IMPORTANT NOTICE: NOT FOR DISTRIBUTION IN OR INTO THE UNITED STATES EXCEPT TO QUALIFIED INSTITUTIONAL BUYERS ("QIBs") AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT") ("RULE 144A") THAT ARE ALSO QUALIFIED PURCHASERS ("QPs") WITHIN THE MEANING OF SECTION 2(A)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940 (THE "INVESTMENT COMPANY ACT") OR OTHERWISE TO PERSONS TO WHOM IT CAN LAWFULLY BE DISTRIBUTED

IMPORTANT: You must read the following before continuing. The following applies to the attached document (the "**Listing Particulars**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Listing Particulars. In accessing the Listing Particulars, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access. If you have gained access to this transmission contrary to any of the following restrictions, you are not authorised and will not be able to purchase any of the securities described herein (the "**Securities**"). You acknowledge that this electronic transmission and the delivery of the attached Listing Particulars is intended for you only and you agree you will not forward this electronic transmission or the attached Listing Particulars to any other person. Any forwarding, distribution or reproduction of this document in whole or in part is unauthorised. Failure to comply with the following directives may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE SECURITIES REFERRED TO HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**") TO OR FOR THE ACCOUNT OR BENEFIT OF A PERSON NOT KNOWN TO THE TRANSFEROR TO BE A U.S. PERSON (AS DEFINED IN REGULATION S), BY PREARRANGEMENT OR OTHERWISE, OR WITHIN THE UNITED STATES ONLY TO QIBs THAT ARE ALSO QPs IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A, OR ANOTHER EXEMPTION THEREFROM, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

Confirmation of your representation: In order to be eligible to view the Listing Particulars or make an investment decision with respect to the securities referred to herein, investors must be (i) non-U.S. persons (within the meaning of Regulation S under the Securities Act) outside the United States who are not acting for the account or benefit of U.S. persons or (ii) QIBs that are also QPs that are acquiring the securities for their own account or the account of another QIB that is also a QP. By accepting this e-mail and accessing the Listing Particulars, you shall be deemed to have represented to us that: (1) (A) you and any customers you represent are not U.S. persons and/or are not acting for the account or benefit of any U.S. persons and the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the U.S. or (B) you are a QIB that is also a QP acquiring the securities referred to herein for your own account and/or for another QIB that is also a QP and (2) you consent to delivery of such Listing Particulars by electronic transmission.

The Listing Particulars may only be communicated or caused to be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 (the "**FSMA**") does not apply and may be distributed in the United Kingdom only to persons who (i) are outside the United Kingdom, (ii) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "**Order**"), or

(iii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Order (all such persons together being referred to as "**Relevant Persons**"). In the United Kingdom, the Listing Particulars are directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which the Listing Particulars relate is available only to Relevant Persons and will be engaged in only with Relevant Persons.

The Listing Particulars do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the issuer of the Securities in such jurisdiction.

These Listing Particulars are being sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and, consequently, none of Eurotorg LLC, Bonitron Designated Activity Company, J.P. Morgan Securities plc and Renaissance Securities (Cyprus) Limited nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the attached document distributed to you in electronic format and the hard copy version available to you on request.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS

The Notes are not intended to be offered, sold to and should not be offered, sold to any retail investor in the European Economic Area ("**EEA**") or in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**IDD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. No key information document required by Regulation (EU) No. 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling any inscope instrument or otherwise making such instruments available to retail investors in the EEA or in the UK has been prepared and offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful.

MIFID II PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Eurotorg LLC

(a limited liability company incorporated under the laws of the Republic of Belarus)

U.S.$300,000,000 9.000 per cent. Loan Participation Notes due 2025 (issued by, with limited recourse to,)
Bonitron Designated Activity Company
(incorporated under the laws of Ireland)
for the sole purpose of financing a loan to Eurotorg LLC
Issue Price: 100 per cent.

Bonitron Designated Activity Company, a company incorporated as a designated activity company under the laws of Ireland (the "**Issuer**"), is issuing an aggregate principal amount of U.S.$300,000,000 9.000 per cent. Loan Participation Notes due 2025 (the "**Notes**") for the sole purpose of financing a loan (the "**Loan**") to Eurotorg LLC, a limited liability company organised under the laws of the Republic of Belarus (the "**Company**" or the "**Borrower**"), pursuant to a loan agreement dated 20 October 2020 (the "**Loan Agreement**") between the Issuer and the Borrower.

Pursuant to the trust deed (the "**Trust Deed**") relating to the Notes between the Issuer and BNY Mellon Corporate Trustee Services Limited, as trustee (the "**Trustee**"), the Issuer will provide certain security for all payment obligations in respect of the Notes for the benefit of the holders of Notes (the "**Noteholders**"), including a first fixed charge in favour of the Trustee of all amounts paid and payable to it under the Loan Agreement and an assignment to the Trustee of the Issuer's rights and interests under the Loan Agreement, other than in respect of certain reserved rights (as more fully described in "*Overview of the Transaction Structure and the Security*"). Interest on the Loan will be payable at a rate of 9.000 per cent. per annum semi-annually in arrears on the interest payment date falling on 22 April and 22 October in each year, commencing on 22 April 2021, and, provided that the Issuer receives such payment in full, the Notes will bear interest from, and including, 22 October and payable on such dates at the same rate.

The Notes are limited recourse obligations of the Issuer. In each case where amounts of principal, interest, premium (if any) and additional amounts (if any) are stated to be payable in respect of the Notes, the obligation of the Issuer to make any such payment shall constitute an obligation only to account to the Noteholders, on each date upon which such amounts of principal, interest, premium (if any) and additional amounts (if any) are due, for an amount equivalent to the principal, interest, premium (if any) and additional amounts (if any) actually received and retained (net of tax) by or for the account of the Issuer from the Borrower pursuant to the Loan Agreement. The Issuer will have no other financial obligation under the Notes. **Noteholders will be deemed to have accepted and agreed that they will be relying solely and exclusively on the credit and financial standing of the Borrower in respect of the obligations of the Borrower under the Loan Agreement.**

The Loan, and correspondingly the Notes, may be redeemed early at the option of the Company in certain circumstances, all as more fully described in "*Loan Agreement*" and "*Terms and Conditions of the Notes*". In particular, the Company may (i) at any time, on any one or more occasions, prepay up to 35 per cent. of the aggregate principal amount of the Loan in the amount equal to 109.0 per cent. of the Loan being prepaid, plus accrued and unpaid interest (if any) to the repayment date, with the net cash proceeds of one or more Equity Offerings (as defined in the Loan Agreement), provided that (a) at least 65 per cent. of the aggregate principal amount of the Loan remains outstanding immediately after the occurrence of such redemption and (b) the prepayment occurs within 90 days of the date of the closing of such Equity Offering; (ii) upon not less than 30 nor more than 60 days' notice, prepay the Loan at any time in whole but not in part at the Make Whole Prepayment Amount (as defined in the Loan Agreement), and accrued and unpaid interest (if any) to (but excluding) the prepayment date;. If, as a result of the exercise of any option of the Company described above, the Loan is prepaid by the Company as set forth in the Loan Agreement, the Notes will thereupon become due and redeemable and the Issuer shall, subject to receipt of the relevant amounts from the Company under the Loan, redeem the Notes on the relevant redemption date. The Issuer will, at the option of any Noteholder, and subject to receipt of the relevant amounts from the Company under the Loan, redeem any Notes held by such Noteholder on the occurrence of a Change of Control Put Event (as defined in the Loan Agreement), at 101 per cent. of their principal amount, together with accrued and unpaid interest, if any, to the date of such early redemption. See Condition 5 (Redemption and Purchase) in "*Terms and Conditions*" and Clause 5.2 (Repayment and Prepayment) in the Loan Agreement.

AN INVESTMENT IN THE NOTES INVOLVES A HIGH DEGREE OF RISK. SEE "*RISK FACTORS*" BEGINNING ON PAGE 37.

The Notes and the Loan (together, the "**Securities**") have not been, and will not be, registered under the U.S. Securities Act of 1933 (the "**Securities Act**"), and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")). The Notes may be offered and sold (i) within the United States only to qualified institutional buyers ("**QIBs**"), as defined in Rule 144A under the Securities Act ("**Rule 144A**"), that are also qualified purchasers ("**QPs**"), as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940 (the "**Investment Company Act**"), in reliance on the exemption from registration under Section 5 of the Securities Act provided by Rule 144A or on another exemption therefrom, (the "**Rule 144A Notes**") and (ii) to non-U.S. persons in offshore transactions as defined in and in reliance on Regulation S (the "**Regulation S Notes**"). The Issuer has not been and will not be registered under the Investment Company Act. Prospective purchasers are hereby notified that sellers of the Rule 144A Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of the Notes and this distribution of these Listing Particulars (as defined below), see "*Subscription and Sale*" and "*Transfer Restrictions*".

These listing particulars (the "**Listing Particulars**") have been prepared for the purposes of providing disclosure information with regard to the Notes to be admitted to the Official List of Euronext Dublin (as defined below) (the "**Official List**") and trading on its Global Exchange Market (the "**Global Exchange Market**"). The Global Exchange Market is not a regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**"). These Listing Particulars constitute listing particulars in respect of the admission of the Notes and does not constitute a prospectus for the purposes of Regulation (EU) 2017/1129 of the European Parliament and of the Council dated 14 June 2017 (the "**Prospectus Regulation**"). Application has been made for these Listing Particulars to be approved by the Irish Stock Exchange plc trading as Euronext Dublin (the "**Euronext Dublin**") and the Notes to be admitted to the Official List and trading on the Global Exchange Market of Euronext Dublin.

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

It is expected that the Notes will be rated B by Fitch Ratings CIS Ltd ("**Fitch**") and B− by Standard & Poor's Credit Market Services France SAS ("**Standard and Poor's**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. Fitch and Standard and Poor's are established in the European Union and are registered under the Regulation (EC) No. 1060/2009, as amended (the "**CRA Regulation**"). As such, Fitch and Standard and Poor's are included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation.

The Notes will be offered and sold in the minimum denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The Regulation S Notes will initially be represented by interests in a global note certificate in registered form (the "**Regulation S Global Note Certificate**"), without interest coupons, which will be deposited with a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"), and registered in the name of a nominee for such common depositary, on or about 22 October 2020 (the "**Issue Date**"). The Rule 144A Notes will initially be represented by interests in a global note certificate in registered form (the "**Rule 144A Global Note Certificate**" and, together with the Regulation S Global Note Certificate, the "**Global Note Certificates**"), which will be registered in the name of Cede & Co., as nominee of, and deposited with a custodian for, the Depository Trust Company ("**DTC**") on or about the Issue Date. Beneficial interests in the Global Note Certificates will be shown on, and transfers thereof will be effected only through records maintained by, DTC, Euroclear or Clearstream, Luxembourg (as the case may be) and their respective participants. See "*Clearing and Settlement*". Individual note certificates in registered form will only be available in certain limited circumstances as described herein.

The Issuer will use the proceeds received from the issue and sale of the Notes for the sole purpose of making the Loan. The Company intends to use the proceeds of the Loan in the amount of approximately U.S.$246 million to finance (i) the purchase of any or all of the U.S.$350,000,000 8.75 per cent. Loan Participation Notes due 2022 issued by, with limited recourse to, the Issuer (the "**2022 Notes**") for the sole purpose of financing a loan to the Company (the "**2022 Loan**") tendered and accepted for purchase in accordance with the terms and conditions of the Tender Offer (as described herein), (ii) the redemption of the 2022 Notes remaining outstanding after the Tender Offer and the early repayment of corresponding amounts under the 2022 Loan upon the approval of the Mandatory Early Redemption (as defined herein), as well as the payment of any early consent fees in connection therewith, all pursuant to the Tender Offer and Consent Solicitation (as defined herein) launched by the Issuer on 30 September 2020.

Joint Lead Managers and Joint Bookrunners

J.P. Morgan **Renaissance Capital**

Listing Particulars dated 20 October 2020

IMPORTANT INFORMATION ABOUT THESE LISTING PARTICULARS

These Listing Particulars do not comprise a prospectus for the purposes of the Prospectus Regulation and constitute listing particulars for the purpose of giving information with regard to the Issuer and the Company and its subsidiaries taken as a whole (the "**Group**" or "**Eurotorg**") which, according to the particular nature of the Issuer, the Company, the Group, the Notes and the Loan, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer, the Company and the Group and of the rights attaching to the Notes.

Each of the Issuer and the Company (whose registered offices are set out on pages 186 and 288 of these Listing Particulars) accepts responsibility for the information contained in these Listing Particulars. To the best of the knowledge of each of the Issuer and the Company (each of whom has taken all reasonable care to ensure that such is the case), the information contained in these Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Company, having made all reasonable enquiries, confirms that (i) these Listing Particulars contains all information with respect to the Issuer, the Company, the Group, the Notes and the Loan that is material in the context of the issue and offering of the Notes; (ii) the statements contained in these Listing Particulars relating to the Issuer, the Group and the Company, are in every material respect true and accurate and are not misleading; (iii) the opinions, expectations and intentions expressed in these Listing Particulars with regard to the Company and the Group, are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts with respect to the Issuer, the Company, the Group, the Notes or the Loan the omission of which would, in the context of the issue and offering of the Notes, make any statement in these Listing Particulars misleading in any material respect; and (v) all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements. The Company accepts responsibility accordingly.

These Listing Particulars do not constitute an offer of, or an invitation by or on behalf of the Issuer, the Company, the Joint Lead Managers and Joint Bookrunners (each as defined in "*Subscription and Sale*") or the Trustee to subscribe for or purchase any Notes in any jurisdiction where it is unlawful to make such an offer or invitation. The distribution of these Listing Particulars and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession these Listing Particulars come are required by the Issuer, the Company, the Joint Lead Managers, the Joint Bookrunners and the Trustee to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Notes and distribution of these Listing Particulars, see "*Subscription and Sale*" and "*Transfer Restrictions*".

No person is authorised to provide any information or to make any representation not contained in these Listing Particulars and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Company, the Joint Lead Managers, the Joint Bookrunners or the Trustee. The delivery of these Listing Particulars at any time does not imply that the information contained in it is correct as at any time subsequent to its date. Neither the delivery of these Listing Particulars nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or the Company since the date of these Listing Particulars.

None of the Issuer, the Company, the Joint Lead Managers, the Joint Bookrunners, the Trustee or any of its or their respective representatives or affiliates makes any representation to any offeree or purchaser of the Notes offered hereby regarding the legality of an investment by such offeree or purchaser under applicable legal, investment or similar laws. Each investor should consult with its own advisers as to the legal, tax, business, financial and related aspects of the purchase of the Notes.

Prospective purchasers must comply with all laws that apply to them in any place in which they buy, offer or sell any Notes or possess these Listing Particulars. Any consents or approvals that are needed in order to purchase any Notes must be obtained. The Issuer, the Company, the Joint Lead Managers, the Joint Bookrunners and the Trustee are not responsible for compliance with these legal requirements. The appropriate characterisation of the Notes under various legal investment restrictions, and thus the ability of investors subject to these restrictions to purchase the Notes, is subject to significant interpretative uncertainties. No representation or warranty is made as to whether, or the extent to which, the Notes constitute a legal investment for investors whose investment authority is subject to legal restrictions, and investors should consult their legal advisers regarding such matters.

In connection with the issue of the Notes, J.P. Morgan Securities plc (the "**Stabilising Manager**") (or any person acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if commenced, may be discontinued at any time and must be brought to an end no later than the earlier of 30 days after the Issue Date of the Notes and 60 days after the date of the allotment of the Notes.

The contents of the Company's website do not form any part of these Listing Particulars.

No representation or warranty, express or implied, is made by the Joint Lead Managers, the Joint Bookrunners, the Trustee or any of their or its affiliates or any person acting on their behalf as to the accuracy or completeness of the information set forth in these Listing Particulars. Nothing contained in these Listing Particulars is, or shall be relied upon as, a promise or representation, whether as to the past or the future.

Each person receiving these Listing Particulars acknowledges that such person has not relied on the Joint Lead Managers, the Joint Bookrunners, the Trustee or any of its or their affiliates or any person acting on their behalf in connection with its investigation of the accuracy or completeness of such information or its investment decision. Each person contemplating making an investment in the Notes from time to time must make its own investigation and analysis of the creditworthiness of the Company and the Group and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment.

Any investment in Notes does not have the status of a bank deposit and is not within the scope of the deposit protection scheme operated by the Central Bank of Ireland (the "**CBI**"). The Issuer is not and will not be regulated by the CBI as a result of issuing the Notes.

NOTICE TO UNITED KINGDOM RESIDENTS

This document is only being distributed to and is only directed at (1) persons who are outside the United Kingdom, (2) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (3) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "**Relevant Persons**"). The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this document or any of its contents.

NOTICE TO PROSPECTIVE U.S. INVESTORS

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THESE LISTING PARTICULARS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

THIS OFFERING IS BEING MADE IN THE UNITED STATES IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT FOR AN OFFER AND SALE OF THE NOTES WHICH DOES NOT INVOLVE A PUBLIC OFFERING. IN MAKING YOUR PURCHASE, YOU WILL BE DEEMED TO HAVE MADE CERTAIN ACKNOWLEDGMENTS, REPRESENTATIONS AND AGREEMENTS. SEE "*SUBSCRIPTION AND SALE*" AND "*TRANSFER RESTRICTIONS*".

PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS

The Notes are not intended to be offered, sold to and should not be offered, sold to any retail investor in the European Economic Area ("**EEA**") or in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**IDD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. No key information document required by Regulation (EU) No. 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling any inscope instrument or otherwise making such instruments available to retail investors in the EEA or in the UK has been prepared and offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful.

NOTICE TO BELARUS INVESTORS

These Listing Particulars or information contained herein is not an offer, or an invitation to make offers, sell, purchase, exchange or transfer any securities in the Republic of Belarus to or for the benefit of any Belarusian person or entity, and does not constitute an advertisement or offering of any securities in the Republic of Belarus within the meaning of Belarusian securities laws. Information contained in these Listing Particulars is not intended for any persons in the Republic of Belarus, unless and to the extent they are otherwise permitted to access such information under Belarusian law.

AVAILABLE INFORMATION

The Issuer and the Company have agreed that, for so long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, they will, during any period in which they are neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner or to the Trustee for delivery to such holder, beneficial owner or prospective purchaser, in each case upon the request of such holder, beneficial owner, prospective purchaser or the Trustee, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

FORWARD-LOOKING STATEMENTS

Certain statements in these Listing Particulars are not historical facts but constitute "*forward-looking statements*" within the meaning of section 27A of the Securities Act and Section 21E of the Exchange Act. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical fact. The words "**believe**", "**expect**", "**anticipate**", "**intend**", "**project**", "**estimate**", "**will**", "**may**", "**should**" and similar expressions identify forward-looking statements but are not the exclusive means of identifying such statements. Forward-looking statements appear, without limitation, under the headings "*Overview of the Group*", "*Risk Factors*" and "*Business*". By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. Prospective investors should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include but are not limited to the following:

- changes in political, social, legal or economic conditions in Belarus;
- the Group's ability to obtain necessary regulatory approvals and licences for the Group's business;
- the Group's ability to service its existing indebtedness;
- the Group's ability to fund future operations and capital needs through borrowings or otherwise;
- the Group's ability to successfully implement any of its business strategies;
- competition in the market place;
- inflation and interest rates;
- the Group's ability to respond to legal and regulatory developments and restrictions in relation to the retail industry;
- the Group's success in identifying other risks to its business and managing the risks of the aforementioned factors; and
- those described in the part of these Listing Particulars entitled "Risk Factors", which should be read in conjunction with the other cautionary statements that are included in these Listing Particulars.

This list of important factors is not exhaustive. When reading any forward-looking statements, prospective investors should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Group operates. Such forward-looking statements speak only as of the date on which they are made. Accordingly, subject to the Group's obligations under applicable laws and regulations, the Group does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. The Group does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

The financial information as of and for the years ended 31 December 2019, 2018 and 2017 set forth herein, unless otherwise indicated, has been derived from the Group's audited consolidated financial statements as of and for the years ended 31 December 2019 and 2018 as set forth on pages F-41 to F-196 in these Listing Particulars (the "**Annual Consolidated Financial Statements**") and unaudited condensed consolidated interim financial information as of and for the six months ended 30 June 2020, as set forth on pages F-1 to F-40 in these Listing Particulars (the "**Interim Consolidated Financial Information**", together with the Annual Consolidated Financial Statements, the "**Financial Statements**"). The Annual Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board. The Interim Consolidated Financial Information have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

The functional currency of the Group is the Belarusian Rouble, which is the currency of the primary economic environment in which the Group operates. The Group's management selected Belarusian Rouble as the presentation currency of the Financial Statements.

Non-IFRS Financial Information

Certain measures included in these Listing Particulars are not measures defined by IFRS. These include Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted EBITDA to Interest Expenses, Adjusted EBITDAR, Adjusted EBITDAR Margin, Adjusted Net Working Capital, Capital Expenditures, Consolidated Leverage Ratio, Adjusted Free Cash Flow, LFL sales, Net Debt and Net Debt to Adjusted EBITDA (collectively, the "**Non-IFRS Measures**"). These measures are included herein as the Company believes they enhance an investor's understanding of the Group's financial performance. Further, the Company uses the Non-IFRS Measures disclosed in these Listing Particulars in the Group's business operations to, among other things, evaluate the performance of the Group's operations, develop budgets and measure the Group's performance against those budgets. The Group also believes that these Non-IFRS Measures are commonly reported by comparable businesses and used by investors in comparing the performance of businesses. An explanation of the relevance of each of the Non-IFRS Measures and a discussion of their limitations is set out below. For a reconciliation of the Non-IFRS Measures to the most directly comparable measures calculated and presented in accordance with IFRS, see "*Selected Consolidated Financial Information and Operating Data*".

