 January 2021/ 1 January 2020	(19)	(15)
Additional (allowance)/utilisation recognised on trade and other receivables	(3)	(4)
At 31 December 2021/ 31 December 2020	(22)	(19)

16. Cash and cash equivalents

	31 December 2021	31 December 2020
Bank current accounts – RUB, KZT, BYN, UZS	1,509	276
Bank current accounts – Euro, USD, CNY, NOK	483	721
Cash in transit – RUB, KZT, BYN, UZS	2,013	1,202
Cash in hand – RUB, KZT, BYN, UZS	348	298
Deposits – RUB, KZT, BYN	4,426	23,878
	8,779	26,375

Cash in transit represents cash collected by banks from the Group's stores and not yet deposited in bank accounts as at 31 December 2021 and 31 December 2020.

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).

As at 31 December 2020 RUB, KZT and BYN denominated deposit bank accounts in the amount of RUB 23,878 million had interest rates of 3.40-10.00% and 2-365 day maturity periods (deposits over 90 days are recallable on demand).

RUB, KZT, BYN, UZS, USD, Euro and CNY denominated balances in current bank accounts are normally interest free.

17. Equity

All share and per share information for all periods herein retrospectively reflects the Group's 17,000-for-1 share split, which was effected on 26 February 2021.

Ordinary shares

As at 31 December 2021 and 31 December 2020 the ordinary share capital of the Group was as follows:

	Outstanding ordinary shares	Issued ordinary shares
At 31 December 2020	850,000,000	850,000,000
At 31 December 2021	850,000,000	850,000,000

Additional paid-in capital

No contributions into equity were made by shareholders of the Group during the years ended 31 December 2021 and 31 December 2020.

Dividends

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.

Interim and final dividends for 2020 of RUB 5.84 per share and RUB 28.24 per share, amounting to total dividends of RUB 28,966 million were announced in May and December 2020 respectively and were paid in full.

18. Loans and borrowings

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
Bank loans (unsecured)	RUB	2022	7.37–9.45%	21,523
				21,523

Terms and conditions in respect of loans and borrowings as at 31 December 2020 are detailed below:

Source of financing	Currency	Maturity date	Interest rate as at 31 December 2020	31 December 2020
Bank loans (unsecured)	RUB	2021	5.59–6.70%	15,114
Bank loans (unsecured)	CNY	2021	4.90%	566
				15,680

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
Bank loans	15,680	5,814	29	21,523
Dividends payable	23,658	(33,446)	9,788	—
	39,338	(27,632)	9,817	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 2020. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2020	Financing cash flows (i)	Other changes (ii)	31 December 2020
Bank loans	5,006	10,653	21	15,680
Dividends payable	5,030	(14,214)	32,843	23,658
	10,036	(3,561)	32,864	39,338

(i) The cash flows from bank loans and dividends payable make up the net amount of proceeds from and repayments of 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 and foreign exchange loss.

The Group's loan agreements contain certain restrictive covenants, including requirements to comply with specified financial ratios. The Group's failure to comply with restrictive covenants may result in a claim for immediate repayment of the corresponding debt. As at 31 December 2021 and 31 December 2020 the Group was in compliance with all covenants stipulated by its loan agreements.

19. Lease liabilities

As at 31 December 2021 and 31 December 2020 lease liabilities comprised the following:

	31 December 2021	31 December 2020
Gross lease payments, including:		
Current portion (less than 1 year)	7,494	6,772
More than 1 to 5 years	3,991	3,912
Over 5 years	15	26
Total gross lease payments	11,500	10,710
Less unearned interest	(764)	(658)
Analysed as:		
Current portion		
Less than one year	6,971	6,339
Non-current portion		
More than 1 to 5 years	3,751	3,687
Over 5 years	14	26
Total present value of net lease payments	10,736	10,052

The following table summarises the changes in the lease liabilities:

	For the year ended 31 December 2021	31 December 2020
Balance as at 1 January 2021 / 1 January 2020	10,052	7,802
Interest expense on lease liabilities	727	656
Lease payments	(9,902)	(8,174)
New lease contracts and modification of existing lease contracts	9,965	9,692
Foreign exchange (gain)/loss	(101)	113
Currency translation reserve	(5)	(37)
Balance as at 31 December 2021 / 31 December 2020	10,736	10,052

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 2021 was 8.15% per annum, at 31 December 2020 was 5.83%.