- "**Adjusted EBITDA**" is defined as profit/(loss) for the period from continuing operations, plus income taxes, net finance costs and depreciation and amortisation. The Company views Adjusted EBITDA as a key measure of financial performance. It excludes the impact of items that management consider hinder comparison of the performance of the Group's business either year-on-year or with other businesses. The Company believes that Adjusted EBITDA should, therefore, be made available to assist securities analysts, investors and other stakeholders in their assessment of the performance of the business of the Group. Adjusted EBITDA has certain limitations as an analytical tool, including, among others, that (1) it does not reflect the Group's cash expenditures or future requirements for capital expenditure or contractual commitments; (2) it does not reflect changes in, or cash requirements for, the Group's working capital needs; (3) it does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on the Group's debt; (4) although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, Adjusted EBITDA and Adjusted EBITDA from continuing and discontinued operations does not reflect any cash requirements for such replacements; and (5) it is not adjusted for all non-cash income or expense items that are reflected in the Group's statements of cash flows.

- "**Adjusted EBITDA Margin**" is defined as Adjusted EBITDA divided by revenue, interest and commission income expressed as a percentage. The Company believes Adjusted EBITDA Margin is a useful measure in that it shows whether revenue growth in continuing operations is increasingly profitable on an underlying basis.

- "**Adjusted EBITDAR**" is defined as the sum of Adjusted EBITDA and rental expense. Along with Adjusted EBITDA, the Company views Adjusted EBITDAR as a key measure of financial performance, which enables a further comparison of the Group's business performance with similar business in the industry and period on period without regard to the effects of changes in percentage of grocery stores that are leased rather than owned. As Adjusted EBITDA, Adjusted EBITDAR has a number of limitations as an analytical tool, and in addition to those enumerated above, does not take into account the Group's rental expenses.

- "**Adjusted EBITDAR Margin**" is defined as the sum of Adjusted EBITDA and rental expenses divided by revenue, interest and commission income, expressed as a percentage. The Company believes Adjusted EBITDAR margin is a useful measure in that it shows whether revenue growth in continuing operations is increasingly profitable on an underlying basis, without regard to the effects of changes in a percentage of grocery stores.

- "**Adjusted Net Working Capital**" is defined as the sum of inventories (excluding banking inventories) and net trade receivables less trade accounts payable. The Company believes that Adjusted Net Working Capital is a useful indicator of the cash requirements to support the growth of the business.

- "**Capital Expenditures**" means cash flow related to the acquisition of property, plant and equipment and the acquisition of intangible assets. The Company believes that capital expenditures is a useful indicator of the cash spend to deliver future growth.

- "**Adjusted Free Cash Flow**" means net cash from operating activities less the repayment of lease liabilities and interests (when applicable) and Capital Expenditures plus proceeds from sale of property, plant and equipment. The Group views Adjusted Free Cash Flow as a key liquidity measure, and the purpose of presenting Adjusted Free Cash Flow is to indicate the cash available to pay dividends, repay debt or make further investments in the Group. Adjusted Free Cash Flow does not reflect any restrictions on the transfer of cash and cash equivalents within the Group or any requirement to repay the Group's borrowings and does not take into account cash flows that are available from disposals or the issue of shares.

- "**LFL**" (or like-for-like) sales and other data: the Group distinguishes between sales, average ticket and traffic attributable to new grocery stores and sales, average ticket and traffic attributable to existing grocery stores. The Group considers the sales, average ticket and traffic attributable to stores operating less than 12 full calendar months to be sales, average ticket and traffic attributable to new stores. Accordingly, these Listing Particulars presents the Group's LFL sales, which are calculated as the difference, expressed as a percentage, between retail sales (including value added tax ("**VAT**")) from stores in the 13th full month of operations of such stores and retail sales (including VAT) of the same stores in their first month of operation, assuming the relevant stores have not been subsequently closed, expanded or downsized. Correspondingly, changes in LFL average ticket and LFL traffic are calculated by comparing the 13th full calendar month of operations of a store to its first full calendar month of operations, assuming the store has not subsequently closed, expanded or downsized. The number of grocery stores in the Group's like-for-like panel as of 30 June 2020 and 31 December 2019, 2018 and 2017 was 766, 677, 471 and 440, respectively. Change of a store's banner does not affect the LFL panel. LFL data does not include sales from the Group's online grocery services.

- "**Net Debt**" is calculated as the sum of short-term and long-term loans and borrowings (including obligations under finance leases and right-of-use liabilities, when applicable) minus cash and cash equivalents. The Company considers net debt to be a useful measure in analysing the Group's financial position, and believes that this is a commonly used measure used by investors and analysts. However, the use of net debt effectively assumes that total borrowings can be reduced, when needed, by using cash on hand. It is unlikely that the Group would use all of its available cash to reduce total borrowings all at once, as cash must also be available to support the Group's operations.

- "**Net Debt to Adjusted EBITDA**" is a ratio calculated by dividing Net Debt by Adjusted EBITDA. The Company considers Net Debt to Adjusted EBITDA ratio to be a useful measure in analysing the overall sustainability of the Group's debt burden relative to its financial performance, and believes that this is a commonly used measure used by investors and analysts. Net Debt to Adjusted EBITDA ratio does not take into account the Group's ongoing interest expense and is of limited use in assessing whether the Group will in fact be able to repay its outstanding debt.

- "**Consolidated Leverage Ratio**" is a ratio calculated by dividing (x) "**Covenant Adjusted Net Debt**", calculated as the sum of short-term and long-term loans and borrowings (including obligations under finance leases and excluding right-of-use liabilities, when applicable, and including derivatives and guarantees), by (y) "**Covenant Adjusted EBITDA**", calculated by excluding the effect of IFRS 16 adoption on rental costs and one-off expenses, when applicable, in each case, in accordance with the Group's financial covenant tests. For the six months ended 30 June 2020 and for the six months ended 30 June 2019, this ratio is calculated by dividing the Covenant Adjusted Net Debt by the LTM Covenant Adjusted EBITDA. The applicable figures have been converted from Belarusian Roubles to U.S. Dollars at the period end exchange rate for the Covenant Adjusted Net Debt and period average exchange rate for the Covenant Adjusted EBITDA. See "*Exchange Rate Information*".

- "**Adjusted EBITDA to Interest Expenses**" is a ratio calculated by Adjusted EBITDA by Interest Expenses. The Company considers Adjusted EBITDA to Interest Expenses ratio to be a useful measure in analysing the overall sustainability of the Group's ability of debt servicing, and believes that this is a commonly used measure used by investors and analysts. Adjusted EBITDA to Interest Expenses ratio is of limited use in assessing whether the Group will in fact be able to repay its outstanding debt.

In these Listing Particulars, the Group also presents revenue, Adjusted EBITDA, Adjusted EBITDA Margin and certain other financial measures for the last twelve months ("**LTM**") ended 30 June 2020 and 2019. LTM financial data is calculated as a figure for a financial year ended 31 December less a figure for the six months ended 30 June of that year plus a figure for the six months ended 30 June of the following year.

The Non-IFRS Measures disclosed in these Listing Particulars are unaudited supplementary measures of the Group's performance and liquidity that are not required by, or presented in accordance with, IFRS. The Group's use and definition of these metrics may vary from other companies in the Group's industry due to differences in accounting policies or differences in the calculation methodology. These Non-IFRS Measures have limitations and should not be considered in isolation, or as substitutes for financial information as reported under IFRS. Accordingly, undue reliance should not be placed on the Non-IFRS Measures presented in these Listing Particulars.

Presentation of Other Financial and Operating Information

In these Listing Particulars, the Group presents certain operating information regarding its stores such as active cardholder, average selling space, average ticket, CAGR, net store openings, sales density, selling space / selling area, SKU, supply chain capacity, territorial unit or ATU, ticket, tickets per sq. m. and traffic. The Group calculates this operating information on the basis of certain assumptions made by the Group. As a result, this operating information may not be comparable to similar operating information reported by other companies.

In these Listing Particulars, all references to: "**active cardholder**" means a customer of the Group who has purchased goods at the Group's grocery stores using the Group's loyalty card at least once within a month at the end of which the calculation of active cardholders is made;

- "**average selling space**" means the aggregate selling space of the Group's grocery stores divided by the total number of the Group's grocery stores;
- "**average ticket**" (expressed in Belarusian Roubles) means the total sales (excluding VAT) at the Group's grocery stores during the relevant period divided by the number of tickets at such stores in that period;
- "**CAGR**" means a compound annual growth rate, calculated as (ending value/starting value)$^{(1/\text{number of years})} - 1$;
- "**net store openings**" means grocery stores opened by the Group less grocery stores closed within a period;
- "**sales density**" means grocery retail sales (excluding VAT) generated by the Group's grocery stores divided by the average selling space in each period (average is calculated as the sum of selling space as of the beginning of the period and as of the end of the period divided by two);
- "**selling space" / "selling area**" (in square metres) means the area inside stores used to sell products, and excludes storage areas;
- "**SKU**" means a stock keeping unit, or a number assigned to a particular product to identify the price, product options and manufacturer of the merchandise;
- "**territorial unit**" or "**ATU**" means an administrative territorial division of Belarus, which has separate regulative and executive agencies, administrative centre and covers a particular territory with a number of cities, towns and smaller settlements. As of the date of these Listing Particulars, Belarus consists of 129 ATUs; the Group also operates across six regions, which are distinct from territorial units and include: Brest, Vitebsk, Gomel, Grodno, Mogilev and Minsk region and Minsk capital city.
- "**ticket**" means a receipt issued to a customer for his/her purchase (i.e. the amount in Belarusian Roubles (including VAT) spent by a customer on a shopping trip) at a store;
- "**tickets per sq. m**." is calculated by dividing the total number of customer receipts made at all of the Group's grocery stores by the average selling space of the Group's grocery stores for a period (average is calculated as the sum of selling space as of the beginning of the period and as of the end of the period divided by two); and
- "**traffic**" means the total number of customer receipts issued at all of the Group's grocery stores during the entire period.

Market and Industry Data

Certain information, data and statistics, including market data, used in these Listing Particulars under the headings "*Risk Factors*", "*Operating and Financial Review*" and "*Business*", which are cited to third parties, have been extracted from official and industry sources and other sources the Group believes to be reliable. Sources of such information, data and statistics include: information available on the websites of the National Bank of the Republic of Belarus (the "**National Bank**"), the National Statistical Committee, the National Academy of Science of Belarus ("**National Academy of Science**"), Nielsen Company ("**Nielsen**"), the IMF, the World Bank, the Boston Consulting Group's ("**BCG**") Belarus Grocery Retail Market report dated July 2018 (the "**BCG Report**") and other publicly available sources. Such information, data and statistics have been accurately reproduced and, as far as the Issuer and the Company is aware and is able to ascertain from

information published or provided by the aforementioned sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, in the preparation of these Listing Particulars, this third-party information has not been independently verified nor has there been any investigation of the validity of the methodology of, or the basis used by, the third parties in producing such data or making estimates and forecasts. The Group cannot give any assurance that any such information is accurate or, in respect of projected data, that such projections have been based on correct information and assumptions or that they will prove to be accurate. Sources of third-party information are named whenever such third-party information is used in these Listing Particulars.

Currencies

In these Listing Particulars, all references to:

- "**EUR**", "**Euro**" and "**Euros**" are to the currency of the participating member states in the third stage of the Economic and Monetary Union of the Treaty establishing the European community, as amended;
- "**BYN**", "**Belarusian Rouble**" and "**Belarusian Roubles**" refer to the lawful currency of the Republic of Belarus;
- "**RUB**", "**Russian Rouble**" and "**Russian Roubles**" refer to the lawful currency of the Russian Federation; and
- "**USD**", "**U.S. Dollar**", "**U.S. Dollars**" and "**U.S.$**" are to the currency of the United States of America.

Volume Measurement

In these Listing Particulars, all references to "**sq. m.**" are to a metric unit of the area of square which sides measure exactly one metre.

Rounding

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

Certain Jurisdictions

In these Listing Particulars, all references to:

- "**EU**" are to the European Union;
- "**United Kingdom**" are to the United Kingdom of Great Britain and Northern Ireland; and
- "**U.S.**" and "**United States**" are to the United States of America.

References to the Republic of Belarus and Government

In these Listing Particulars, references to "Belarus" are to the Republic of Belarus and/or the Belarusian Government as the context requires. References to the "Government" are to the Belarusian Government.

EXCHANGE RATE INFORMATION

The following tables set forth, for the periods indicated, the high, low, average and year end rates set by the National Bank, in each case for the purchase of Belarusian Roubles, all expressed per U.S. Dollar. This information is based on the National Bank's exchange rates. Fluctuations in the exchange rate between the Belarusian Rouble and the U.S. Dollar in the past are not necessarily indicative of fluctuations that may occur in the future. These rates should not be construed as representations that Belarusian Rouble amounts actually represent such U.S. Dollar or could be converted into U.S. Dollars at the rate indicated as of any of the dates mentioned in this document or at all. These rates may also differ from the actual rates used in the preparation of the Financial Statements and other financial data appearing in these Listing Particulars.

The following tables show, for the periods indicated, certain information regarding the exchange rate between the Belarusian Rouble and the U.S. Dollar, based on the official exchange rate quoted by the National Bank:

	High	Low	Period average[(1)]	Period end
		(BYN per U.S. Dollar)		
Year ended 31 December:				
2017	2.04	1.85	1.93	1.97
2018	2.17	1.95	2.04	2.16
2019	2.18	2.02	2.09	2.10

Note:

(1) The geometric average of the exchange rates on each calendar day of each month for the relevant annual period (exclusive of weekends and public holidays).

	High	Low	Period average[(1)]	Period end
		(BYN per U.S. Dollar)		
Six months ended 30 June:				
2019	2.18	2.04	2.12	2.04
2020	2.64	2.11	2.33	2.40

Note:

(1) The geometric average of the exchange rates on each calendar day of each month for the relevant annual period (exclusive of weekends and public holidays).

	High	Low	Period average[(1)]	Period end
		(BYN per U.S. Dollar)		
Month ended:				
30 April 2020	2.60	2.44	2.51	2.44

	High	Low	Period[1] average	Period end
		(BYN per U.S. Dollar)		
31 May 2020	2.45	2.39	2.43	2.41
30 June 2020	2.41	2.37	2.38	2.40
31 July 2020	2.44	2.39	2.41	2.44
31 August 2020	2.66	2.44	2.50	2.66
28 September 2020	2.65	2.11	2.56	2.60

Note:

(1) The geometric average of the exchange rates on each calendar day of each month for the relevant annual period (exclusive of weekends and public holidays).

The exchange rate between the Belarusian Rouble and the U.S. Dollar on 28 September 2020 was BYN 2.60 per U.S.$1.00.

Translations of amounts from Belarusian Roubles to U.S. Dollars are solely for the convenience of the reader and, unless otherwise stated, are made at various exchange rates. No representation is made that the Belarusian Rouble or U.S. Dollar amounts referred to herein could have been or could be converted into U.S. Dollars or Belarusian Roubles, as the case may be, at any particular rate or at all.

RECOGNITION AND ENFORCEMENT OF FOREIGN JUDGMENTS AND ARBITRAL AWARDS IN BELARUS. JURISDICTION OVER THE DISPUTE. APPLICABLE LAW

Foreign judgments (except for those rendered by Russian state arbitrazh courts) and arbitral awards are not enforceable in Belarus until they have passed the procedure of recognition and enforcement. According to this procedure, Belarusian state courts, upon request of the creditor, recognise the judgments and arbitral awards as enforceable in the territory of Belarus. State courts conduct the procedure with the participation of the parties and consider procedural issues but without re-consideration of the merits of the dispute.

The main aim of the named procedure is to determine whether there are any formal grounds for refusal of recognition and enforcement of foreign judgments or arbitral awards. For instance, a Belarusian court may refuse to recognise and enforce foreign judgments or arbitral awards if:

- enforcement of a foreign judgment or arbitral award will contradict the "public policy" of the Republic of Belarus;
- according to the Belarusian legislation or international treaties of the Republic of Belarus consideration of the case is within the exclusive competence of Belarusian courts;
- a party against which a foreign judgment or arbitral award was rendered had not been timely and duly notified about the proceedings, their time and place or for any other reasons has not been able to provide its explanations;
- a foreign judgment has not entered into force under the laws of a state where it was rendered, unless an international treaty of the Republic of Belarus allows recognition and enforcement of a judgment prior to its entry into force;
- there is a judgment of a Belarusian court rendered in a dispute between the same parties, on the same subject and on the same grounds which has already entered into force, or such case is being considered by a Belarusian court provided that the proceedings started before commencement of proceedings in a foreign court or a Belarusian court first seized the case; or
- the statutory limitation period for enforcement of a foreign judgment has expired, and it has not been restored by a court.

The courts of Belarus recognise judgments of a foreign court of law provided there is an international and/or bilateral agreement between Belarus and the jurisdiction in which such decision was rendered. No such agreement is currently in force between Belarus and either the United Kingdom or the United States.

In absence of such agreement, the courts of Belarus may recognise and enforce a foreign judgment on the basis of the principle of reciprocity. In the practice of Belarusian economic courts, reciprocity is regarded as a procedural presumption. When applying the principle of reciprocity in the consideration of cases on the recognition and enforcement of foreign judgments, economic courts assume that reciprocity exists until proven otherwise. Thus, the courts of Belarus will not recognise and enforce a judgment rendered by courts of jurisdiction with which Belarus has no international/bilateral agreement if there is any evidence that in this jurisdiction decisions of Belarussian courts are not recognised and enforced.

The Notes, the Trust Deed and any non-contractual obligations arising out or in connection therewith are governed by, and construed in accordance with, English law and the Issuer, the Borrower and other parties thereto have agreed therein that any dispute, claim, difference or controversy arising out of or in connection therewith (including any dispute relating to their existence, validity or termination, or any non-contractual obligations arising out of or in connection with them) shall be referred to and finally resolved by arbitration under the rules of the London Court of International Arbitration.

Subject to the provisions of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards dated 10 June 1958 (to which Belarus is a party), foreign arbitral awards are generally recognised and enforceable in Belarus provided the conditions to enforcement are met. With regard to awards made in the territory of non-contracting States, Belarus made a reservation that it will apply the said convention only to the extent to which those States grant reciprocal treatment.

Despite the above, recognition and enforcement of foreign judgments or arbitral awards in Belarus may still be problematic.

In particular, a Belarusian court may refuse to apply non-Belarusian law and/or refuse to recognise and enforce a foreign arbitral award if it finds out that doing so would be contrary to the "public policy" of the Republic of Belarus. The concept of "public policy" is not well developed in Belarusian law, and there is no well-established judicial practice or substantial scholarly commentary on the application of the "public policy" concept to commercial transactions.

A Belarusian court will also ignore any dispute resolution agreement of the parties if it finds that under the Belarusian legislation it has exclusive jurisdiction over the dispute.

In addition, if any claim is lodged with Belarusian court in respect of a dispute covered by an arbitration agreement, the motion to dismiss the proceedings and to refer the parties to arbitration shall be made by the party objecting to the jurisdiction of the court of Belarus prior to submitting its first statement on the substance of the dispute. If no such motion is made, the court of Belarus will proceed to hear, and pass judgment on, the merits of the dispute.

Although Belarusian law recognises choice of law principles for contractual obligations, the choice of foreign law will not exclude the application of mandatory rules of Belarusian law which cannot be excluded by the agreement of the parties. Consequently, regardless of the choice of law applicable to the relations of the parties, certain mandatory rules of Belarusian law still apply, including those relating to currency control, bankruptcy, liquidation and reorganisation, tax, capacity of legal entities, corporate governance, authorities of company officers, and the execution and form of agreements.

The choice of foreign law as extended to non-contractual obligations may not be fully enforceable in Belarus, to the extent it is contrary to mandatory conflict of law rules provided by Belarusian law for certain non-contractual obligations (e.g. torts, unjustified enrichment, etc.) which exclude parties' agreement on the choice of law.

Also, a Belarusian court, will not apply foreign law if it could not ascertain the contents of the relevant laws of that jurisdiction within a reasonable time through the methods provided by Belarusian laws; or if it determines that doing so would contradict "public policy".

As a condition for admissibility in evidence of any documents the courts of Belarus will require the submission of such documents either (i) as originally executed counterparts or (ii) as duly certified copies. For official documents issued outside Belarus, unless existing international agreement of Belarus provides otherwise, such foreign official document will be admissible in evidence by a court of Belarus if (i) such foreign official document is legalised by a Belarusian consul in the country of its issuance or (ii) the apostille is affixed to such official document by the competent authority of the country of its issuance subject to the terms of Convention Abolishing the Requirement of Legalization for Foreign Public Documents dated 5 October 1961 and (iii) a duly certified Belarusian / Russian language translation of such official document.

DOCUMENTS INCORPORATED BY REFERENCE

The directors' report and audited financial statements of the Issuer for the financial period from 21 August 2017 to 31 December 2018 and as of, and for the year ended, 31 December 2019 ("**Issuer Financial Statements**") prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS-EU**") together with the auditor's reports thereon shall be deemed to be incorporated in, and to form part of, these Listing Particulars.

Copies of the documents specified above, as containing information incorporated by reference in these Listing Particulars, may be inspected, free of charge, at 2nd Floor, Palmerston House, Fenian Street, Dublin 2, Ireland. Any information contained in any of the documents specified above which is not incorporated by reference in these Listing Particulars is either not relevant to investors or is covered elsewhere in these Listing Particulars. The Issuer Financial Statements have been filed with Euronext Dublin and can be found at:

https://www.ise.ie/debt_documents/Bonitron%20DAC%20-%202018%20Financial%20statements_122290eb-41d3-435b-9f1d-35ed9cc99b03.pdf

and

https://www.ise.ie/debt_documents/Bonitron%20DAC%20-%202019%20Financial%20Statements_1e6d7a56-e242-4630-91b0-a5783893891d.PDF

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OVERVIEW OF THE GROUP

This overview may not contain all of the information that may be important to prospective purchasers of the Notes and, therefore, should be read in conjunction with these entire Listing Particulars, including the more detailed information regarding the Group's business and the Financial Statements beginning from page F-2 of these Listing Particulars. Prospective purchasers of the Notes should also carefully consider the information set forth under the heading "Risk Factors". Certain statements in these Listing Particulars include forward-looking statements that also involve risks and uncertainties as described under "Forward-Looking Statements".

Overview

The Group is the largest player in the Belarusian grocery retail market with market share in 2019 of approximately 19 per cent. in the overall food retail market according to the Group's estimates based on the National Statistical Committee data. In the modern format grocery retail market, the Group's 2019 market share was approximately 38 per cent., which was approximately five times that of the second largest competitor and was higher than the combined market share of the next five competitors, according to the Group's estimates based on the National Statistical Committee data. As of 30 June 2020, Eurotorg operated a nationwide retail chain of 879 grocery stores across 325 cities and settlements in Belarus. Approximately 1 million customers make purchases at Eurotorg stores every day, and about 2.5 million active loyalty cardholders, or over 20 per cent. of Belarus' total population of 9.4 million people were unique participants in the Group's loyalty programmes as of 31 December 2019.

The Group's customer proposition is centred around a consistent offering of market-leading prices and focused assortment of high-turnover products, with a particular emphasis on the fresh category and local assortment. This positioning is complemented by a range of creative marketing activities that underpin long-term generational bonding with customers and strength of the Eurotorg brand. According to the BCG report, price and loyalty are the attributes that most distinguish Eurotorg from its competitors.

The Group has built an extensive nationwide supplier network, with approximately 75 per cent. of its sales being locally produced, and has also developed large, market-leading direct imports capabilities. In addition, the Group places a strong emphasis on its own production as well as developing its private label assortment which comprises over 200 unique brands (with these brands collectively accounting for 11.9 per cent. and 12.6 per cent. of total revenue in the six months ended 30 June 2020 and the year ended 31 December 2019, respectively).

Eurotorg operates its retail grocery stores under the Euroopt, Hit! and Groshyk banners. As of 30 June 2020, the Company operated 602 stores, 264 stores and 13 stores under these banners respectively. Eurotorg operates its grocery stores across four formats: rural convenience stores, urban convenience stores, supermarkets and hypermarkets. As of 30 June 2020, the Group's retail store portfolio consisted of 148 rural convenience stores, 598 urban convenience stores, 96 supermarkets and 37 hypermarkets. Eurotorg's management believes that this diversified multi-format chain model enables the Group to meet the different consumption needs of its customers from daily neighbourhood to basket family shopping, as well as to penetrate any particular location in Belarus based on the size of the local population and potential customer base. The Group's expansion strategy in grocery retail is predominantly focused on the roll-out of the convenience stores, with selective expansion in other formats.

Eurotorg operates a balanced real estate strategy, and as of 30 June 2020 owned 37.1 per cent. of its total selling space (predominantly supermarket and hypermarket stores) and leased 62.9 per cent. of its total selling space (predominantly the convenience stores).

Eurotorg's stores are supported by its own fully integrated, nation-wide logistics system based around four distribution centres with a total storage space of approximately 88.7 ths sq. m. and three warehouses with a total storage space of 16.8 ths sq. m. as of 30 June 2020. The Group owns a fleet of approximately 230 transportation vehicles, which carry out more than 45 per cent. of the total deliveries of products for its grocery stores. In addition to its core retail business, the Group's subsidiaries include StatusBank, a universal bank in Belarus with branches in 16 cities throughout Belarus. In order to maintain the Group's strategic focus on the growth of its core retail business, the Company intends to divest from StatusBank in the medium term.

In the six-month period ended 30 June 2020 and in the years ended 31 December 2019, 2018 and 2017, respectively, the Group had revenue, interest and commission income of BYN 2,468,358 thousand, BYN 4,758,693 thousand, BYN 4,402,839 thousand and BYN 3,932,801 thousand. This strong financial performance was mainly driven by expansion of the grocery retail chain, as the Group had 9, 108, 262, and 47 net new grocery store openings, respectively. The Group added 14.4 ths sq. m., 41.7 ths sq. m. and 7.8 ths sq. m. of net selling space in the years ended 31 December 2019, 2018 and 2017, respectively. In the six months ended 30 June 2020, the Group reduced its selling space by 2.1 ths sq. m., as a result of the Group's optimisation of its retail network and its resulting decision not to renew its lease on a hypermarket in Mogilev. In the six-month period ended 30 June 2020 and in the years ended 31 December 2019, 2018 and 2017, respectively, the Group had net profit/(loss) from continuing operations of BYN (107,172) thousand, BYN 53,414 thousand, BYN 68,395 thousand and BYN 102,517 thousand, respectively, and Adjusted EBITDA of BYN 269,613 thousand, BYN 434,930 thousand, BYN 396,353 thousand and BYN 371,684 thousand, respectively. Over the three years ended 31 December 2019, the Group had a CAGR in revenue, interest and commission income of 10.0 per cent.

Key Strengths

The Group is the largest grocery retailer in Belarus with approximately five times the market share of the second largest player and higher than the combined market share of the next five competitors in 2019, according to the Group's estimates based on the National Statistical Committee data, representing one of the largest gaps between the first and second largest player in the grocery market in Europe. Eurotorg is also the only retail chain that has a nationwide presence in Belarus, with Eurotorg's grocery stores being the only modern format grocery retailer in over 190 settlements in the country, based on the Group's estimates as of 30 June 2020. The Group's leading customer proposition is focused on high-turnover products offered to customers at market-leading prices via its retail network. During BCG's market surveys in 2018, the Group's brand was recognised by 100 per cent. of adults surveyed, with 43 per cent. identifying Eurotorg's stores as their stores of choice, and the brand is further supported by successful and profitable marketing campaigns and unique loyalty programmes that enables nationwide customer coverage.

The Company believes that the following strengths have contributed to Eurotorg's successful development and will enable it to capitalise on the expected growth of the Belarus grocery retail market and continue growing its business:

The Group operates in a sizeable Belarus grocery retail market with strong fundamental upside potential and structural barriers to entry

Sizeable, rapidly growing and highly fragmented market with low penetration of modern retail formats

The Group operates in a sizeable market that is expected to rapidly grow in the coming years, according to the Group's estimates based on the National Statistical Committee data. The Belarus grocery retail market is still undergoing transformation into a modern trade model functioning in developed economies. According to the Group's estimates based on the National Statistical Committee data, traditional retail formats (Soviet-type stores, open-air markets, mom & pop stores and other unorganised trade outlets), despite continued reduction in their market share, still represented 51 per cent. of sales across the country's grocery market in 2019.

Traditional trade retail formats are typically characterised by a lack of centralised governance, management or corporate strategy, limited means of supply chain management and inconsistent product selection, poor quality and high prices. Traditional format stores in Belarus are losing their market share to modern format store networks that offer superior customer experience, including a wide selection of high-quality products, low prices and high standards of customer service.

The Belarus grocery retail market is highly fragmented with the Group being the largest retail chain with approximately five times the market share of the second largest player in the modern grocery retail market in 2019, according to the Group's estimates based on the National Statistical Committee data.

With its leading market position and associated competitive advantages, the Company believes it is well placed to benefit from the growth in the fragmented Belarusian grocery retail market. The Group plans to extend its operations to small- and medium-sized cities and towns with low penetration of modern retail formats, and expand its presence in large cities where the Group's market share does not exceed existing regulatory restrictions. The Group believes that Eurotorg has the capability, backed by its scale, comprehensive supply chain, and nationwide logistics infrastructure, to strengthen its market leading position through a customer proposition focused on market-leading price offering and assortment focused on high-turnover products, strong experience in small retail formats, 100 per cent. brand recognition, and limited competition.

The Belarus grocery retail market has structural barriers to entry

No major international grocery retail chains currently have a significant presence in the Belarusian grocery retail market. In 2017 and 2019, two Russian discounter chains Svetofor and Dobrocen entered the market, but they have not reached a significant business scale to date. The Company believes that the existing protective measures, including structural and regulatory barriers, focused on the support of Belarus' food producers, indirectly protect local retailers and create barriers for the potential expansion of international retailers. The Company believes that these structural and regulatory barriers include the following:

- Applicable Belarusian regulation requires that a considerable number of SKUs across a majority of product categories offered by grocery retailers must be of domestic origin to ensure sustainable development of domestic food producers. As a consequence, any non-domestic market entrant would have to have (or rapidly develop) a comprehensive local supply chain, including strong relationships with suppliers of products of domestic origin and a local logistics system, and reach a substantial procurement volume which would allow it to negotiate competitive prices. A new entrant that lacks a comprehensive local products matrix and substantial procurement volumes would be unable to offer competitive prices for customers.

- Imported products face import duties in the range between 5 per cent. to 30 per cent. (save for products imported from Eurasian Economic Union countries and countries in the Commonwealth of Independent States Free Trade Area, including Russia, Ukraine, Kazakhstan, Armenia and Kyrgyzstan) and minimal pricing limits are set for socially important goods, alcohol and tobacco (primarily for protection against import from Eurasian Economic Union countries). This regulation is also driven by Belarus' strategy to protect local producers against imports.

- Belarus has a limited availability of infrastructure necessary for retail operations, including leasable standardised modern retail space (particularly that is suitable for supermarkets and hypermarkets) and critical shortage of sites suitable for construction of retail properties within cities with a population of over 50 thousand people, large warehouse capacities for rent and reliable third party logistics service providers, particularly those able to operate in the regions.

- For a competitor seeking to enter the market via acquisitions, there are no suitably developed existing retail chains of sufficient scale and nationwide presence. In addition, the majority of Eurotorg's

competitors' operations are concentrated in Minsk, creating a substantial overlap in geographic coverage among modern format retailers, which limits opportunities for market consolidation.

As such, the Company believes that any potential new market entrant would have to overcome significant barriers to entry, including:

- Limited ability to capitalise on its buying power advantages and own brand recognition as well as non-competitive prices as a consequence of that;
- Necessity to make significant time and financial resources investments in establishing relationships with the local producers; and
- Necessity to adjust the business model taking into account a high share of locally produced goods.

Undisputed leadership in the Belarus grocery retail market far ahead of the second player

The Group is the largest grocery retail chain in the fragmented Belarusian market possessing a nation-wide retail network, and, as such, the Company believes that it enjoys certain significant competitive advantages over both traditional format store and smaller modern format store competitors. According to the Group's estimates based on the National Statistical Committee data, in 2019, the Group had an overall grocery retail market share of approximately 19 per cent. and a modern format grocery retail market share of approximately 38 per cent. In addition to market share, Eurotorg leads its competitors in key metrics, including:

- number of stores, with 879 stores as of 30 June 2020, which was approximately two times more than the next nearest competitor according to the Group's estimates based on the National Statistical Committee data;
- selling space, with total selling space of approximately 332.4 ths sq. m. as of 30 June 2020, and accounting for 29 per cent. of the total modern retail format selling space in Belarus in 2019 according to the Group's estimates based on the National Statistical Committee data, which was approximately 3.5 times more than the nearest competitor;
- geographical presence and coverage, with a presence in 125 of the 129 ATUs and 325 settlements as of 30 June 2020, while none of Eurotorg's modern format competitors had a presence in over 190 of the 325 settlements in Belarus in which the Group operates, according to management's estimates;
- sales in each category of stores, with Eurotorg's convenience store sales 4.4 times higher than the nearest competitor in 2019, while in the supermarkets and hypermarkets categories, Eurotorg's sales were 1.6 and 2.0 times higher, respectively, than the nearest competitor, according to the Group's estimates based on the National Statistical Committee data;
- brand recognition, with the Group's brand being recognised by 100 per cent. of adults surveyed by BCG in 2018 (1.4 times higher than the nearest competitor); and
- customer loyalty, with the Group's store equity index in Minsk of 2.9 being two times higher than the nearest competitor.

The Group further believes that its extensive geographical coverage offers competitive advantages in the efficiency of its logistics network and brand awareness. The majority of the top 10 players are regional chains with stores concentrated in Minsk (Korona, Sosedi, Vitalur, and Green). Dobronom has a limited presence in Minsk. Santa/Rublevsky Gippo/Belmarket and Almi have presence in several regions and in the capital. However, only Eurotorg has a relatively even distribution of shopping space among regions. Generally, many of the top competitors tend to focus on supermarkets and hypermarkets, and out of the top 10 players, Eurotorg

is the only multi-format retailer with a significant share of selling space represented by smaller convenience stores.

Eurotorg's leading market position and multi-regional presence provide a strong foundation for future development of the Company.

Unique customer proposition makes Eurotorg the leading shopping destination in the hearts and minds of consumers in Belarus

The Group offers a compelling value-for-money customer proposition focused on market-leading prices, focused assortment and unique shopping experience across various formats aimed to address the needs of every household in the country. The Group continuously innovates and refines its customer proposition with its core model remaining unchanged. The Group's continuity of its base retail concept and focus on its value enhancement for customers enabled the Group to achieve an outstanding level of customer loyalty. Based on BCG's market surveys in 2018, Eurotorg's grocery stores were referred to as the stores of choice by 43 per cent. of Belarus citizens.

Market-leading price operating model

The Group has a market-leading price operating model, which has historically been central to the Group's development strategy and commitment to being the market-leading price grocery retailer in Belarus. Low prices are among the top three criteria for store selection among Belarusian consumers, according to the BCG Report. On the basis of third party surveys including surveys conducted by BCG, Nielsen and the National Academy of Science, and weekly price checks conducted by the Group, the Company believes that the Group maintains the lowest average prices for basic food products amongst its competitors.

The Group's market-leading price business model is supported by its strong relationships with a network of over 1,700 suppliers and its well-developed supply chain spanning over 25 years. Because of the large scale of Eurotorg's operations, the Group purchases a high volume of goods and products from third party suppliers and, as a result, has a significantly stronger buying power than its competitors, which enables the Group to effectively negotiate advantageous pricing, payment and other commercial terms resulting in market-leading prices with solid price distance to competitors. The Group also has direct import contracts with foreign suppliers with sizeable volumes on key products, primarily for the supply of fruits, vegetables and dry food. The Group's buying power and operating model is supported by its fully integrated, nation-wide logistics system.

Balanced assortment of quality products

Eurotorg offers a balanced assortment of quality products, designed to address the shopping needs of every household in Belarus, with a focus on high-turnover products (i.e. products for which there is the greatest customer demand in each category). This approach allows the Group to obtain better pricing terms from its suppliers, as well as to optimise its in-store stock handling, inventory and supply chain operations, thus achieving operational efficiencies and lower costs, all of which enable the Group to offer market-leading prices to its customers while maintaining strong margins. The top 1,000 SKUs and the top 1,000 to 5,000 SKUs by Eurotorg's sales volume accounted for 51.0 per cent. and 31.5 per cent. of the Group's sales in 2019, with all other SKUs accounting for 18.5 per cent. of the Group's sales during this period.

The Group takes particular care to offer fresh products selling approximately 35.4 per cent. of all fruits and nuts and 27.0 per cent. of all vegetables in the country (in 2019, according to the Company's estimates based on National Statistical Committee data).

Eurotorg has over 200 high-quality private label brands with national brand attributes, which accounted for 11.9 per cent., 12.6 per cent., 11.9 per cent. and 10.0 per cent. of the Group's revenue in the six months ended 30 June 2020 and the years ended 31 December 2019, 2018 and 2017, respectively. As the average price of the Group's high-quality private label products is typically lower than that of equivalent brand-name products, they

provide customers with a compelling value proposition and further strengthen the Group's position as the price leader in grocery retail.

Eurotorg's own in-store production (which accounted for 10.5 per cent., 10.8 per cent., 11.8 per cent. and 11.3 per cent. of the Group's revenue in the six months ended 30 June 2020 and the years ended 31 December 2019, 2018 and 2017, respectively) and a large variety of non-food products (which accounted for 5.5 per cent., 6.5 per cent., 8.0 per cent. and 8.1 per cent. of the Group's revenue in the six months ended 30 June 2020 and the years ended 31 December 2019, 2018 and 2017, respectively) further reinforce the Group's customer proposition.

The Company believes that customers in Belarus prefer locally produced food products over imported equivalents. As a consequence of these demand patterns as well as regulatory requirements for a certain number of SKUs to be Belarusian origin products, these products accounted for approximately 75 per cent. of the Group's sales in 2019. The significant proportion of local products in Eurotorg's sales mix provides resiliency for the Group in case of unfavourable macro dynamics or foreign exchange rate movements, by reducing its reliance on imports.

Unique loyalty programme and customer experience

Eurotorg's stores offer its customers a convenient and affordable shopping experience via its retail network. Rationalised in-store logistics and easy-to-navigate layouts combined with trained staff focused on customer services add to the shopping experience.

In-store shopping experience is enhanced by the nation-wide marketing campaigns, such as the nationwide lottery "Udacha v pridachu", as well as other promotional activities the Group launches from time to time. These marketing campaigns complement Eurotorg's product offering with emotional elements. Since the launch of "Udacha v pridachu" in February 2016 to 30 June 2020, over 2.4 million unique customers (or more than 25 per cent. of Belarus' population) have participated in lottery draws of "Udacha v pridachu", with total prizes awarded having a value in excess of U.S.$33.2 million. The Group's marketing campaigns significantly improve the sales of participating product categories, making them highly attractive for the Group's suppliers, and significantly increase the average ticket for lottery participants compared to other customers.

Furthermore, to support customer loyalty, the Group offers the "E-plus" loyalty card programme. This loyalty card is required in order for customers to be able to participate in the Group's loyalty programmes. As of 31 December 2019, the Group had 2.5 million active cardholders, and 62 per cent. of the Group's sales in 2019 (in money terms) were made using loyalty cards. The Group's loyalty card is also required for customers to take part in the Group's popular marketing campaigns. The Company believes that its effective and profitable marketing campaigns and the Group's loyalty card programme further strengthen customer loyalty and Eurotorg's brand awareness. The Group continues to develop its loyalty card value proposition, including through third-party partnerships, including, for example, with Burger King, Puma, TEZ tour, GEELY and SIXT rent-a-car, that management expects will enable Eurotorg's loyalty card to be used to obtain discounts across multiple retail and services categories in Belarus. The Company believes that third-party partnerships provide further potential to stimulate sales of third-party partners' products and increase the value of owning a loyalty card, stimulate the number of visits and attract new customers to Eurotorg's grocery stores.

The Company believes that these pillars of Eurotorg's retail concept appeal to customers and are central to its unparalleled brand awareness and customer loyalty. Based on BCG's market surveys in 2018, Eurotorg's grocery stores are stores of choice for 43 per cent. of Belarus citizens. According to market surveys conducted by Nielsen in 2018, the Group has a store equity index (which ranks retail brands for familiarity, connection and loyalty) of 5.6 in Gomel, 3.2 in Brest and 2.9 in Minsk, which are among the highest in emerging markets and significantly ahead of the Group's competitors in Belarus. The Company believes that such outstanding brand loyalty is a key competitive strength and will allow Eurotorg to effectively expand operations.

Experienced management team and shareholder support

The Group has a highly skilled management team, formed by Uladzimir Vasilko and Sergey Litvin (the "**Founding Shareholders**"), comprising a team of experienced industry professionals with a detailed understanding of the local retail market trends and competitive environment. The team's experience provides the Group with the expertise required to develop and seamlessly implement its business strategy. The management team has successfully developed modern grocery retail platform in Belarus under Euroopt, Hit! and Groshvk brands over the last decade with the store network increasing from 10 stores in 2008 to 879 stores as of 30 June 2020.

The Company is focused on the continued professional development of the Group's employees. The Group regularly conducts specially developed job-specific training programmes, engages external professional coaches, organises business simulation games and offers its employees a range of distance learning courses. Most of the Group's managers have historically been sourced internally and share the values of Eurotorg.

The management team benefits from the support and guidance of the Founding Shareholders, each of whom has extensive experience in grocery retail. The Company believes that such framework of involvement and support of its shareholders and the board of directors (the "**Board**") creates a more stable and flexible platform from which the Group can effectively operate and achieve its strategic objectives. The Group believes that its supportive shareholders, together with its leading market position, growth prospects and expansion plans, will enable the business to continue to attract and retain high-calibre managers.

Strategy

The Group has the following key strategies:

Sustainable, capex-light expansion of the grocery store network

The Group will continue to seek to develop its leading market position and increase its market share, primarily by rolling out additional convenience stores in leased premises in under-penetrated urban regions of Belarus. Roll-outs in urban areas where market share is less than 20 per cent. is the Group's main priority, while low penetration of modern retail formats creates significant whitespace potential in small- and medium-sized cities and towns.

Strategically, the Group targets urban areas in all ATUs where its market share in food retail is currently below 20 per cent. (which allows for additional expansion under Belarusian law), including Minsk. According to the Group's estimates based on National Statistical Committee data, over 6.4 million people as of 1 January 2020 reside in ATUs in which Eurotorg has market share of less than 20 per cent. or no presence at all. Belarus' regulatory framework excludes certain approved towns and villages with populations below 2,000 inhabitants from the 20 per cent. market share limits, which gives an additional growth opportunity for the Group.