The Group does not face a significant liquidity risk with regard to its lease liabilities.

20. Payables and other financial liabilities

Payables as at 31 December 2021 and 2020 consisted of the following:

	31 December 2021	31 December 2020
Trade payables	32,138	26,304
Deferred revenue	2,088	220
Forward foreign exchange contracts (Note 23)	—	35
Other payables	237	192
	34,463	26,751

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 2021 all payables were unsecured.

21. Accrued expenses

Accrued expenses as at 31 December 2021 and 2020 consisted of the following:

	31 December 2021	31 December 2020
Accrued salaries and wages	1,627	1,037
Other accrued expenses	8	80
	1,635	1,117

22. 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.

As the current inflation rate exceeds 8% per annum and the recent changes to the key interest has increased it up to 9.5% per annum the current macroeconomic situation and inflationary environment may create headwinds for the entire retail sector still being negatively impacted by the Russian Ruble depreciation against USD and sanctions imposed on Russia by a number of countries.

In February 2022, foreign officials announced a further extension of sanctions earlier imposed in 2014 by US, UK and EU. These developments may result in reduced access of the Russian businesses to international capital and export markets, further weakening of the Russian Ruble, decline in capitals markets and other negative economic consequences.

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 2021 in the amount of RUB 3,934 million, VAT inclusive (as at 31 December 2020: RUB 1,937 million, VAT inclusive). These commitments relate to the acquisition of the new distribution centres.

Legal proceedings

In the ordinary course of business, the Group may be a party to various legal and tax proceedings and be subject to claims. In the opinion of management, the Group's liability, if any, in all pending litigation, other legal proceeding or other matters, will not have a material effect on the financial condition, results of operations or liquidity of the Group.

Taxation

The Group's main subsidiary, from which the Group's income is derived, operates in Russia. Russian tax, currency and customs legislation can be interpreted in different ways and is susceptible to frequent changes. The interpretation made by management of the legislation in question as applied to the operations and activities of the Group may be challenged by the relevant regional or federal authorities.

In addition, certain amendments to tax legislation went into effect in 2015, aimed at combating tax evasion through the use of low-tax jurisdictions and aggressive tax planning structures. In particular, those amendments include definitions of the concepts of beneficial ownership and tax residence of legal entities at their actual place of business, and an approach to the taxation of controlled foreign companies.

These changes, as well as recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in 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 2021 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 13% of the Group's total assets as at 31 December 2021.

Coronavirus disease (COVID-19)

The Covid-19 outbreak was first reported near the end of 2019 in Wuhan, China. Since then, the virus has spread worldwide. On 11 March 2020, the WHO declared the Covid-19 outbreak to be a pandemic. Covid-19 has significantly impacted the world economy. Many countries have imposed travel bans on millions of people and, additionally, people in many locations are subject to quarantine measures. Businesses are dealing with lost revenue and disrupted supply chains. Countries have imposed lockdowns in response to the pandemic and, as a result of the disruption to businesses, millions of workers have lost their jobs. The Covid-19 pandemic has also resulted in significant volatility in the financial and commodities markets worldwide. Numerous governments have announced measures to provide both 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, thus, the Group continues to adopt the going concern basis of accounting in preparing these consolidated financial statements.

However, COVID-19 continues to impact economies, albeit less than in previous periods and it remains difficult to reliably estimate the duration, severity and extent of economic and social impacts of the COVID-19 pandemic on the global economy, global financial markets, the Russian economy and the economies of the geographies in which the Group operates, both in the short term and in the long term.

23. 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 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 (assets and liabilities as at 31 December 2020 amounted to RUB 30 million and payables and other financial liabilities amounted to RUB 35 million).

During the year ended 31 December 2021 the gain from forward foreign exchange contracts amounted to RUB 243 million (2020: RUB 989 million gain), and was included in the "Foreign exchange gain, net" line item in the consolidated statement of comprehensive income.