Continue to focus on maintaining the significant share of higher margin private label and own-produced products in the Group's sales

The Group intends to continue to focus on maintaining sales of its higher margin products, namely private label and own-produced products.

The Company believes that private label products provide a compelling value-for-money customer proposition as the average price of private label products is lower than that of equivalent brand-name products while gross profit margin of these products was 5 to 6 percentage points higher than the Group's average gross profit margin on non-private label products in 2019. In the six months ended 30 June 2020, private label products represented 11.9 per cent. of the Group's sales revenue.

In addition, the Company sees opportunities to increase the penetration of own-produced products in high-margin categories such as bakery, ready-to-eat food and confectionary in the Group's convenience grocery stores and supermarkets. The gross margin of own-produced products was 4 to 5 percentage points higher than the Group's average gross profit margin for non-own-produced products in 2019. To expand sales of own-produced products, the Group has undertaken a number of initiatives, including further centralisation of production, branding of own-production zones in Euroopt stores, launching in-store bakeries, and expanding production of meals to order. In the six months ended 30 June 2020, the share of own-produced products represented 10.5 per cent. of the Group's sales revenue.

Continue to enhance buying power and further leverage the Group's infrastructure platform

The Company intends to further strengthen the Group's buying power, continue to develop partnership relations with its suppliers and facilitate competition between them in order to obtain better pricing and payment terms. The Company expects that the volume of the Group's purchases will increase as its operations expand, resulting in the greater negotiating power of Eurotorg. The Group plans to further leverage its well-invested infrastructure platform, namely its fully integrated, nation-wide logistics system and IT backbone, designed for scalability and in anticipation of Eurotorg's ongoing growth.

Continue to focus on controlling the expenses and improving the profitability of the business

The Company intends to optimise selling, general and administrative expenses and believes that there are multiple opportunities to decrease the expenditures or slow down their growth (as a share of retail sales). In particular, as the Group's revenue increases, the number of business functions and operational complexity is not expected to grow, with several functions being centralised across the Group's operations, thereby reducing the need for additional personnel to maintain these functions. In addition, the Group plans to proactively promote training for personnel to improve their productivity. The Company believes that there is potential for a reduction in personal costs to be achieved through the cost control measures the Group intends to implement.

On the store-level, the Group expects to decrease costs by merging certain functions in the stores located near each other on the basis of a flagship store, increasing the utilisation of logistics capacities and achieving overall efficiency improvements, including introduction of task schedules based on logistics and customer traffic forecasts, streamlining of processes for warehouse navigation and SKU storage framework, delivery limits, smart pallet sorting at distribution centres, SKU movement and shelf replenishment, further overall automation of accounting processes as well as enhanced tracking and distributing system for facility maintenance orders. The Group is also targeting further cost optimisations by switching to energy efficient technologies and equipment. In addition, the Company believes that the store operational model is very flexible allowing to achieve the economy of costs to maintain the operating profit of the store if any changes in the competition landscape would occur.

Proactively manage the Group's debt portfolio

The Group will continue to seek opportunities to reduce its debt burden through debt repayment and Adjusted EBITDA growth and to decrease average cost of debt. The Group plans to utilise the net proceeds from the offering of Notes to finance the purchase of any or all of the 2022 Notes in the Tender Offer (as defined herein) (see "*Use of Proceeds*"). The Group also intends to continue to proactively manage the maturity profile of its debt portfolio, including by continuing to seek opportunities to refinance its existing shorter-term indebtedness on commercially reasonable terms (including through the issuance of the Notes) and by continuing to negotiate maturity extensions and other related amendments to its existing indebtedness with creditors.

In the long term, the Company considers that an appropriate ratio of net debt to Adjusted EBITDA is 1.5x and will make efforts to gradually reduce the net leverage debt to Adjusted EBITDA ratio.

Risk Factors

An investment in the Notes involves a high degree of risk. For a detailed discussion of the risks and other factors to be considered when making an investment with respect to the Notes, see "*Risk Factors*" and "*Forward Looking Statements*". Prospective investors in the Notes should carefully consider the risks and other information contained in these Listing Particulars prior to making any investment decision with respect to the Notes. Prospective investors should note that the risks described in these Listing Particulars are not the only risks the Group faces. The Company and the Issuer have described only the risks they consider to be material. However, there may be additional risks that they currently consider immaterial or of which they are currently unaware.

Summary Consolidated Financial Data

Except as indicated below, the financial data of the Group set forth in the following tables (i) as of 30 June 2020 and for the six months ended 30 June 2020 and 2019 is derived from the Interim Consolidated Financial Information and (ii) as of and for the years ended 31 December 2019, 2018 and 2017 is derived from the Annual Consolidated Financial Statements.

The information in this section should be read in conjunction with sections entitled "*Presentation of Financial and Other Information*" and "*Operating and Financial Review*".

Consolidated Statement of Profit or Loss and Other Comprehensive Income Data

	Six months ended 30 June		**Year ended 31 December**		
	2020	**2019**	**2019**	**2018**	**2017**
			(BYN thousands)		
Revenue, interest and commission income	2,468,358	2,334,226	4,758,693	4,402,839	3,932,801
Cost of goods and services sold and interest expenses	(1,858,539)	(1,765,567)	(3619,092)	(3,248,025)	(2,910,087)
Gross profit	**609,819**	**568,659**	**1,139,601**	**1,154,814**	**1,022,714**
Administrative and selling expenses	(420,547)	(431,017)	(879,705)	(847,352)	(728,811)
Changes in allowance for impairment of financial assets	(1,225)	121	1,169	6,621	(1,774)
Other income	5,490	7,436	13,186	15,609	15,762
Other expenses	(11,788)	(8,373)	(20,906)	(16,300)	(24,337)
Operating profit	**181,749**	**136,826**	**253,345**	**313,392**	**283,554**
Finance income	1,342	59,605	31,757	872	1,089
Finance costs	(287,874)	(87,599)	(179,128)	(215,032)	(167,681)
Net finance costs	**(286,532)**	**(27,994)**	**(147,371)**	**(214,160)**	**(166,592)**
Profit/(loss) before income tax	**(104,783)**	**108,832**	**105,974**	**99,232**	**116,962**
Income tax (expense)/benefit	(2,389)	(22,630)	(52,560)	(30,837)	(14,445)
Profit/(loss) for the period	**(107,172)**	**86,202**	**53,414**	**68,395**	**102,517**
Other comprehensive (loss)/income					
Items that will never be reclassified to profit or loss:					
Revaluation of property, plant and equipment	—	(25,762)	(46,763)	(125,144)	(142,746)
Related tax	—	4,637	8,418	(21,951)	25,694

	Six months ended 30 June		Year ended 31 December		
	2020	**2019**	**2019**	**2018**	**2017**
			(BYN thousands)		
Items that are or may be reclassified to profit or loss:					
Foreign operations - foreign currency translation differences	1	20	48	(145)	(230)
Total other comprehensive (loss)/income	**1**	**(21,105)**	**(38,297)**	**103,048**	**(117,282)**
Total comprehensive income/(loss) for the period	**(107,171)**	**65,097**	**15,117**	**171,433**	**(14,765)**

Consolidated Statement of Financial Position Data

	As of 30 June	As of 31 December		
	2020	**2019**	**2018**	**2017**
		(BYN thousands)		
Assets				
Property, plant and equipment	1,237,883	1,263,621	1,412,727	1,265,214
Right-of-use assets and leased property	358,147	334,855	—	—
Prepayments for non-current assets	10,708	14,113	28,525	28,970
Intangible assets	17,470	16,145	11,626	6,494
Goodwill	6,232	6,265	6,359	7,055
Derivatives	—	15,297	—	—
Loans granted	39,081	48,156	51,036	41,206
VAT recoverable	2,455	3,285	12,214	7,994
Other investments	—	201	1,613	816
Deferred tax asset	34,283	25,863	51,172	88,961
Total non-current assets	**1,706,259**	**1,727,801**	**1,575,272**	**1,446,710**
Inventories	368,611	368,984	381,475	299,673
Trade and other receivables	128,589	151,201	161,226	105,227
Current tax assets	13	6,307	1,107	708
VAT recoverable	3,228	12,167	18,012	21,003
Prepayments	51,704	40,171	51,539	41,264
Loans granted	16,978	19,875	27,068	11,412
Other investments	—	—	5,530	30,291
Cash and cash equivalents	217,494	286,040	161,942	173,906
Non-current assets held for sale	—	57	65	87
Total current assets	**786,617**	**884,802**	**808,504**	**683,571**
Total assets	**2,492,876**	**2,612,603**	**2,383,776**	**2,130,281**
Equity				
Share capital	132,242	132,242	132,242	132,242
Revaluation reserve	274,472	274,472	340,375	238,088
Accumulated loss	(400,032)	(250,971)	(236,549)	(281,670)

	As of 30 June	As of 31 December		
	2020	**2019**	**2018**	**2017**
		(BYN thousands)		
Equity, attributable to owners of the Company	**6,682**	**155,743**	**236,068**	**88,660**
Non-controlling interests	178	238	340	301
Total equity	**6,860**	**155,981**	**236,408**	**88,961**
Liabilities				
Loans and borrowings	1,310,951	1,195,335	1,163,574	1,264,556
Lease liabilities	327,670	263,061	61,766	70,357
Derivatives	12,401	—	—	—
Deferred income	3,434	3,760	2,635	4,303
Deferred tax liabilities	1,361	1,805	1,592	3,237
Other non-current liabilities	1,878	2,593	13,531	9,713
Total non-current liabilities	**1,657,695**	**1,465,834**	**1,243,098**	**1,352,066**
Loans and borrowings	89,704	1,785	9,453	20,871
Accrued interests	19,228	17,541	11,652	14,363
Lease liabilities	115,365	103,027	13,018	10,803
Trade and other payables	504,789	781,778	786,562	572,091
Current tax liabilities	4,545	236	3,290	1,891
Deferred income	902	1,078	2,436	1,543
Other current liabilities	93,788	85,343	77,859	67,692
Total current liabilities	**828,321**	**990,788**	**904,270**	**689,254**
Total liabilities	**2,486,016**	**2,456,622**	**2,147,368**	**2,041,320**
Total equity and liabilities	**2,492,876**	**2,612,603**	**2,383,776**	**2,130,281**

OVERVIEW OF THE OFFER

The following overview of the offer of Notes should be read in conjunction with, and is qualified in its entirety by, "*Terms and Conditions of the Notes*", "*Clearing and Settlement*" and "*Loan Agreement*". Capitalised terms used herein and not otherwise defined have the respective meanings given to such terms in the Loan Agreement.

The Notes	
Issuer	Bonitron Designated Activity Company
Legal Entity Identifier of the Issuer	549300PXIOV742CFHL20
Joint Lead Managers and Joint Bookrunners	J.P. Morgan Securities plc and Renaissance Capital (Cyprus) Limited.
Notes Offered	U.S.$300,000,000 9.000 per cent. Loan Participation Notes due 2025.
Issue Price	100 per cent. of the principal amount of the Notes.
Issue Date	22 October 2020
Maturity Date	22 October 2025
Trustee	BNY Mellon Corporate Trustee Services Limited.
Principal Paying and Transfer Agent	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent	The Bank of New York Mellon, SA/NV, Luxembourg Branch.
Interest	On each interest payment date (being 22 April and 22 October in each year and commencing on 22 April 2021), the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest actually received by or for the account of the Issuer pursuant to the Loan Agreement, which interest under the Loan accrues at a rate of 9.000 per cent. per annum (the "**Rate of Interest**") from and including the Issue Date.
Form and Denomination	The Notes will be issued in registered form, in denominations of U.S.$200,000 in excess thereof and integral multiples of U.S.$1,000 in excess thereof. The Regulation S Notes and the Rule 144A Notes will be represented by a Regulation S Global Note Certificate and a Rule 144A Global Note Certificate, respectively. The Regulation S Global Note Certificate and the Rule 144A Global Note Certificate will be exchangeable for Definitive Certificates in the limited circumstances specified in the Regulation S Global Note Certificate and the Rule 144A Global Note Certificate.
Initial Delivery of Notes	On or before the Issue Date, the Regulation S Global Note Certificate shall be deposited with a common depositary for, Euroclear and Clearstream, Luxembourg and registered in the name of a nominee of such common depositary and the Rule 144A Global Note Certificate shall be registered in the name of Cede & Co. as nominee of, and deposited with a custodian for, DTC.

Status of the Notes	The Notes are limited recourse, secured obligations of the Issuer as more fully described in "*Terms and Conditions of the Notes—Status*". The sole purpose of the issue and the Notes is to provide the funds for the Issuer to finance the Loan. The Notes will constitute the obligation of the Issuer to apply the proceeds from the issue of the Notes solely for financing the Loan and to account to the Noteholders for an amount equivalent to sums of principal, interest and other amounts (if any) actually received and retained (net of tax) by or for the account of the Issuer pursuant to the Loan Agreement less any amount in respect of Reserved Rights (as defined in the Trust Deed), all as more fully described in "*Terms and Conditions of the Notes—Status*".
Security	The Notes will be secured by the Charge (as defined in "*Overview of the Transaction Structure and the Security*") on: • all principal, interest and other amounts now or hereafter payable to the Issuer by the Borrower under the Loan; • the right to receive all sums which may be or become payable by the Borrower under any claim, award or judgment relating to the Loan Agreement; and • all the rights, title and interest in and to all sums of money now or in the future deposited in the Account (as defined in "*Overview of the Transaction Structure and the Security*") and the debts represented thereby (including interest from time to time earned on the Account, if any), pursuant to the Trust Deed, provided that Reserved Rights and any amounts relating to Reserved Rights are excluded from the Charge. The Notes will also be secured by an assignment with full title guarantee by the Issuer to the Trustee of its rights under the Loan Agreement (save for the Reserved Rights and those rights subject to the Charge) pursuant to the Trust Deed.
Withholding Taxes	All payments of principal and interest in respect of the Notes by or on behalf of the Issuer will be made free and clear of and without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any authority having the power to tax, other than as required by law or regulations. Subject to certain exceptions, in the event that any such deduction or withholding by or on behalf of Ireland or Belarus or any political subdivision or any authority thereof or therein having the power to tax is required by law or regulations, the Issuer will be required to pay such additional amounts as shall result in the receipt by the Noteholders of such amount as would have been received by them had not such withholding or deduction been

	required, to the extent the Issuer receives corresponding amounts from the Borrower under the Loan Agreement.
Optional Redemption by the Issuer for Illegality	In limited circumstances as more fully described in the "*Terms and Conditions of the Notes*", the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, upon giving notice to the Trustee and the Noteholders, at the principal amount thereof, together with accrued and unpaid interest and additional amounts, if any, to the date of redemption, in the event that it becomes unlawful for the Issuer to allow the Loan to remain outstanding under the Loan Agreement or allow the Notes to remain outstanding or for the Issuer to maintain or give effect to any of its obligations in connection with the Loan Agreement and/or to charge or receive or to be paid interest at the rate then applicable to the Loan and, in such case, the Issuer shall require the Loan to be repaid in full.
Optional Redemption by the Issuer	All as more fully described in the "*Terms and Conditions of the Notes – Redemption and Purchase*" and "*Loan Agreement – Repayment and Prepayment*", the Company may, at its option, on any one or more occasions, prepay up to 35 per cent. of the aggregate principal amount of the Loan in the amount equal to 109.0 per cent. of the Loan that is being prepaid, plus accrued and unpaid interest on the Loan so prepaid to but excluding the Equity Call Prepayment Date, with the net cash proceeds of one or more Equity Offerings, provided that: (1) at least 65 per cent. of the aggregate principal amount of the Loan remains outstanding immediately after the occurrence of such repayment; and (2) the repayment occurs within 90 days of the date of the closing of such Equity Offering. All as more fully described in the "*Terms and Conditions of the Notes – Redemption and Purchase*" and "*Loan Agreement – Repayment and Prepayment*", the Company may, at any time, prepay the Loan in whole (but not in part) at the Make Whole Prepayment Amount plus accrued and unpaid interest on the Loan so prepaid to but excluding the Make Whole Optional Prepayment Date. If, as a result of the exercise of any option of the Company described above, the Loan is prepaid by the Company as set forth in the Loan Agreement, the Notes will thereupon become due and redeemable and the Issuer shall, subject to receipt of the relevant amounts from the Company under the Loan, redeem the Notes on the relevant redemption date
Early Redemption at the Option of the Noteholders upon a Change of Control	All as more fully described in the "*Terms and Conditions of the Notes—Redemption and Purchase*", the Notes may be redeemed early at the option of the Noteholders on the occurrence of a Change of Control Put Event (as defined in the Loan Agreement), at 101 per cent. of their principal amount, together

	with accrued and unpaid interest and additional amounts, if any, to the date of such early redemption.
Relevant Events	Upon the occurrence of a Relevant Event (as defined in the Trust Deed), the Trustee may, subject as provided in the Trust Deed and subject to being indemnified and/or secured and/or prefunded to its satisfaction, enforce the security created in its favour pursuant to the Trust Deed.
Ratings	It is expected that the Notes will be rated: • B by Fitch; and • B- by Standard & Poor's. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Similar ratings on different types of notes do not necessarily mean the same thing. The ratings do not address the likelihood that the principal on the Notes will be prepaid or paid on a particular date before the legal final maturity date of the Notes. The ratings do not address the marketability of the Notes or any market price. Any change in the credit ratings of the Notes could adversely affect the price that a subsequent purchaser will be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.
Listing	Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and trading on the Global Exchange Market which is the exchange regulated market of Euronext Dublin. The Global Exchange Market is not a regulated market for the purposes of MiFID II.
Selling Restrictions	The Notes are subject to selling restrictions in the United States, the United Kingdom, Ireland, the Republic of Belarus and any other applicable jurisdictions. See "*Subscription and Sale*" and "*Transfer Restrictions*".
Governing Law and Arbitration	The Notes, the Trust Deed, the Paying Agency Agreement (as defined below) and any non-contractual obligations arising out of or in connection with them shall be governed by and construed in accordance with English law and the Issuer has submitted in such documents to the jurisdiction of the courts of England.
Use of Proceeds	The gross proceeds to the Issuer from the offering of the Notes are expected to be U.S.$300,000,000, which the Issuer intends to use for the sole purpose of financing the Loan to the Company pursuant to the terms of the Loan Agreement.
Security Codes	*Regulation S Notes:* Common Code: 224334443 International Security Identification Numbers ("**ISIN**"): XS2243344434 *Rule 144A Notes:*

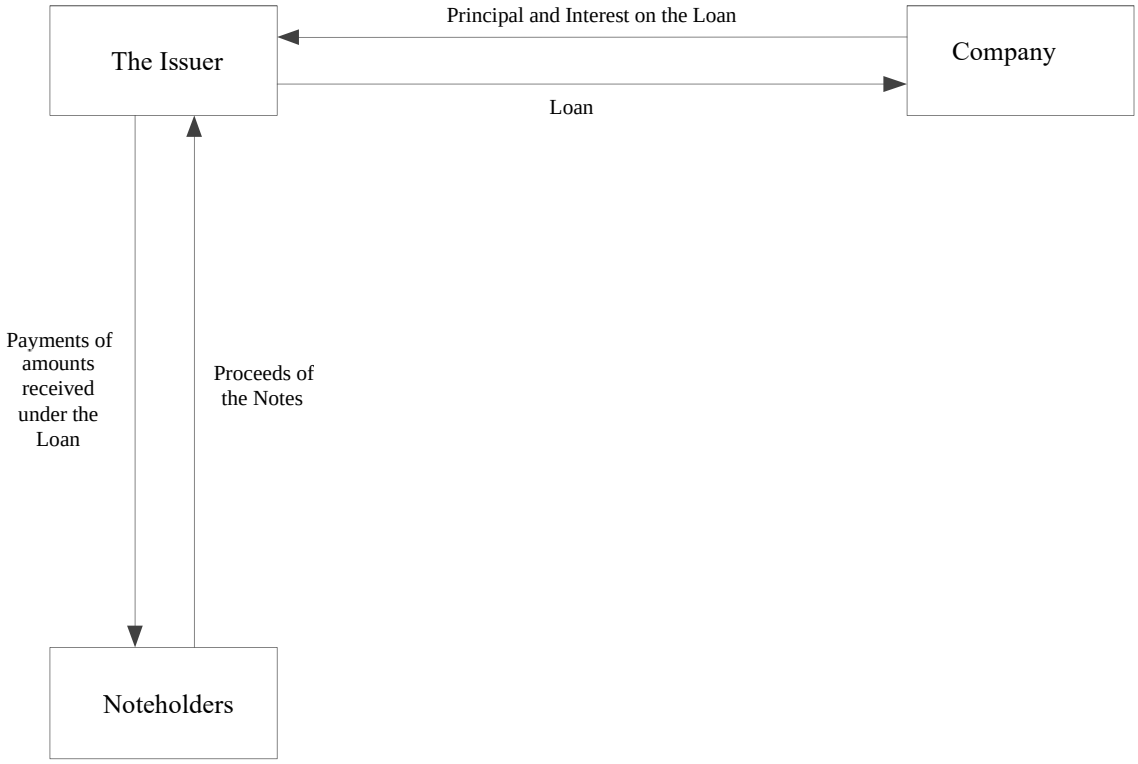
	Common Code: 224473478 ISIN: US09821LAB71 CUSIP: 09821LAB7
Clearing Systems	DTC (in the case of the Rule 144A Notes) and Euroclear and Clearstream, Luxembourg (in the case of the Regulation S Notes).
Yield	The annual yield of the Notes when issued is 9.000 per cent.
Risk Factors	An investment in the Notes involves a high degree of risk. See "*Risk Factors*".
Certain Covenants	The Issuer has covenanted under the Trust Deed that, as long as any Notes remain outstanding, it will not, without the prior written consent of the Trustee, agree to any amendment or any modification or waiver of, or authorise any breach or proposed breach of, the terms of the Loan Agreement, except as otherwise expressly provided in the Trust Deed or the Loan Agreement.
The Loan	
Lender	Bonitron Designated Activity Company, a company incorporated as a designated activity company under the laws of Ireland.
Borrower	Eurotorg LLC, a limited liability company incorporated under the laws of the Republic of Belarus.
Legal Entity Identifier of the Borrower	254900ATRLIV9Y4QJ498
Status of the Loan	The Loan is a direct, unconditional, unsubordinated and unsecured obligation of the Company and obligations under the Loan will rank at least *pari passu* with all other direct, unconditional, unsubordinated and unsecured indebtedness of the Company.
Principal Amount of the Loan	U.S.$300,000,000
Interest on the Loan	9.000 per cent. per annum, payable semi-annually in arrears on 22 April and 22 October in each year starting on 22 April 2021.
Use of proceeds	The Company intends to use the proceeds of the Loan in the amount of approximately U.S.$246 million to finance (i) the purchase of any or all of the 2022 Notes, tendered and accepted for purchase in the Tender Offer (as defined below), (ii) the early redemption of the 2022 Notes remaining (if any) on completion of the Tender Offer and the early repayment of the corresponding amounts under the 2022 Loan upon the approval of the Mandatory Early Redemption (as defined below) as well as (iii) the payment of any early consent fees in connection therewith, all pursuant to the Tender Offer and Consent Solicitation Memorandum (as defined below). See "*Use of Proceeds*".
Tender Offer and Consent Solicitation	On 30 September 2020, pursuant to a tender offer and consent solicitation memorandum dated 30 September 2020 (the "**Tender Offer and Consent Solicitation Memorandum**"), the

	Issuer invited holders of the 2022 Notes to: (i) tender any or all of the 2022 Notes held by them for purchase by the Issuer for cash (the "**Tender Offer**"); and (ii) concurrently consent to amend by extraordinary resolution (A) the terms and conditions of the 2022 Notes to provide for mandatory early redemption of all (but not some only) of the 2022 Notes remaining (if any) on completion of the Tender Offer and (B) the loan agreement in relation to the 2022 Loan (the "**2022 Loan Agreement**") to provide for mandatory early repayment of the aggregate principal amount of the 2022 Loan corresponding to all, but not some only, of the 2022 Notes remaining (if any) on completion of the Tender Offer (the "**Mandatory Early Redemption**"), all on the terms and subject to the conditions set forth in the Tender Offer and Consent Solicitation Memorandum (the "**Tender Offer and Consent Solicitation**").
Early Prepayments by the Company	See *"Optional Redemption by the Issuer for Illegality", "Optional Redemption by the Issuer"* and "*Early Redemption at the Option of the Noteholders upon a Change of Control*" above and Clause 5 (*Repayment and Prepayment*) described in "*Loan Agreement*".
Withholding Taxes and Increased Costs	Payments under the Loan Agreement shall be made without deduction or withholding for or on account of Belarusian or Irish taxes, except as required by law. Subject to certain exceptions, in the event that any deduction or withholding for or on account of such taxes is required by law with respect to payments under the Loan Agreement or that any deduction or withholding for or on account of Irish taxes is required by law or regulations with respect to payments under the Notes, the Company will be obliged to increase the amounts payable under the Loan Agreement to the extent necessary to ensure that the Issuer receives (or the Noteholders receive, as applicable) the amount which would have been received had such deduction or withholding not been required.
Certain Covenants	The Loan Agreement contains covenants related to: • Limitation on Restricted Payments; • Limitation on Incurrence of Indebtedness and Issuance of Preference Shares; • Limitation on Liens; • Limitation on Asset Sales; • Limitation on Transactions with Affiliates; • Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries; • Designation of Unrestricted and Restricted Subsidiaries; • Corporate Existence; • Merger, Consolidation and Disposition of Assets;

	• Maintenance of Properties; • Insurance; • Payment of Taxes and Other Claims; • Statement as to Compliance; • Reports; • Guarantees; • Business Activities; • Listing; and • Further Instruments and Acts. The covenants are more fully described in "*Loan Agreement*".
Events of Default	The Loan Agreement contains various events of default, including a cross-acceleration provision in respect of certain indebtedness of the Company or any Material Subsidiary (as defined in the Loan Agreement) in excess of U.S.$30 million (or its equivalent in another currency), all as more fully described in "*Loan Agreement*".
Governing Law	The Loan Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

OVERVIEW OF THE TRANSACTION STRUCTURE AND THE SECURITY

The following summary description should be read in conjunction with, and is qualified in its entirety by, "Terms and Conditions of the Notes" and the form of the Loan Agreement.



The transaction will be structured around the Loan from the Issuer to the Company. The Issuer will issue the Notes, which will be limited recourse secured loan participation notes issued for the sole purpose of funding the Loan to the Company.

The Notes will be constituted by, be subject to, and have the benefit of, the Trust Deed. The obligations of the Issuer to make payments under the Notes shall constitute an obligation only to account to the Noteholders for an amount equal to the sums of principal, interest and/or additional amounts (if any) due under the Loan and actually received and retained (net of tax) by or for the account of the Issuer from the Company pursuant to the Loan Agreement less any amount in respect of the Reserved Rights. In the event that the amount due and payable by the Issuer under such Notes exceeds the sums so received or recovered and retained (net of tax), the right of any person to claim payment of any amount exceeding such sums shall be extinguished, and Noteholders may take no further action to recover such amounts.

As provided in the Trust Deed, the Issuer, with full title guarantee and as continuing security for the payment of all sums under the Trust Deed and the Notes, will charge by way of first fixed charge in favour of the Trustee (the "**Charge**"):

- all its rights to principal, interest and other amounts now or hereafter payable to the Issuer by the Company under the Loan Agreement;
- the right to receive all sums which may be or become payable by the Company under any claim, award or judgment relating to the Loan Agreement, as the case may be; and

- all the rights, title and interest in and to all sums of money now or in the future deposited in an account with the Principal Paying Agent in the name of the Issuer (the "**Account**") and the debts represented thereby (including interest from time to time earned on the Account, if any),

provided that, for the avoidance of doubt, the Issuer shall remain the legal and beneficial owner of the property subject to the Charge following the granting of the Charge and that Reserved Rights and any amounts relating to Reserved Rights are excluded from the Charge.

In addition, the Issuer with full title guarantee will assign to the Trustee for the benefit of the Trustee and the Noteholders all the rights, interest and benefits, both present and future, which have accrued or may accrue to the Issuer as lender under or pursuant to the Loan Agreement (including, without limitation, all moneys payable to the Issuer and any claims, awards and judgments in favour of the Issuer in connection with the Loan Agreement and the right to declare the Loan immediately due and payable in certain circumstances and to take proceedings to enforce the obligations of the Company thereunder) other than any rights, title, interests and benefits which are subject to the Charge and other than the Reserved Rights and any amounts relating to the Reserved Rights. As a consequence of such assignment, the Trustee will assume the rights of the Issuer under the Loan Agreement as set out in the relevant provisions of the Trust Deed. Formal notice of the Charge and assignment will be given to the Company, who will be required to acknowledge the same.

The Issuer will covenant not to agree to any amendments to, or any modification, recession, cancellation, termination or waiver of, or authorise any breach by any counterparty or proposed breach by any counterparty of, the terms of the Loan Agreement unless the Trustee has given its prior written consent or unless authorised to do so by an Extraordinary Resolution (as defined in the Trust Deed) or Written Resolution (as defined in the Trust Deed) of the Noteholders (except in relation to Reserved Rights). The Issuer will further agree to act at all times in accordance with any instructions of the Trustee from time to time with respect to the Loan Agreement, save as otherwise provided in the Trust Deed or the Loan Agreement. Any amendments, modifications, waivers, recession, cancellation, termination or authorisations made with the Trustee's consent shall be notified to the Noteholders in accordance with Condition 13 of the Terms and Conditions relating to the Notes.

RISK FACTORS

Investment in the Notes involves a high degree of risk. Prospective investors in the Notes should carefully consider the following information about the risks described below, together with other information contained in these Listing Particulars prior to making any investment decision with respect to the Notes. The risks highlighted below could have a material adverse effect on the Group's business, results of operations, financial condition or prospects, which, in turn, could have a material adverse effect on the ability of the Company to service its payment obligations under the Loan Agreement and, as a result, the debt service on the Notes. In addition, the trading price of the Notes could decline if any of these risks materialise, and Noteholders may lose some or all of their investment.

Prospective investors should note that the risks described below are not the only risks the Group faces. The Company and the Issuer have described only the risks they consider to be material. However, there may be additional risks that they currently consider immaterial or of which they are currently unaware, and any of these risks could have the effect set forth above.

Risks Related to the Group's Business and Industry

The global economic recession and financial crisis due to the ongoing global coronavirus pandemic may affect the Group's business and results of operations

The outbreak of the coronavirus disease ("**COVID-19**") pandemic, together with measures aimed at mitigating the further spread of COVID-19, such as the imposition of quarantines, prolonged closures of stores and workplaces, social distancing measures and other restrictions, has had a significant adverse effect on the global economy and international financial markets, which may affect the Group's operations and the Group's business.

According to official data from the government of Belarus (the "**Government**"), the first cases of COVID-19 in Belarus were confirmed in February 2020. As at 28 September 2020, Belarus reported 77,946 confirmed cases of coronavirus, including 74,167 patients who successfully recovered and 822 deaths. Although to date Belarus has not introduced full-scale nationwide quarantine measures, since March 2020, social distancing has been actively promoted throughout the country. In addition, the emergence of COVID-19 poses a new risk to the financial health of Belarus, including a decline in gross domestic product ("**GDP**") that is forecasted to continue. See "*—The economic effects of the outbreak of COVID-19 could adversely affect Belarus' economy and the Group*".

At present, the retail sector is classified as "basic" for consumers, and has experienced less of an adverse impact than other industries due to the COVID-19 pandemic. However, any quarantine measures imposed in the future may restrict opening hours or the conditions in which the Group's stores operate. In addition, social distancing measures, including the adjustment in the schedule of public transport and the promotion of remote working arrangements, may reduce consumer traffic in certain of the Group's stores and encourage online grocery shopping. For example, there has been a shift in the sales structure at the Group's stores in favour of a higher average check with less frequent store visits. Although these changes have not yet materially affected the Group's operating model and profitability, there can be no assurance that this will remain the case in the future, should there be an exacerbation of the COVID-19 pandemic. Moreover, as economic activity is expected to continue to be drastically reduced for several months, many businesses could be forced to close, leading to additional increases in unemployment and to a decrease in consumer spending. Any of the foregoing developments could lead to a decline in the Group's sales, revenue and profitability.

While the Company has taken measures to ensure business continuity while minimising operational risks during the COVID-19 pandemic, there can be no assurance that these measures will succeed or that the continued spread of COVID-19 will not severely negatively impact the Group's business, financial condition, prospects and results of operations.

A deterioration in general economic conditions in Belarus, including as a result of social unrest, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

All of the Group's business and operations are concentrated in Belarus. Because of this geographic concentration, the Group's business is significantly influenced by general economic conditions in Belarus, including GDP and the unemployment rate. Generally, GDP growth in Belarus has a positive effect on disposable incomes and consumer spending, which, in turn, benefits the Group's customers and, consequently, the Group's business. In contrast, adverse economic conditions generally result in increases in unemployment rates, real salary reductions, falling consumer confidence and economic uncertainty, which tend to cause consumers to reduce their spending both by reducing the volume of their purchases and by shifting their purchasing patterns in favour of less expensive products or less frequent purchases. Furthermore, a deterioration in general economic conditions is often accompanied by a reduction in consumer credit availability, resulting in further decreases in consumer purchasing power, which in turn could also contribute to a decline in consumer spending. These economy-wide declines could in turn adversely affect the Group's retail sales.

Belarus experienced an economic downturn between the end of 2014 to 2016, which was characterised by a decline in real terms of the GDP, in BYN (of 3.8 per cent. and 2.5 per cent. in 2015 and 2016, respectively), the depreciation of the Belarusian Rouble against the U.S. Dollar (by 5.5 per cent. in 2016) and high inflation (12.0 per cent. and 10.6 per cent. in 2015 and 2016, respectively). Since 2017, Belarus' economy has stabilised. GDP increased in real terms by 2.5 per cent. in 2017, while inflation dropped to 4.6 per cent. and exports of goods and services reached U.S.$36 billion. In 2018, the country's GDP increased in real terms by 3.1 per cent., inflation remained low at 5.6 per cent., exports of goods and services increased to U.S.$42 billion, the refinancing rate declined to 10 per cent. and the current account surplus of 0.04 per cent. of nominal GDP. In 2019, Belarus' GDP increased in real terms by 1.2 per cent., while inflation slowed down to 4.7 per cent.

However, the COVID-19 pandemic poses a risk to the financial health of Belarus. For the first half of 2020, GDP in real terms declined by 1.7 per cent, while inflation remained at a stable low level of 5.2 per cent. In April 2020, the IMF forecast that Belarus GDP will decline in real terms by 6.0 per cent. in 2020, before a forecasted initial recovery in 2021. See "*Risks Related to Belarus—The economic effects of the outbreak of COVID-19 could adversely affect Belarus' economy and the Group*". In addition, since Russia is Belarus' main trading partner and because many export industries in Belarus are oriented towards Russia, Belarus' economy is also significantly influenced by general economic conditions in Russia, and, accordingly, any deterioration in the Russian economy, or Belarus' relationship with Russia may result in a deterioration of economic conditions in Belarus. See "*—A deterioration in Belarus' relations with Russia could adversely affect the supply of fuel and energy resources to Belarus and supply of certain agricultural products from Belarus to Russia which may have an adverse effect on Belarus' economy and as a result on the Group*".

On 9 August 2020, Belarus held presidential elections, in which President Alexander Lukashenko was re-elected with 80.1 per cent. of the vote, according to the Belarusian election commission. Following the results, there have been widespread strikes, protests and violent clashes between protestors and state security forces in Belarus. If the mass protests continue or escalate and general strikes resume, this could lead to a further deterioration in the Belarusian economy. See "*—Risks Related to Belarus— Political and social unrest in Belarus could adversely affect Belarus's economy and the Group*".

Any downturn in general economic conditions in Belarus and any increase in unemployment rates or decreases in disposable incomes, consumer spending, consumer demand, and/or consumer credit availability could have a material adverse effect on the Group's business, results of operations, financial condition, prospects and the successful implementation of its expansion strategy.

The Group's results of operations may be materially adversely affected by currency fluctuations.

The economy of Belarus has historically been characterised by significant changes in foreign currency exchange rates. While the Belarusian Rouble had been relatively stable since 2016, with the average exchange rates against the U.S. Dollar in 2017, 2018 and 2019 of BYN 1.93, 2.04 and 2.09, it devalued to 2.33 in the first six months of 2020, and the recent political crisis has caused it to depreciate a further 9 per cent., from BYN 2.44 as of 1 August 2020, just prior to the election, to BYN 2.66 as of 31 August 2020. The Belarusian Rouble may continue to depreciate due to the current political and social environment in Belarus (including, without limitation, in the event of any foreign sanctions against Belarusian authorities). There can be no assurance the Belarusian Rouble will stabilise and that it will not experience significant volatility in the future.

Almost all of the Group's revenues are denominated in Belarusian Roubles. However, because the availability of debt funding in Belarusian Roubles is significantly constrained (including as a result of the tight monetary policy of the National Bank), and often cannot be obtained on commercially acceptable terms (such as an acceptable interest rate and/or a sufficiently long-term) or at all, the Group's outstanding debt is predominantly denominated in or linked to the Euro and U.S. Dollar. In addition, certain of the Group's other costs, principally rental payments and the costs of products from international suppliers are also denominated in or linked to foreign currencies. In particular, 52 per cent. of the Group's total loans and borrowings, excluding the Group's Russian Rouble – Euro swap deal (66 per cent. including the swap), and 92 per cent. of the Group's rental payments were denominated in or linked to the Euro and U.S. Dollar as of 30 June 2020. The Group has been making efforts to increase the share of its total loans and borrowings in Russian Roubles. Financing in Russian Roubles makes it possible to reduce currency risks, since there is a significant correlation between the dynamics of the exchange rate of the Belarusian Rouble and the Russian Rouble against the U.S. Dollar. However, there can be no assurance that such correlation will continue, as it will be impacted by, among other factors, the relationship between Belarus and Russia. The share of the Group's loans and borrowings in Russian Roubles was 48 per cent., excluding the Group's Russian Rouble – Euro swap deal (34 per cent. including the swap), as of 30 June 2020. Although the Group seeks to manage currency fluctuations exposure, including by leasing and subleasing its premises to third parties with rent linked to foreign currencies, the Group remains exposed to foreign exchange risk on translation of its liabilities denominated in or linked to foreign currencies into Belarusian Rouble. The depreciation of the Belarusian Rouble or the Russian Rouble against the U.S. Dollar and Euro could increase the Group's finance losses, finance costs or general and administrative expenses (including lease costs), which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Furthermore, depreciation of the Belarusian Rouble could contribute to higher rates of inflation in Belarus and increase the Group's costs. High and sustained inflation could lead to market instability, new financial crises, reductions in consumer purchasing power and an erosion of consumer confidence. Any one of these events could lead to increased costs and lower demand for the Group's products, and may negatively affect the Belarusian economy in general and, as a result, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group faces pressures from competitors and may face increased competition in the future.

The Group competes with other Belarusian food retail market participants for a variety of resources and on the basis of a number of criteria, including availability of real estate, customer loyalty, location of stores, prices, quality of products, quality of service, variety and availability of products and store condition. Although the Group is currently the largest market participant in a fragmented market with high barriers to entry and, as such, the Company believes the Group enjoys certain competitive advantages this may not always be the case. See "*Business—Key Strengths*". In the future, the Group's competitors may develop or otherwise obtain greater financial, real estate, distribution, technical, personnel, purchasing, marketing and/or advertising resources. Further, one or more new market participants may enter the Belarusian food retail market, including major

international or Russian food retail chains. If the competitive environment were to change in this manner, the competition faced by the Group may intensify and the Group may be unable to increase or maintain its customer base and/or market share and/or its advantageous purchasing terms with suppliers, which may lead to reduced sales and margins for the Group and a decline in the competitive advantages currently enjoyed by the Group.

Therefore, notwithstanding the Group's leading market position, there can be no assurance that competition will not increase or intensify in the future. New or increased competition could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Changes in consumer preferences may have a material adverse effect on the Group's business.

The Belarusian retail food and non-food markets are subject to changing customer trends, preferences and demand patterns. Consumer preferences and demand patterns across the retail sectors in which the Group operates may materially differ or be subject to changes due to a range of factors outside the Group's control, including economic and other factors. If the Group is unable to correctly identify customer preferences and demand patterns, or adapt to their changes in a timely manner, it could experience subsequent reductions in its customer traffic, revenue and/or profitability, which in turn could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group's sales are subject to seasonal trends.

The Group experiences seasonal fluctuations in its operations, including a significant increase in sales during the fourth calendar quarter, particularly in November and December prior to the New Year period, generally followed by a decrease in the Group's sales in the first calendar quarter. Consequently, poor sales performance in a fourth calendar quarter could adversely affect the Group's full-year results and leave the Group with excess stock. The seasonality of market demand for various products could cause significant changes in the Group's performance throughout the year. Furthermore, increases in sales closer to the end of the year are generally followed by large payments to the Group's suppliers in the first calendar quarter, which may adversely impact the Group's Adjusted Free Cash Flow during that calendar quarter. In addition, any general events having an adverse impact on the Group's sales during the fourth calendar quarter (such as, for example, supply disruptions or adverse publicity in the fourth calendar quarter) may have an exacerbated effect on its business. Any inability to respond to seasonal variations in demand could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group may not be able to implement its expansion strategy which could have a material adverse effect on its business.

The Company believes that one of the most important factors for its continued growth is the successful implementation of the Group's expansion strategy which depends on various factors, including its ability to locate and lease or acquire appropriate real estate on commercially reasonable terms, (see "*—The Group depends on its ability to lease or acquire appropriate real estate on commercially acceptable terms, build new stores on newly acquired or leased sites and to renovate and expand its existing stores*" and "*—The Group's expansion strategy may be adversely affected by the restrictions under Belarus' antimonopoly laws*"), open new stores in a timely manner, employ, train and retain additional store and supervisory personnel and integrate new stores into the Group's existing operations on a profitable basis. The Group's expansion plans also depend on, among other things, general economic and political conditions, the absence of adverse changes in the regulatory environment and the co-operation of state and local authorities.

As part of its current expansion strategy with a focus on smaller store formats, the Group intends to continue to roll out convenience stores primarily on a leased basis. There is a risk that the operation of a greater number of stores will result in unanticipated costs and increased operational complexity, and may potentially require, among other things, the continued development of financial, operational and management systems, increased marketing activities and the hiring and training of new personnel (including management personnel). Although

the Group plans to undertake its expansion initiatives in a carefully planned manner and believes it has sufficient capacity in the medium term, there is a risk that the Group's costs will increase more than anticipated, and its profitability would be adversely affected.