93% 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 2021 and 31 December 2020 is as follows:

	Assets		Liabilities	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
USD	414	358	19	—
CNY	8	1	9,874	10,507
EUR	4	179	2	2
NOK	—	174	—	—
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 2021	31 December 2020
Depreciation in RUB/CNY	+10%	(987)	(1,051)
Appreciation in RUB/CNY	–10%	987	1,051

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 2021	31 December 2020
Depreciation in RUB/USD	+10%	40	36
Appreciation in RUB/USD	–10%	(40)	(36)

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 2021	31 December 2020
Depreciation in RUB/EUR	+10%	—	18
Appreciation in RUB/EUR	–10%	—	(18)

The following table demonstrates the sensitivity on profit (net of tax) and equity to a reasonably possible change in the NOK period end exchange rates with all other variables held constant.

		31 December 2021	31 December 2020
Depreciation in RUB/NOK	+10%	—	17
Appreciation in RUB/NOK	–10%	—	(17)

These calculations have been performed by taking the year end translation rate used on the accounts and applying the change noted above. The balance sheet valuations are then directly calculated.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arising from market interest rate fluctuations is insignificant. As at 31 December 2021 the Group had no floating rate interest-bearing short-term liabilities. As at 31 December 2020 the Group had floating rate interest-bearing short-term liabilities amounting to RUB 1,000 million.

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 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 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

The table below shows the balances that the Group has with its major banks as at 31 December 2020:

Bank	Country of incorporation	Rating	Carrying amount as at 31 December 2020
RCB	Cyprus	Ba2	14,204
LGT	Switzerland	Aa1	10,353
Sberbank of Russia	Russia	Baa3	128
VTB Bank	Russia	Baa3	172
Other			19
Total			24,876

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 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
As at 31 December 2020					
Loans and borrowings*	16,158	—	—	16,158	15,680
Dividends payable	23,658	—	—	23,658	23,658
Payables and other liabilities	26,531	—	—	26,531	26,531
Lease liabilities*	6,772	3,912	26	10,710	10,052
	73,119	3,912	26	77,057	75,921

*Amounts related to loans and borrowings and lease liabilities include future interest

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 (e.g. Bloomberg).

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 2021 and 31 December 2020, as it reflects changes in market conditions and takes into account the risk premium and the time value of money.

The Group adopted a strategy of short-term borrowing, not exceeding a year to maturity, therefore, at the reporting date interest rates on contracts are aligned with the market rates.

24. 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 other related parties.

Transactions with related parties for the years ended 31 December 2021 and 31 December 2020:

	2021	2020
Associates:		
Sales of goods	2,646	2,449
Royalty fees	104	100
Other*:		
Dividends declared	(7,087)	(27,963)
Payment of dividends	(27,399)	(12,395)

As at 31 December 2021 and as at 31 December 2020 the outstanding balances with related parties were as follows:

	31 December 2021	31 December 2020
Associates:		
Trade and other receivables	13	14
Advances from customers	(89)	(111)
Other*:		
Dividends payable	—	20,312

* Other related parties comprise immediate and indirect shareholders of the Company

For details on the remuneration of key management personnel please refer to Note 9.

25. 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.

26. Post balance sheet events

On 25 February 2022, the Board of Directors of the Group had approved final dividends for 2021 of 6.82 RUB per share amounting to total dividends of RUB 5,800 million.

About the Report

The Annual Report of Fix Price Group Ltd for 2021 (hereinafter also referred to as Fix Price or the Company) was prepared based on the information available to Fix Price Group Ltd and its subsidiaries (hereinafter together referred to as the Group) as of 31 December 2021, 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 2021 in such matters as strategic and corporate governance as well as financial and operating results. The Annual Report was prepared in accordance with the requirements of the applicable laws.

Disclaimer

This Annual Report contains forward-looking statements that reflect the expectations of the Company's management. 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 Ltd 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 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 the 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 Ltd, this Annual Report contains information obtained from third parties and from sources which Fix Price Group Ltd 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 Ltd 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 Ltd is not liable for any losses that any person may incur due to the fact that the above person relied on forward-looking statements. Except as expressly envisaged by applicable law, the Company assumes no obligation to distribute or publish any updates or changes to 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 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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