If the Group is unable to successfully implement its expansion strategy and thereby maintain its leading market position, the competitive advantages that the Group currently enjoys, such as its strong brand awareness, economies of scale in purchasing and contracting, the ability to negotiate advantageous pricing and other terms with suppliers, and the Group's customer base, sales and profitability, may decline. There can be no assurance that the Group will achieve its planned expansion targets, and if the Group is unable to do so, it could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

In the long-term, expansion of the Group's business may require additional capital expenditures. Should additional debt funding be required to finance the expansion of the Group's business, covenants in the Group's existing or future financing arrangements, as well as market conditions and the general availability of funding, may restrict its ability to raise additional debt funding and its general operational flexibility. In particular, the Group's existing finance agreements contain covenants to maintain its Net Debt to Adjusted EBITDA at a certain level, which may limit its ability to raise debt funding in the future. If the Group is not successful in generating sufficient cash flow or obtaining sufficient financing to fund its future expenditure, it may need to curtail or discontinue its expansion plans. If any such risks occur, this could have a material adverse effect on the business, financial condition and operating results of the Group.

The Group's expansion strategy may be affected by its ability to evaluate and integrate potential acquisitions.

The Group may in the future evaluate potential acquisitions that align with its strategic objectives. Future acquisitions could expose the Group to potential risks, including risks associated with the integration of new operations, services and personnel, unforeseen or hidden liabilities, the diversion of resources and management's attention from the Group's existing businesses and technologies, the inability to generate sufficient revenue to offset the costs and expenses of acquisitions and potential loss of, or harm to, relationships with employees and suppliers or other external parties as a result of the integration of new businesses. If any such risks occur, this could have a material adverse effect on the business, financial condition and operating results of the Group.

The Group's expansion strategy may be adversely affected by the restrictions under Belarus' antimonopoly laws.

The Group's growth potential in certain locations in Belarus may be constrained by regulatory factors. The Trade Law (as defined below) provides that where the market share of any food retailer exceeds 20 per cent. of total retail turnover of food products within a certain territorial unit ("**ATU**") for the immediately preceding financial year, then such retailer is restricted from opening or acquiring additional trading premises within that ATU. See "*Regulation of Food Retail in Belarus—Regulation of Food Retail—Trade Law*". As of 30 June 2020, the Group had an operating presence in 125 of the 129 ATUs of Belarus. In the year ended 31 December 2019, the Group's market share in 60 ATUs exceeded 20 per cent., where the Group's sales revenue accounted for 35.9 per cent. of the Group's food retail sales revenue in 2019. The total number of people residing in the 60 ATUs where the Group's market share exceeded 20 per cent. was 3.0 million, or 31.9 per cent. of Belarus' population as of 1 January 2020. As such, the Trade Law would prevent the Group from expanding its operations in an ATU in an urban area in which it already exceeds a 20 per cent. market share and/or limit the Group's ability to respond to increased competition from one or more of its competitors in one or more ATUs of Belarus. These restrictions may adversely affect the Group's growth potential and prospects.

In addition, in certain circumstances, including where a company's share of sales of a commodity equals or exceeds 35 per cent. on a national or regional level, the Ministry of Antimonopoly Regulation and Trade of the

Republic of Belarus ("**MART**") may designate such company as being in a position of market dominance. As a consequence of such designation, MART may impose certain limitations on the conduct of business. Eurotorg has already been designated as the dominant company by MART with respect to wholesale sales of bananas and citrus fruit in Belarus, and in certain cases on a regional basis with respect to retail sales of food products. Given Eurotorg's market position as Belarus' largest retailer, and particularly its high market share, there is a risk that the Group will be designated as the dominant retailer or wholesaler for additional categories of products either on a regional basis or nationwide. While specific remedies applied by MART may vary on a case by case basis, currently MART applies specific requirements on price-setting, determined by corresponding legal and regulatory rules. These regulations have had no effect on Eurotorg's business or results of operations to date. However, there can be no assurance that MART will not change its regulatory approach in the future, and, if it determines that stricter remedial measures or price controls are appropriate to apply to retailers, Eurotorg's ability to profitably sell the affected type of product could be materially adversely affected.

Changes in existing regulations or the current regulatory framework, including significant support of domestic food producers, may materially adversely affect the Group's business.

Part of the existing regulations in Belarus are designed to support domestic food producers, such as the high import duties and maintaining a minimum number of SKUs in each category of products. The Group believes that these regulations give domestic food retailers an advantage over any non-domestic competitor looking to enter the Belarusian food retail market, as such competitor would have to have (or rapidly develop) a comprehensive local supply chain, including a strong relationship with local suppliers and a local logistics system, and reach a substantial procurement volume that would allow it to negotiate competitive prices. If these regulations change or are eliminated, the Group, as a domestic food retailer, will no longer be able to enjoy the competitive advantage of operating in a relatively fragmented market with high barriers to entry, the competition faced by the Group may intensify and the Group may be unable to increase or maintain its customer base and/or market share and its advantageous purchasing terms with suppliers, which may lead to reduced sales and margins for the Group any of which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group depends on its ability to lease or acquire appropriate real estate on commercially acceptable terms, build new stores on newly acquired or leased sites and to renovate and expand its existing stores.

The Group's ability to effect its expansion strategy depends in part on its ability to open new stores in advantageous locations, which, in turn, is heavily dependent on identifying and leasing or purchasing land plots and/or premises that are suitable for the Group's needs on commercially reasonable terms. The market for property in metropolitan areas in Belarus is highly competitive, primarily due to the limited availability of suitable premises and land plots. The Group faces competition not only from other retail industry participants but also from a variety of other industries, including, for example, non-food retailers. If the Group fails to identify and secure a sufficient number of premises and/or land plots for any reason, including competition from third parties seeking similar premises and land plots, the Group's expansion plans may be adversely affected.

Even after the Group locates and procures rights to suitable land plots and premises, the Group is required to obtain approvals from various regional and/or local authorities in order to arrange utility services and road access (if needed), undertake construction and to secure the Group's rights to operate stores or to refit or refurbish stores. Approvals are also required in order for the Group to expand and/or renovate its existing facilities**.** Obtaining such necessary approvals may require extensive documentation and be time-consuming. The Group may be unable to predict accurately how long it will take to obtain such approvals due to, among other factors, inconsistent and often vague regulatory requirements and a highly formalistic approach to issuing such approvals often adopted by the state and local authorities. Consequently, there can be no assurance that the Group will successfully identify and purchase or lease suitable land plots and/or premises on acceptable

terms or at all, or obtain the relevant approvals required to expand or renovate its stores, and its failure to do so may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Failure to renew store leases on commercially acceptable terms or at all as they expire may have a material adverse effect on the Group's business, financial condition and operating results.

As of 30 June 2020, the Group leased 62.9 per cent. of its total grocery selling space from third parties. Most premises are leased by the Group for an initial term of five to 10 years, with the availability of an automatic extension. Rent is predominantly linked to foreign currencies, with 65 per cent. of rental payments linked to Euros and 27 per cent. to U.S. Dollars as of 30 June 2020. The weighted average remaining rental period of the Group's properties is 3.8 years. Lease agreements entered into by the Group generally provide for fixed rent. See "*Business—Real Estate*". Approximately 18 per cent. of the Group's lease agreements will expire between 2020 and 2022. Although, historically, most of the Group's leases have been renewed once they expire or have been automatically extended, there can be no assurance that the Group will continue to be able to renew its store leases on acceptable terms, or at all, as they expire. If the Group is unable to renew the leases for its store locations as they expire, or lease other favourable locations on acceptable terms, or if the Group's existing leases are terminated for any reason (including in connection with a landlord's loss of its ownership rights to such sites), or if their terms are revised to the Group's detriment, such failures could have a material adverse effect on the Group's business, financial condition and operating results.

Successful challenges to the Group's lease rights or ownership interests in property or lease rights in land and property or delays or cancellation of the Group's construction projects could have a material adverse effect on the Group's business, financial condition and operating results.

The Group's business includes the lease or acquisition of land plots and buildings/premises with a view to their further development or re-development. In addition, the Group owns or leases buildings/premises in which its businesses are located. Belarusian land and property legislation is complicated and often ambiguous. In particular, the procedure of land plot allocation and provision is complex and requires a number of approvals and consents from different state authorities; construction approval procedures are complicated and prone to challenge or reversal and construction and environmental rules often contain requirements that are impossible to comply with fully in practice. As a result, the Group's ownership of and/or lease rights to land and buildings/premises may be challenged by government authorities or third parties and its construction projects may be delayed or cancelled.

Under Belarusian law, transactions involving real estate may be challenged on many grounds, including where the seller or assignor of rights to real estate acting fraudulently or otherwise did not have the right to dispose of such real estate; breach of internal corporate approval requirements by a counterparty; and failure to register the transfer of title in the unified state register. As a result, defects in transactions with respect to real estate may lead to the invalidation of such transactions, which may affect the Group's title or lease rights to such real estate.

Furthermore, obtaining construction approvals entails extensive documentation and an applicant may not be able to accurately predict how long it will take to obtain such approvals or whether it will be able to obtain them at all. As a result, the planned start of operation of the Group's stores or distribution centres and warehouses may be delayed or cancelled. Construction projects and store openings may also be delayed or be costlier if utilities services, such as electricity, water and gas supply, are difficult to obtain.

Further, under Belarusian law, certain encumbrances over real estate (including leases over buildings and premises and free of charge use agreements) do not need to be registered in the unified state register of real estate in order to encumber validly the property. There is, therefore, a risk that third parties may successfully create or claim the existence of encumbrances (of which the Group had no prior knowledge) over real estate owned or leased by the Group at any point in time. Any losses of title or lease rights or delays in construction

approvals to the Group's land or properties may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Increases in prices charged by food and non-food producers may have a material adverse effect on the Group's profitability if the Group is unable to pass on such increases to its customers.

Should prices for agricultural commodities or other products increase in the future, there can be no assurance that the Group will be able to maintain its sales and/or profitability. If prices at which the Group purchases products from its suppliers increase, the Group may need to pass on all or a large portion of these additional costs to its customers to be able to maintain the Group's margins. However, the Group may be unable to increase the selling price of products in the Group's stores to fully or partially offset the price increases by the Group's suppliers, potentially due to regulatory limitations, or if the Group's main competitors choose not to implement such price increases.

The Group intends to continue to expand its operations and, consequently, to increase the scale of its product procurement as a result of such expansion. Even if the Group does successfully increase the volume of its product procurement, there can be no assurance that the Group's suppliers will agree to renegotiate their pricing terms or to otherwise improve the terms of purchases in favour of the Group, which may not be suitable for their respective business models. Price increases due to higher prices for agricultural commodities or by suppliers or other adverse changes to the terms on which they work with the Group could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group may be unable to maintain the significant share of higher margin private label and own-produced products in the Group's sales and to increase workforce efficiency.

The Group intends to focus on maintaining the share of higher margin products in the Group's sales, such as private label and own-produced products and increase the efficiency of its workforce.

Due to the absence of marketing and advertising expenses incurred on and significant sales volumes of private label and own-produced products, the Group can purchase or manufacture them at a significantly lower cost than brand-name products and, accordingly, the Group's margins on such products typically are, on average, between 4 to 6 per cent. higher than on other similar products. In the six months ended 30 June 2020, private label and own-produced products represented 11.9 per cent. and 10.5 per cent. of the Group's sales revenue. However, due to competition or external cost increases, among other factors, the Group may be unable to successfully maintain the volume of sales of such products or their margins, which could result in a decline in the Group's revenue and profitability.

Furthermore, the Group intends to continue to implement certain initiatives to increase the productivity of its workforce and reduce associated personnel costs and expenses, including by providing training programmes for its key personnel to develop and enhance relevant skills and knowledge, adjusting employee work schedules for each store and reducing the total number of in-store personnel. There can be no assurance that the Group will be able to implement these initiatives successfully and increase the profitability of the Group. Furthermore, there can be no guarantee that any estimated cost savings from this or other initiatives will be fully realised or that such measures will not result in disruptions to the Group's operations, loss of efficiency, lower employee morale, fewer experienced employees or excess costs associated with unused space in the Group's facilities. Any of these developments could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group, as the largest private employer in Belarus, may be adversely affected by wage increases and labour disruptions.

The Company believes that the Group is the largest private employer in Belarus with 32,929 employees as of 30 June 2020. Employee benefits (which include wages, social, insurance and other payments) currently

represent the Group's second most significant cost item, accounting for a substantial portion of the Group's total administrative and selling expenses. The employee benefits from continuing operations have increased in the past three years from BYN 259,029 thousand in 2017 to BYN 298,940 thousand in 2018 reaching BYN 334,395 thousand in 2019. The Group's total administrative and selling expenses accounted for BYN 879,705 thousand in the year ended 31 December 2019. While the Group has taken, and may continue to take, measures intended to optimise its work force, it may be unable to materially reduce its labour costs due to a number of factors, including increased competition in the labour market and accelerated store roll-out programme, which could led to staff numbers increasing at a faster rate than revenue growth. Furthermore, inflation in Belarus may contribute to wage growth, and there can be no assurance that the Group will be able to maintain or increase its revenues commensurately in order to offset increases in wages.

In addition, most of the Group's employees are members of the United Trade Union "Euroopt" and are parties to a collective bargaining agreement with the Company. If the Group seeks to reduce employee benefits, or otherwise is unable to maintain satisfactory employee relations or negotiate acceptable labour agreements in the future, the results could include work stoppages, strikes or other industrial action or labour difficulties (including higher labour costs). Work stoppages or industrial action could also arise if the political protests intensify and the Group's employees participate in political action in significant numbers.

Any of the foregoing wage increases or labour disruptions could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group may experience disruptions to its supply chain and logistics system.

The Group depends on the ability of its suppliers to provide it with a wide variety of food and non-food products that meet the Group's quality standards on specified delivery schedules. From time to time, the Group experiences disruptions in the supply of products due to disruptions in the production processes of the Group's suppliers. While no material disruptions to supplies of major product categories have occurred in recent years, there can be no assurance that material disruptions will not occur in the future.

In addition, if the Group's logistics system was to experience sustained disruption due to, among other things, pandemics, poor infrastructure conditions, inclement weather, natural disasters or similar unforeseeable circumstances, the Group could face difficulties transporting, processing or distributing products to the Group's stores or doing so at a reasonable cost.

Disruptions in the Group's supply chain or logistics operations could result in a depletion of the Group's inventories and an inability to offer the Group's customers the Group's full product assortment, which in turn could lead to losses of the Group's customer base and market share and reputational damage. Disruptions to the Group's supply chain and logistics system could also result in higher operating costs and delays, and, if alternative arrangements are not available at a reasonable cost or at all, such disruptions could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Fluctuations in interest rates could materially adversely affect the Group's finance costs.

As of 30 June 2020, the share of financial instruments with floating interest rates in the Group's loan facilities (loans and borrowings, accrued interests, liabilities under finance leases) was 16.5 per cent., and from time to time the Group may incur additional indebtedness that bears interest at floating rates. The Group's main financial instruments with floating rates relate to loans received from banks and such floating rates are pegged to the Moscow Prime Offered Rate ("**MOSPRIME**"), the Euro Interbank Offered Rate ("**EURIBOR**") and refinancing rate of the Central Bank of the Russian Federation. Substantial increases in the rates of interest at which the Group borrows funds could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The "Eurotorg" and "Euroopt" brand names, trademarks and other intellectual property are critical to the Group's business and the value of such brand names, trademarks and other intellectual property rights could be negatively impacted by product recalls, customer complaints, adverse publicity, third party infringements, legal action or other factors.

As the Group's success depends to a significant extent upon brand recognition and the goodwill associated with it, the "Eurotorg", "Евроторг", "Euroopt", "Евроопт", "ТЕХNОПлюс", "ХИТ HIT", "СТАТУСБАНК STATUSBANK", "РыбаХит", "ГРОШЫК", "GUSTO", "ХМЕЛЬНОВ"/"HMELNOFF" and "Бабушкина Кухня" brand names and trademarks of its businesses and private label products are key intangible assets of the Group's business. Maintaining the reputation of the Group's brand names and trademarks is critical to the Group's success. Substantial erosion in the value of the Group's brand names due to product recalls, customer complaints, adverse publicity, dilution, legal action or other factors could have a material adverse effect on the Group's reputation and customer base. There can be no assurance that the Group's strategy and its implementation will maintain the value of these brands. See also "*—The sale of food products exposes the Group to the risk of product liability claims and adverse publicity*".

Although the Group believes it has taken appropriate steps to protect its trademarks and other intellectual property rights, there can be no assurance that such steps will be sufficient or that third parties will not infringe or challenge such rights. Further, the Group may not be able to prevent the use by third parties of trademarks similar to the Group's own registered trademarks, such as the use of a similar trademark on products of inferior quality. Delays in the registration of trademarks and defects in agreements pursuant to which trademarks may be assigned to the Group may also increase the risk of infringement of the Group's intellectual rights. Any diminution of the Group's intellectual property could have a material adverse effect on the Group's business, financial condition and operating results.

The sale of food products exposes the Group to the risk of product liability claims and adverse publicity.

The packaging, marketing, distribution and sale of food products present an inherent risk of contamination or deterioration. Such products may contain contaminants that could, in certain cases, cause illness, injury or death to consumers, and may also potentially lead to product liability, product recall and resultant adverse publicity. Even an inadvertent shipment of contaminated products may lead to an increased risk of exposure to product liability claims. There can be no assurance that product liability claims will not be asserted against the Group in the future or that it will not be obligated to undertake significant product recalls, and such risk is greater in the case of the Group's own private-label products and own production. As the Group does not maintain product liability or third party liability insurance covering product liability claims, product liability claims relating to defective products, if successful, could result in financial claims and penalties and reputational damage.

Even if a product liability claim is not successful or is not fully pursued, the negative publicity surrounding any assertion that the products sold by the Group (and particularly the Group's private-label products and own production) have caused illness, injury or death could have a material adverse effect on the Group's reputation with existing and potential customers. Maintaining the reputation of the Group's brand name is critical to the Group's success, which depends to a significant extent upon brand recognition and the goodwill associated with it. Adverse publicity could result in a loss of trust in the Group's brand among customers and ultimately to the loss of the Group's market share, which could in turn lead to a decline in the Group's revenue and profitability. Furthermore, negative publicity relating to the Group's suppliers, such as assertions of harmful environmental practices or inhumane working conditions, could also have an adverse effect on the Group's brand name and/or reputation.

Therefore, any product liability claim made against the Group (even if such claim is unsuccessful) and/or adverse publicity relating to the Group's brand is generated in Belarus or in other countries, whether as a result

of the actions of a third party (such as a supplier) or stemming from an action of a regulator could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Failure to comply with existing or new regulations affecting the Group's retail operations and real estate could result in closure of stores, imposition of substantial penalties, suspension of operations, additional costs and/or slower growth of revenue, interest and commission income.

The Group's retail operations and real estate are subject to regulation by various government entities and agencies, and the Group has to comply with various laws, regulations and rules with respect to, among other things, antitrust matters, product assortment, arrangements with suppliers, sales of alcohol and tobacco products, quality standards, health and safety, sanitary rules, cash desk operations, veterinary control (in relation to meat, fish, diary, eggs, honey, pet food, etc.) and consumer protection. See "*Regulation of Food Retail in Belarus*". This includes obtaining, maintaining and renewing various permits relating to, for example, health and safety, packaging, labelling, machinery and equipment, environmental standards and distribution standards. Regulatory authorities exercise considerable discretion in matters of enforcement and interpretation of applicable laws, regulations and rules and the issuance and renewal of permits and in monitoring compliance with their terms. Some of the laws and regulations are vaguely worded and contain contradictory provisions, while the implementation and enforcement of their provisions by the relevant supervisory authorities is not always consistent and is sometimes arbitrary. Compliance with the requirements imposed by these authorities may be costly and time-consuming and may result in delays in the commencement or continuation of the Group's operations. If the Group fails to comply with applicable regulations, such failure could lead to the imposition of civil and/or administrative penalties on the relevant member of the Group, and criminal and/or administrative penalties on the Group's managers. In addition to the financial consequences, the imposition of any such penalties could give rise to negative publicity and press speculation about the Group's actions, which could have a material adverse effect on the Group's reputation and disrupt the Group's ability to effectively expand and/or conduct the Group's business.

The Group's retail business is subject to mandatory rules for trade in alcohol and tobacco products, which represent a significant portion of its sales (18.3 per cent. of the Group's retail sales in the six months ended 30 June 2020). Amendments to the applicable legislation restricting sales of alcohol and tobacco products, affecting, for instance, the permitted time and territory for sales or limiting advertising of such products, may have the effect of lowering sales of these products. Furthermore, the Group's business may be subject to new potential regulations restricting its working hours. This may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, any new regulations, legislative amendments, changes in the interpretation of existing legislation, other regulatory changes, court decisions or the imposition of additional requirements or sanctions may further restrict the Group's ability to conduct the Group's operations or to do so profitably. Although the Group seeks to comply with all of its obligations to third parties, there is no assurance that the Group will not breach any of its obligations, including payment terms under supply agreements, in the ordinary course of business.

The Group is also subject to regulatory oversight and regular health and safety inspections conducted by the state labour and social defence authorities in the ordinary course of the Group's business. If the Group is found to be in violation of the applicable laws and regulations as a result of an inspection, this can result in fines. Any violations discovered in the course of such inspections may also generate negative publicity, which could have a material adverse effect on the Group's brand name and/or reputation.

Any failure to comply with existing or new laws, regulations or rules may result in the imposition of sanctions (including civil and administrative penalties applicable to the relevant member of the Group, and criminal and administrative penalties applicable to the Group's managers), and/or the Group may be required to cease certain of the Group's business activities and/or to remedy past infringements. The occurrence of any of these events

could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group may fail to fulfil the terms of its licences, permits and other authorisations and/or fail to renew them on expiry or obtain new licences, permits and other authorisations that the Group may require.

The Group is required to obtain and maintain licences, permits and other authorisations (concerning, for example, health and safety, packaging, labelling, environmental standards and distribution standards) in order to conduct its business and own its assets (collectively, "**Licences**"). If the Group fails to comply with the terms of its Licences or renew them on expiry, then the Licences may be suspended or terminated or may expire. This can result in the temporary or potentially permanent closure of the affected store or stores covered by the relevant Licences, the temporary or potentially permanent suspension of construction activities, or other adverse consequences for the Group. Furthermore, the Group cannot be certain that any given licence will be deemed sufficient by the relevant governmental authorities to cover fully the Group's activities performed under such licence. Some of the Licence terms are vaguely worded and may be subject to arbitrary interpretation by the authorities, while the issuance of new, and the renewal of existing, Licences is often subject to a considerable discretion by the authorities. In addition, an inability to obtain new Licences that the Group may require may adversely affect the Group's expansion plans. Furthermore, the authorities may introduce new requirements relating to the maintenance and renewal of Licences.

Any or all of these factors may adversely affect the Group's ability to maintain, renew or obtain necessary Licences. If the Group is unable to maintain, renew or obtain them, or is only able to do so on unfavourable terms, this could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group may engage in transactions with related parties, which may present conflicts of interest, potentially resulting in the conclusion of transactions on less favourable terms than could be obtained in arm's-length transactions.

The Group has engaged in transactions with related parties and may continue to do so, including, in particular with respect to purchases of products from entities owned by Mr. Sergey Litvin and Mr. Uladzimir Vasilko (the "**Founding Shareholders**") (see "*Related Party Transactions*"). The majority of these transactions during 2017, 2018, 2019 and the first six months of 2020 comprised purchases from the Minsk Wine Plant, a company controlled by the Founding Shareholders, and sales through "E-dostavka", the e-commerce brand of the Group's parent company, Eurotorg Holding PLC. While the Group has historically conducted transactions with related parties on terms that the Group's management believes to be arm's-length, and the Group intends to continue to do so in the future, conflicts of interest may arise between such related parties and the Group, potentially resulting in the conclusion of transactions on terms not determined by market forces. Conflicts of interest that may materially and adversely affect the Group's business, financial condition and operating results could deter prospective investors from investing in the Group, which could adversely impact the Group.

Related party transactions which are carried on a non-arm's-length basis may expose the Group to business and financial risks such as increased competition from related parties and transfer pricing adjustments of corporate profits tax liabilities, which could have a material adverse effect on the Group's business, financial condition and operating results.

The Group is exposed to certain risks in connection with the substantial use of cash in the Group's operations.

Due to the nature of the retail business and the current state of development of the Belarus banking sector, the Group processes a large volume of cash transactions in the Group's operations. In the six months ended 30 June

2020, approximately 53 per cent. of the Group's retail sales were made in cash. Therefore, the Group is exposed to the risk of petty theft, robbery, negligence or mistakes, which, if substantial in the aggregate, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group is dependent on credit and debit card payment processing service providers.

Purchases made using credit or debit cards account for a substantial proportion of the Group's sales. In the six months ended 30 June 2020, approximately 47 per cent. of the Group's retail sales were made using credit or debit cards. The Group relies on third party service providers for processing such payments, and the Group pays a fee for this service, which is typically calculated as a percentage from the Group's turnover for such transactions. If such service providers experience disruptions, system failures or other events, which render them unable to process bank card payments, sales at the Group's stores could be materially adversely affected. Disruptions affecting other financial institutions or intermediaries that process the Group's customers' credit or debit card transactions (such as, for example, a customer's credit card issuing bank) could also have an adverse impact on the Group's business, results of operations, financial condition and prospects.

The interests of the Group's shareholders may conflict with those of the Noteholders

As of the date of these Listing Particulars, based on the information available to the Company, the ultimate beneficial owners of the Company through their indirect shareholdings in Eurotorg Holding PLC are Mr. Uladzimir Vasilko (49.75 per cent.), Mr. Sergey Litvin (48.75 per cent.), Mr. Alexander Litvin (1.00 per cent.) and Mr. Andrey Zubkou (0.50 per cent.). See "*Shareholders*" for more information on the Company's shareholding structure. As a result, Mr. Uladzimir Vasilko and Mr. Sergey Litvin have a joint control over the Group and have the ability to elect the Company's board of directors and to substantially influence the appointment of management and the approval of certain actions requiring the consent of a majority of the Company's shareholders. For example, Mr. Uladzimir Vasilko or Mr. Sergey Litvin could cause the Group to pursue acquisitions and other transactions or provide a loan or make large dividend payments or other distributions or payments to shareholders that are designed to benefit shareholders, even though such transactions may involve increased risk for the Noteholders. Moreover, each of Mr. Uladzimir Vasilko and Mr. Sergey Litvin sit on the Board of Directors of the Company and are able to exert influence over the Company. Accordingly, the interests of the shareholders may conflict with the interests of the Noteholders, and the shareholders may require the Group to take actions that may adversely affect the Group's business, results of operations, financial condition and prospects and the value of the Notes.

In addition, the major shareholders of the Group have interests in other related businesses. These include their ownership of the online grocery sales and delivery business conducted by "E-dostavka", the e-commerce brand of the Group's parent company, Eurotorg Holding PLC. Moreover, the major shareholders of the Group have a minority stake in a separate food retail chain, which competes with the Group. The interests of these shareholders could conflict with those of the Noteholders, which could materially adversely affect the value of the Notes.

Furthermore, a disagreement among shareholders could prevent key strategic decisions from being made in a timely manner. In the event shareholders are unable to continue to work well together and with other shareholders and with directors and management, the Group's business, results of operations, financial condition and prospects could be materially adversely affected.

The Group's insurance policies may be insufficient to cover losses arising as a result of business interruption, damage to its property or third-party liabilities.

The Group's insurance policies cover the Group's real estate, inventory, equipment, goods in stores and warehouses, vehicles and partial insurance of leased assets. However, there can be no assurance that such insurance policies will be sufficient to cover any losses arising out of a business interruption or damage to the Group's property as a result of fire, explosion, flood or other circumstances. The Group does not maintain third

party liability insurance, other than as required by Belarusian law. There can be no guarantee that, if the Group suffers material losses, particularly if such losses occur simultaneously at a number of stores, or incurs a significant liability, its insurance will be sufficient to cover, or will cover at all, such losses or liability or that the Group will be indemnified by its insurers in a timely manner. As a result, material losses of stores or other operating assets or other events leading to a material interruption in business may materially and adversely affect the Group's business, financial condition and operating results.

The Group's success depends on key members of senior management and its ability to attract, train and retain qualified and experienced employees.

The Group's future success and growth depend in part on the continued service, efforts and skills of key members of the Group's senior management. Key members of the management team supervise the Group's development and cover the day-to-day management of its operations. While the Group has entered into employment contracts with such persons, the retention of their services cannot be guaranteed. The Group is not insured against damage that may be incurred in case of loss or dismissal of its key specialists or managers, nor does the Group maintain key person insurance. As a result, the loss of these personnel or the inability to attract and retain suitably qualified personnel could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's success also depends on its ability to attract, train and retain highly qualified management, technical and other personnel. However, due to a deficit of qualified professionals of middle and senior level in the Group's business and intense competition in Belarus for personnel with relevant expertise, particularly skilled managers, accounting personnel, real estate development specialists, lawyers and information technology ("**IT**") personnel, the Group may suffer from a lack of qualified personnel and may not be able to recruit personnel with appropriate qualifications at a reasonable cost or at all. The Group provides certain training programmes for its personnel, but there can be no assurance that employees will not be hired by competitors and that the Group will not lose the benefit of its investment in such training. If the Group is unable to attract and retain experienced, capable and reliable personnel, especially senior and middle management with appropriate professional qualifications, or if it fails to recruit skilled professional and technical staff in line with the Group's growth, the Group may need to increase expenditure on recruiting, salaries, training and incentives, any or all of which may adversely affect the Group's business, financial results, results of operations and prospects.

Employee misconduct is difficult to determine and detect and could harm the Group's reputation and business.

The Group faces the risk of loss that may arise out of its employees' lack of knowledge or wilful, negligent or involuntary violations of laws, rules and regulations or other misconduct. Misconduct by employees is a recurring risk in the Group's industry and it could involve, among other things, the improper use or disclosure of confidential information (including trade secrets), or embezzlement or fraud, any of which could result in regulatory sanctions or fines imposed on, as well as serious reputational or financial harm suffered by, the Group. Misconduct by employees may result in unknown and unmanaged risks and losses. It is not always possible to guard against employee misconduct and ensure full compliance with the Group's risk management and information policies, and the precautions the Group takes to detect such activity may not always be effective. The direct and indirect costs of employee misconduct can be substantial and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is exposed to a number of operational risks due to the nature of the Group's business.

The nature of the Group's business exposes the Group to a number of operational risks, including losses resulting from inadequate management and control procedures, fraud, poor business decisions, system errors relating to employee mistakes and abuse by employees of their position, technical failures, settlement errors,

and misuse of the Group's property. These risks also include but are not limited to shoplifting, robbery, employee theft or fraud, mismanagement, unauthorised actions by employees in violation of the applicable legislation, customer fraud, theft, loss or misuse of personal data by or about the Group's employees, customers or other third parties, third party service providers theft or fraud, inability to locate adequate maintenance and support service providers or failure of such third parties to provide their services in a satisfactory manner, accidents at the Group's stores, accidents involving the Group's delivery vehicles, road construction works in locations adjacent to the Group's stores complicating traffic and/or impeding entry in the Group's trading or warehouse premises, acts of terrorism and operational errors.

In addition, while the Group currently has in place detailed and extensive policies and procedures for managing compliance with the applicable laws, rules and regulations in a wide variety of areas, including antitrust/competition law, antibribery and anticorruption regulations, health and safety, environmental, sales of alcohol and tobacco, sanitary rules and consumer protection, no assurance can be provided that the Group's employees will not take action in breach of these policies and procedures. In particular, due to the nature of the Group's business, the Group is subject to a detailed framework of antitrust rules and regulations. Consequently, if the Group's employee actions result in a violation of antitrust rules or regulations, the Group may become subject to investigations or claims by MART or claims by other parties.

The Group's risk management policies and procedures may fail to identify and/or prevent or mitigate these or other operational risks that the Group faces. Such risks, if realised, could result in damage to the Group's property, machinery, equipment or inventories, disruptions to the Group's operations, liability claims from third parties, administrative penalties or fines, or damage to the Group's brand name and reputation, which in turn could materially adversely affect the Group's business, results of operations, financial condition and prospects.

Systems failures and delays could harm the Group's business.

The Group manages its inventory and logistical operations through a variety of electronic media, including an intranet, networked personal computers, internet, cloud technologies and automated inventory management systems. These operations are heavily dependent on the integrity of the electronic systems and IT supporting them. The Group uses its own and third party developed IT systems in its business activities. The Group believes that its IT systems enable it to quickly identify and react to changes in customer preferences by changing its product mix and pricing, including between regions or stores, and to effectively monitor and manage store performance. These systems also allow the Group to monitor and improve the timeliness and quality of its reporting. A disruption (even minor or short-term) to the functionality of the Group's IT systems (which may occur for a reason outside the Group's control), or delays in increasing the capacity of the IT systems, as well as failure to successfully integrate various IT platforms within the Group, as may be required to implement the Group's strategy, could have a material adverse effect on the business, financial condition, results of operations and prospects of the Group.

The Group's systems and operations are vulnerable to damage and/or interruption from human error, data inconsistency, natural disasters, power loss, computer viruses, hacking attacks, intentional acts of vandalism, breaches of security and similar events. Although the Group has in place contingency plans to deal with such events, there can be no assurance that the Group's systems will not suffer failures or delays in the future causing significant losses to its business. Equipment breakdowns may result in significant productivity losses and potentially full inoperability of the trading software used in stores for an unspecified time. Significant systems failures and delays could cause unanticipated disruptions in service, decreased customer service and customer satisfaction and harm to the Group's reputation, which could result in loss of customers, increased operating expenses and financial losses.

In addition, the Group's ability to operate the Group's business depends on the Group's ability to protect the IT systems that the Group operates from the intrusion of third parties who may attempt to enter the Group's systems

through the internet or otherwise. The Group relies on the internet for information sharing among the Group's stores, distribution centres, warehouses and offices. The internet generally, and individual websites in particular, have experienced a number of disruptions and slowdowns, some of which have been caused by organised attacks or security breakdowns. Third parties may attempt to gain access to the Group's systems, and the Group cannot be certain that it will be able to protect its systems from such attacks. Were the Group to experience a significant security breakdown or other disruption to the Group's IT systems, sensitive information, including commercial, financial and product information, could be compromised and the Group's operations could be disrupted, which could harm the Group's relationship with the Group's suppliers or customers. In addition, disgruntled employees may cause similar damage to, or take similar actions with respect to, the Group's IT systems. If such an attack occurs or damage is inflicted, it could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Disposal of the Group's real estate for a price below the original purchase price or investment costs may have a negative impact on the Group's business, results of operations, financial condition and prospects.

As of 30 June 2020, the Group owned approximately 37.1 per cent. of its total selling space. The Group may acquire additional land and build premises for new stores and distribution centres and warehouses in the future. The market value of these land plots and properties may decrease for various reasons, including: (i) changes in the competitive environment; (ii) changes in the attractiveness of real property as an investment asset either in Belarus as a whole or in certain regional markets in which the Group's real property is located, due to changes in country-related or region-related risks; and (iii) fluctuations in demand for commercial real property. As a result of any unfavourable changes in the real property market, the market value of the Group's real property may decrease. Any decline in the market value of the Group's real property may require the Group to revalue its real property, which could cause the Group to recognise a loss in respect of the value of such real property, which could have a material adverse effect on the Group's results of operations and financial condition. Furthermore, although the Group believes that all of its store premises may be used for purposes other than retail trading, there may be restrictions imposed on the use of these premises in the future due to changes in the legislation of Belarus or otherwise. If this occurs, the market value of the Group's premises may decrease, which could adversely affect the Group's results of operations and financial condition.

In addition, a lack of reliable information about the real estate market in Belarus makes it difficult to estimate the value of the real estate owned by the Group. Public information and research concerning the real estate market in Belarus is generally not as reliable or comprehensive as similar data on the real estate market in more developed countries due to the fact that the market is relatively illiquid and/or reported purchase prices may not be reliable and/or information regarding site development costs for comparable land plots may be unreliable or missing. As a result, absent sufficient and reliable information relating to Belarusian real estate and transactions therewith, real estate valuations conducted ahead of plot acquisitions may prove to be inaccurate, and there is a risk that subsequent adjustments to the value of acquired real estate will adversely affect the Group's results of operations and financial condition.

The adoption of new, or amendment of existing, accounting standards may significantly impact the Group's reported financial results and financial position.

Changes to the leases accounting standard under IFRS 16 "Lease" came into effect on 1 January 2019 and introduced a single on-balance sheet model for recording almost all lease agreements on a lessee's balance sheet. The new standard affected most of the commonly used metrics such as asset turnover, net debt, Adjusted EBITDA, operating profit, net income, operating cash flows and others.

The Group began applying IFRS 16 initially on 1 January 2019, using a modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Therefore,

the cumulative effect of adopting IFRS 16 were recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

In particular, upon its transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The Group also reclassified the carrying value of property, plant and equipment acquired under finance leases in the amount of BYN 163,736 thousand from property, plant and equipment to right-of-use assets and leased property. In relation to the leases under IFRS 16, the Group has recognised items relating to amortisation of right-of-use assets and leased property in administrative and selling expenses and interest expenses under lease agreements and profit/(loss) from foreign exchange differences in finance income/(costs) instead of in operating lease expense. Repayment under lease agreements is included in cash used in financing activities (previously these outflows were included into cash flows used in operating activities) and comprises principal and interest repayment. See "*Operating and Financial Review—Significant Factors Affecting the Results of Operations—Changes to IFRS reporting standards*".

For purposes of the Loan Agreement, Consolidated EBITDA, Net Indebtedness and Consolidated Leverage Ratio (each as defined therein), as well as certain other terms used in the restrictive covenants under the Loan Agreement, shall be calculated as if any lease that would have been treated as an operating lease under IFRS prior to the mandatory application of IFRS 16, will continue to be treated as an operating lease and would effectively be disregarded for purposes of such calculation, unless an irrevocable election has been made by the Borrower by written notice to the Lender to redesignate operating leases in accordance with IFRS 16. See "*Loan Agreement*".

The foregoing factors have affected the comparability of financial statements for the periods when IFRS 16 is effective against prior financial period, as well as the ability of investors to assess the Group's Consolidated Leverage Ratio from its financial statements in future periods. Furthermore, the adoption of any other new IFRS standards by the Group in the future could have a material adverse effect on the Group's reported results of operations and financial condition.

The Group's management controls and processes may fail to ensure proper oversight, reporting and control of the Group's business

The Group's policies, procedures and systems, including management controls and corporate governance practices, may not be as sophisticated or robust as those of some of the companies in Western Europe or the United States and there can be no assurance that they will function effectively or as designed. Failure of the Group's management controls and processes to ensure proper oversight, reporting and control of the Group's operations could have a material adverse effect on the Group's business, results of operations and financial condition.

In addition, each of the Company's subsidiaries prepares separate financial statements under Belarusian accounting standards for statutory purposes and the preparation of the Group's IFRS financial statements remains, to a certain extent, a manual process that involves the conversion of the statutory financial statements of the Company's subsidiaries into IFRS schedules through accounting adjustments, followed by the consolidation of these financial statements on a semi-annual basis. This process can be complex and time-consuming. The Group is currently planning to implement an integrated automated accounting system for financial statement preparation, transformation and consolidation and for the conversion of statutory accounts into IFRS. If the Group is unable to maintain adequate financial reporting functions and internal control systems, the Group's business, results of operations and financial condition may be materially adversely affected.

The Group is subject to the risk of claims, lawsuits and other proceedings.

The Group is exposed to a variety of potential litigation and statutory compliance risks. These risks include, among others, litigation concerning contracts it has entered into with landlords and suppliers, personal injuries and health and safety, taxes, antitrust and environmental matters, property and Government regulation. As a result, the Group may be subject to inspections, investigations, legal proceedings and other contingencies, the results of which cannot be predicted, and, if such events occur, the Group may be subject to fines, penalties and other damages if found liable. The Group has in the past been subject to a certain number of inspections and investigations (both scheduled and unscheduled) relating to applicable regulations, which have resulted in fines and penalties, and the Group may be subject to similar inspections and investigations in the future. Inspections, investigations and legal proceedings may adversely impact the Group's reputation with customers, suppliers, landlords, employees, the general public and other market participants.

In addition, in the ordinary course of its business, the Group has been subject to various disputes with state and local authorities, including customs, antimonopoly, tax and other authorities. It may not be excluded that the Group may be subject to further disputes with state and local authorities. While the Group was generally successful in defending against or settling those claims in the past, there can be no assurance that new claims will not be brought in the future, the outcome of which may not be foreseen. In addition, participation in any such lawsuit may result in additional costs incurred by the Group. Any inspection, investigation, or legal or other proceeding could have an adverse effect on the Group's business, financial condition, results of operations and prospects.

Failure to achieve its refinancing strategy would have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group intends to continue to seek opportunities to reduce its debt burden through debt repayment and continues to proactively manage the maturity profile of its debt portfolio, including by seeking opportunities to decrease the cost of financing on commercially reasonable terms and by continuing to negotiate maturity extensions and other related amendments to its existing indebtedness with creditors.

However, there can be no assurance that the Group will be able to refinance its indebtedness on commercially reasonable terms, or at all, or to extend its debt maturity. Furthermore, any reduction in the Group's credit rating could increase its cost of funding, adversely affect its interest margins and make its ability to raise new funds or renew maturing debt more difficult. If financial institutions decline to lend additional funds to the Group or to refinance or amend its existing loans as a result of the Group's credit risk or otherwise and the Group fails to raise financing through other means, the Group may breach its repayment or other obligations. Any such default would entitle the Group's creditors (including Noteholders) to enforce their rights against the Group, including (if applicable) their rights against the Group's pledged collateral and other security under the relevant financing agreements, which could result in a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The terms governing the Group's debt facilities contain restrictive covenants on the Group such as requirements to maintain certain financial ratios, limitations on incurring indebtedness, limitations on dividend payments, and restrictions on specified changes of control. The Group has received waivers from lenders for breaches of certain financial covenants in certain instances in the past, and although it is now in compliance with them there can be no assurance that the breaches will not recur in the future. Any such breach could result in an event of default under the relevant facility, result in acceleration and may potentially lead to a cross-default with respect to other debt facilities of the Group, any of which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's indebtedness or the enforcement of certain provisions of its financing arrangements could have a material adverse effect on its business.

As of 30 June 2020, 8.2 per cent. of the Group's loans and borrowings were secured, including by way of a pledge of its real estate, movables and inventories. Although the Group seeks to grant security on the condition that it will not interfere with the Group's business and the Group is not restricted in operating its pledged property as of the date of these Listing Particulars, there is no assurance that the Group will not lose control over any of its encumbered assets or have limited access to them as a result of enforcement of any of its indebtedness or otherwise. The portion of the Group's loans and borrowings that is secured may also increase in the future if unsecured credit becomes scarce or expensive. Any of these factors may have an adverse impact on the Group's business, results of operations, financial condition and prospects.

Risks Related to Belarus

Political and social unrest in Belarus could adversely affect Belarus' economy and the Group

On 9 August 2020, Belarus held presidential elections, in which President Lukashenko was re-elected with 80.1 per cent. of the vote, according to the Belarusian election commission. Following the results, there have been widespread strikes, protests and violent clashes between protestors and state security forces in Belarus, and the main opposition candidate, Svetlana Tikhanovskay, fled to Lithuania. Mass protests continue to date. Opposition leaders have established a national coordination council with a stated aim of coordinating a peaceful transfer of power. Belarus' security forces have responded by arresting and detaining of several leading opposition figures, as well as commencing criminal proceedings against members of the coordination council. On 28 August 2020, the United States, the European Union, Switzerland, and the United Kingdom issued a joint statement condemning the use of force by Belarusian authorities. EU foreign ministers further agreed to impose sanctions on several senior Belarusian officials suspected of involvement in election fraud and the severe response to protests since the disputed election, though the details of sanctions have yet to be announced. In addition, Lithuania, Latvia and Estonia imposed travel sanctions on 30 top officials in Belarus, including President Lukashenko, on 31 August 2020. In response to the EU announcements, President Lukashenko has threatened to cut transit routes used for the shipment of European goods to Russia over Belarusian territory. On 29 September 2020, the United Kingdom announced sanctions on President Lukashenko, his sons, Victor and Igor Sergeenko, and six other senior government officials, freezing the assets of these individuals and barring them from entering the country. On the same day, Canada also issued sanctions against eleven top officials within the Belarusian Government, freezing the assets of the individuals, including President Lukashenko, and barring them from entering the country. Notwithstanding the sanctions introduced by the UK and Canada against Belarusian officials, no assurance can be given that further restrictions will not be imposed by the UK, the EU, the United States or other jurisdictions in the future.

The ongoing strikes at the country's largest factories could affect economic growth, as well as the Belarusian government's budget. Among the economic consequences of the social unrest and political uncertainty have been the staff of IT firms threatening to leave Belarus, a drop in confidence of depositors in Belarusian banks and an increased outflow of deposits. If the mass protests continue and general strikes resume, they could also cause Belarus to struggle to meet its sovereign debt obligations and lead to a further deterioration in the Belarusian economy. (including, without limitation, in the event of any further foreign sanctions against Belarusian authorities or companies).

Any deterioration in the social, political and economic environment in Belarus could adversely affect Belarus' economy in general, and the Group's industry and business as well as the trading level of the Notes, as a result.

The economic effects of the outbreak of COVID-19 could adversely affect Belarus' economy and the Group

In December 2019, the emergence of a new strain of coronavirus was reported in Wuhan, Hubei Province, China. This new strain has subsequently spread throughout the world, including to Belarus. On 11 March 2020, the World Health Organization declared COVID-19 a global pandemic. Governments worldwide have since implemented various restrictions, including restricting travel, closing borders, restricting public gatherings, quarantining people who may have been exposed to the virus, imposing lockdowns or extended shutdowns and placing limitations on business operations. Such measures have impacted the macroeconomic environment and are creating significant volatility, uncertainty and disruption in global financial markets, the severity and duration of which will depend on future developments, which are highly uncertain and cannot be accurately predicted.

According to official data from the Government, the first cases of COVID-19 in Belarus were confirmed in February 2020. As at 28 September 2020, Belarus reported 77,946 confirmed cases of coronavirus, including 74,167 patients who successfully recovered and 822 deaths. Although to date Belarus has not introduced full-scale nationwide quarantine measures, since March 2020, social distancing has been actively promoted throughout the country, including through partial prohibition of public events, adjustments in the schedule of public transport, and promotion of remote working arrangements.

Like other countries, the emergence of COVID-19 poses a new risk to the financial health of Belarus. While the economic and fiscal cost of COVID-19 is difficult to predict, the Government anticipates a sizeable negative impact of the pandemic on the economy. In April 2020, the IMF forecast that Belarus' real GDP will possibly decline by 6.0 per cent. in 2020. In their outlook for 2021, the IMF predicts growth of 3.5 per cent. for Belarus' real GDP. The impacts of COVID-19, including the financial strain on Belarus' economy and social distancing measures affecting consumer behaviour, footfall and spending, may negatively impact the Group's financial position and prospects.

The COVID-19 pandemic is ongoing, and its dynamic nature, including uncertainties relating to the ultimate spread of the virus, the severity of the disease, the duration of the pandemic and the related weakening of economic conditions, such as a recession or slowed economic growth in global markets, and governmental authorities' response to the outbreak and its eventual aftermath, makes it difficult to predict or estimate reliably the degree of the risk posed by the virus. Moreover, if the spread of the virus is severe or prolonged, in Belarus or elsewhere, there is a risk that more far-reaching restrictions or measures than those already announced, will be taken to contain its spread or mitigate its impact, including prolonging lockdowns that have resulted in businesses slowing or shuttering operations. There can be no assurance that the COVID-19 pandemic will not negatively affect investor confidence in markets such as Belarus. In addition, these events may adversely affect Belarus' economy in general and the Group's industry and business as a result.

Emerging markets are subject to different risks as compared to more developed markets.

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

Moreover, financial turmoil in any emerging market country tends to adversely affect the value of investments in all emerging market countries as investors move their money to more stable, developed markets. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Belarus and adversely affect its economy. In addition,

during such times, companies in emerging markets can face severe liquidity constraints as foreign funding sources are limited.

Belarus' economy remains vulnerable to external shocks and fluctuations in the global economy.

Belarus' economy and finances have been and continue to be adversely affected by the current political and economic instability in neighbouring markets, as well as downturn in the global economy. After a recovery from the global financial and economic crisis of 2008 to 2009, Belarus' GDP growth in real terms decreased from 5.5 per cent. in 2011 to 1.7 per cent. in 2012, to 1.0 per cent. in 2013 and then increased to 1.7 per cent. in 2014.

Following a stabilisation of the Belarusian economy between 2013 to 2014, Belarus experienced adverse economic conditions in 2015 as a result of a number of factors, including the decrease in export industries oriented to Russia due to a decline in Russia's economy as a result of a sharp decrease in global oil prices, decreased investments in the Russian economy and significant capital outflow. As a result, in 2015 and 2016, Belarus' GDP declined in real terms by 3.8 per cent. and 2.5 per cent., respectively. In 2017 and 2018, Belarus' GDP increased in real terms by 2.5 per cent. and 3.1 per cent. In 2019, Belarus' GDP increased in real terms by 1.2 per cent.

Furthermore, as oil products are a large part of Belarusian exports, decrease in global oil prices led to export shortfall of oil and oil products for Belarus. For instance, in 2018, export of oil and oil products increased by U.S.$1.4 billion as compared to 2017. In 2019, export of oil and oil products decreased by U.S.$1.4 billion as compared to 2018 reflecting the decrease in oil prices. In the first quarter of 2020, Brent crude oil prices have been registered at levels as low as U.S.$19.33 per barrel in April 2020. Although oil prices have partially rebounded, the uncertainty caused by the ongoing COVID-19 pandemic and concerns around high oil production levels may have a further negative impact on oil prices. The relatively low prices in the first quarter of 2020 and any future fluctuations in international oil prices may have a material impact on the Belarusian economy and its fiscal revenues, balance of payments, external reserves and future financial condition.

Because the reactions of international investors to the events occurring in one market may have a "contagion" effect, in which an entire region or class of investment is disfavoured by international investors, Belarus could be adversely affected by negative economic or financial developments in neighbouring countries or countries with similar credit ratings (including Russia, Ukraine, Georgia and Serbia). Belarus has been adversely affected by such contagion effects on a number of occasions, including following the global economic and financial crisis of 2008 to 2009 and downturn in the Russian economy in 2015. Similar developments can be expected to affect Belarus' economy in the future. A significant reduction in the economic growth of any of Belarus' major trading partners has had in the past and is likely to have a material adverse impact on Belarus' balance of trade and adversely affect Belarus' economy.

There can be no assurance that any crises or downturns such as those described above or similar events will not negatively affect investor confidence in markets such as Belarus. In addition, these events may adversely affect Belarus' economy in general and the Group's industry and business as a result.

The Belarusian currency is subject to volatility.

As a result of Belarus' reliance on external sources of financing, Belarus has become increasingly exposed to the risk of exchange rate fluctuations. Prior to October 2011, the Belarusian Rouble was pegged to a currency basket which included the U.S. Dollar, the Euro and the Russian Rouble and the exchange rate was set by the National Bank. In 2010 and 2011, following increases in the current account deficit and pressures on foreign currency reserves, the National Bank was forced to make frequent interventions on the foreign currency market in order to maintain the fixed exchange rate for the Belarusian Rouble. Despite these interventions, the Belarusian Rouble depreciated by more than 60 per cent. in 2011. In the following years the Belarusian Rouble exchange rate and inflation rate stabilised and, as of 31 December 2019 (post-denomination), the official

Belarusian Rouble exchange rates were: BYN 2.10 to the U.S. Dollar, BYN 2.35 to the Euro and BYN 3.40 to 100 Russian Roubles and the inflation rate reached 4.7 per cent. in 2019. Thus, the official exchange rate in respect of U.S. Dollars increased by 104.5 per cent. from the average official exchange rate in 2014. Since 2016, the foreign currency policy of the National Bank has been based on the managed floating exchange rate principle. Currency interventions, such as foreign currency acquisition, have been used to smooth out the fluctuations of the foreign currency basket value in volumes that guaranteed a positive balance of sales and purchase of foreign currency by the National Bank in a mid-term period. The inflation rate in Belarus decreased to 4.6 per cent. in 2017 and rose again in 2018 to 5.6 per cent. At the beginning of 2020, inflation accelerated from 4.7 per cent. in December 2019 in annual terms to 5.2 per cent. in June, exceeding the target for 2020 (no more than 5 per cent.).

As a result of the recent political and social unrest, as well as UK, EU and prospective US sanctions on Belarus, the Belarusian Rouble depreciated 9 per cent. against the U.S. Dollar, from BYN 2.44 as of 1 August 2020, just prior to the election, to BYN 2.66 as of 31 August 2020. In addition, the Belarusian currency has depreciated further against the Euro, losing 30 per cent. in 2020. The Belarusian Rouble may continue to depreciate due to the current political and social environment in Belarus (including, without limitation, in the event of any further foreign sanctions against Belarusian authorities).

Any future significant currency fluctuations and increase in the inflation rate may negatively affect the Belarusian economy in general and, as a result, have a material adverse on the Group's business, financial condition, results of operations or prospects. In addition, any further depreciation of the Belarusian Rouble may adversely affect the Government's ability to service its external debt, which could adversely affect the investment environment and overall consumer confidence in Belarus, which in turn could have a material adverse effect on the Group's business, its ability to obtain financing in the international markets, and its financial condition, results of operations and prospects.

Inability to obtain financing from external sources could affect the ability of Belarus to meet its financing needs, which could have a negative effect on Belarus' economy and the overall consumer confidence in Belarus, which in turn could have a material adverse effect on the Group's business, its ability to obtain financing in the international markets, and its financial condition, results of operations and prospects.

Belarus has significant external financing, historically attracted to address the balance of payments deficit and support its foreign reserves. Most of Belarus' external borrowings are from Russia, the international capital markets and certain international financial institutions ("**IFIs**") such as the International Monetary Fund ("**IMF**"), the Anti-Crisis Fund (currently the Eurasian Fund for Stabilization and Development) and the World Bank.

In addition, due to the unfavourable economic environment in 2015 to 2017, many large state-owned enterprises attracted additional debt, which was insured by the state guarantees, thus creating a contingent liability for the Government. According to the National Bank data, the gross external debt of Belarus was 72.8 per cent. of GDP as of 31 December 2017, 65.4 per cent. of GDP as of 31 December 2018 and 64.5 per cent. of GDP as of 31 December 2019. Belarus' gross external financing requirement (exclusive of short-term debt), as a percentage of international reserves, was 67.8 per cent. as at 1 January 2020.

Following social unrest, Belarus has failed to progress talks with the IMF regarding a financial assistance package of up to U.S.$900 million. Although Russia has pledged U.S.$1.5 billion in financial assistance to Belarus, there can be no assurance that such funds will be provided or that they will prove sufficient. In addition, Belarus may face a downgrade in its sovereign credit ratings as a result of the continued social unrest, political instability and sanctions, which could affect its ability to secure new or refinance its existing sovereign debt.

If Belarus is unable to access the international capital markets or is unable to secure further external funding on commercially reasonable terms or at all, this may result in increased pressure on Belarus' foreign exchange reserves and have an adverse impact on Belarus' ability to meet its ongoing financing needs. The risks associated with these events or potential future events could materially and adversely affect the investment environment and overall consumer confidence in Belarus, which in turn could have a material adverse effect on the Group's business, its ability to obtain financing in the international markets, its credit rating and its financial condition, results of operations and prospects.

The Belarusian banking sector remains highly concentrated.

As of 30 June 2020, the banking sector of Belarus consisted of 24 working banks, five of which were state-owned, 14 controlled by foreign investors and five banks controlled by private non-foreign capital. There is a high level of concentration in the banking sector, with the five largest banks, which are state-owned, holding more than half of all the banking sector's assets and customers' deposits. While measures have been taken to address and reduce systemic risk, including planned privatisation of Belinvestbank, such measures are ongoing and there remains a risk that further reforms may be required, the impact of which is not certain.

Because the Group relies in part on financing from Belarusian banks, any funding shortages or other banking disruptions experienced by the Group's major bank partners could have a material adverse effect on its ability to execute planned developments or to obtain the financing required for the Group's operations. In particular, due to the recent political instability in Belarus, Belarusian banks have seen an increase in deposit outflows and a reduction in interbank Belarusian Rouble liquidity, and face potential limits on their ability to access foreign exchange markets. Any of these circumstances could have a material adverse effect on the Group's business, financial condition, results of operations and prospects of the Group.

Belarus has complex relations with the EU and the United States and any points of tension could have a material adverse effect on Belarus' economy or political environment or the value or liquidity of the Notes.

Belarus has complex relations with the EU and the United States, each of which has raised human rights concerns and criticised the method in which certain elections in Belarus have been conducted. Most recently, following the recent presidential election, the United States, the European Union, Switzerland, and the United Kingdom issued a joint statement condemning the use of force by Belarusian authorities. EU foreign ministers further agreed to impose sanctions on several senior Belarusian officials suspected of involvement in election fraud and the severe response to protests since the disputed election, though the details of sanctions have yet to be announced. In addition, Lithuania, Latvia and Estonia imposed travel sanctions on 30 top officials in Belarus, including President Lukashenko, on 31 August 2020. On 29 September 2020, the United Kingdom announced sanctions on President Lukashenko, his sons, Victor and Igor Sergeenko, and six other senior government officials, freezing the assets of these individuals and barring them from entering the country. On the same day, Canada also issued sanctions against eleven top officials within the Belarusian Government, freezing the assets of the individuals, including President Lukashenko, and barring them from entering the country.

Historically, Belarus' relations with the United States and the EU were significantly affected by flaws in the electoral system of Belarus, identified by international observers and alleged violations of human rights in Belarus. Between 2006 and 2011, the United States and EU imposed various travel restrictions and economic sanctions against Belarusian officials and state companies.

The parliamentary elections in 2016 were positively assessed by international observers from the Organisation for Security and Cooperation in Europe, the Commonwealth of Independent States ("**CIS**"), the Parliamentary Assembly of the Council of Europe and the Shanghai Cooperation Organisation and demonstrated development in the areas of democracy and human rights. Following the development of a more constructive dialogue, the United States suspended the effect of economic sanctions with regard to certain Belarusian entities. In March

2015, sanctions were cancelled with regard to Belarusian Oil Company manufacturing group, and from 30 October 2015 sanctions were suspended with regard to Naftan OAO, Polotsk Steklovolokno OAO and Concern Belneftekhim and its subsidiaries ("Belneftekhim Group"). On 25 February 2016 the EU Council also took the decision on final cancellation of the majority of restrictive measures with regard to Belarus, save for firearms embargo and sanctions related to four natural persons which were prolonged up to 28 February 2021. It remains to be seen what actions if any the EU or the United States will take in light of the most recent elections. In the ordinary course of business, the Group from time to time engages in dealings with Naftan OAO, Polotsk Steklovolokno and Belneftenftekhim Group and it estimates that such dealings are not material in the context of overall business of the Group.

The Group, the management of the Group and its shareholders are not currently, and have not in the past been, subject to any restrictive measures or sanctions, including the sanctions imposed by the UK and Canada on 29 September 2020.

Notwithstanding the sanctions introduced by the UK and Canada against Belarusian officials, no assurance can be given that further restrictions will not be imposed by the UK, the EU, the United States or other jurisdictions in the future.

If further sanctions are introduced in respect of Belarus or Belarusian entities and/or individuals, this may have a material adverse effect on the Group's financial condition and operating results. Further sanctions could affect levels of disposable income, consumer spending and consumer confidence, as well as foreign exchange rates and the ability of Belarusian banks, including the Group's banking operations, to sustain the required levels of liquidity and to comply with its financial obligations. Moreover, the Group's ability to use international payment networks (such as those administered by Visa and MasterCard) could be impaired, it might become unable to deal with persons or entities bound by the relevant sanctions, including financial institutions and rating agencies, to transact in U.S. Dollars, to raise funds from investors, or access the international capital markets generally, to use international settlement, clearing and/or information exchange systems, and/or existing funds of the Group might be blocked. Any of these circumstances could have a material adverse impact on the Group's business, results of operations, financial condition and prospects, as well as the trading levels of the Notes.

A deterioration in Belarus' relations with Russia could adversely affect the supply of fuel and energy resources to Belarus and supply of certain agricultural and industrial products from Belarus to Russia which may have an adverse effect on Belarus' economy and as a result on the Group.

Belarus imports a significant percentage of its energy requirements from Russia and Russia is Belarus' most significant trading partner, responsible for 55.9 per cent. of goods imports and 41.2 per cent. of goods exports in 2019. Russian crude oil exports to Belarus comprise a significant part of Belarus' energy resources and are important to Belarus oil refinery industry. Furthermore, the entirety of Belarusian domestic natural gas demand is covered by the supplies from Russia.

A change of the policy of the Russian government (the "**Russian Government**") or a deterioration of relations between Belarus and Russia could lead to the oil and gas supply arrangements being re-negotiated and oil and gas supplies from Russia being disrupted, which would have a material adverse effect on the Belarusian economy and as a result on the Group's business, financial condition, results of operations and prospects.

In addition, Russia is the principal market for Belarusian production. Belarusian exports to Russia principally comprise equipment, milk and dairy products, machinery, meat and spare parts for tractors and automobiles. Russia has in the past suspended imports of milk and dairy products and meat from Belarus citing public health concerns. Any future suspensions of imports of milk and dairy products and meat from Belarus may have an adverse effect on Belarus' economy and as a result on the Group's business, financial condition, results of operations and prospects.

Russia was also the source of 39.6 per cent. of foreign direct investment inflows for Belarus in 2019 and bilateral loans from Russia represented 47.6 per cent. of the total external public debt of Belarus as of 31 March 2020. If Belarus were no longer able to obtain loans from Russia on favourable terms or at all, this could have a material adverse effect on the country's finances and economy.

A number of oil and gas pipelines from Russia to EU member states run through Belarus, and a significant portion of Russian energy exports, in particular, in 2019, 43.9 million tonnes of Russia's oil and 20.3 billion cubic metres of its natural gas was delivered through Belarus. Russia is constructing new oil and gas pipelines in Russia and Europe to diversify the transport routes for its oil and gas exports. Notwithstanding the construction of these new pipelines, no indication has been given by the Russian Government that their construction would decrease the quantity of oil to be delivered to the EU through Belarus. However, there can be no assurance that this will not be the case.

Terms of supply are agreed by Belarusian processing plants and Russian crude oil suppliers. In the past, Belarus and Russia have had a number of disagreements regarding duties imposed on Russian crude oil exports to Belarus, which compose a significant part of Belarus' energy resources and are important for Belarus' oil refinery industry. Since 1 January 2015, the Russian Federation has implemented a "tax manoeuvre" in the oil sector, stipulating a gradual decrease of export customs rates for oil and basic oil products with the simultaneous increase of the tax on mineral resource extraction. As a result of the "tax manoeuvre", the price at which Belarus purchases Russian oil has been increasing.

In addition, as part of the "tax manoeuvre", Belarus is required to reduce its export customs rate for oil products, which reduces revenues attributable to the Belarus budget. Following the completion of the "tax manoeuvre" process, which is currently planned for 2024, Belarus will have to purchase oil from Russia at market prices and its export customs rate on oil will be reduced to zero. The Government estimates that the "tax manoeuvre" will result in an approximately U.S.$6.7 billion loss for the Belarusian economy in 2019-2024, including a U.S.$1.7 billion loss for the state budget. Belarus is currently investigating alternative crude oil sources and has made sample purchases from Norway, Azerbaijan, Saudi Arabia and the United States in the first half of 2020 in an effort to diversify its supplier base.

In early 2020, Russia and Belarus had dispute over oil prices, with Russia suspending the majority of oil exports to Belarus from January to March, with the dispute resolved following a crash in oil prices as a result of a deterioration in the OPEC+ alliance.

A change of the policy of the Russian Government or a deterioration of relations between Belarus and Russia could lead to the oil and gas supply arrangements being re-negotiated and oil and gas supplies from Russia being disrupted, which would have a material adverse effect on the Belarusian economy and as a result on the Group's business, financial condition, results of operations and prospects.

Sanctions imposed on certain Russian and Ukrainian persons and entities could have an indirect adverse impact on Belarus' economy.

The United States and the EU (as well as other nations, such as Australia, Canada, Japan and Switzerland) have imposed sanctions on certain Russian and Ukrainian persons and entities in connection with the conflict in Ukraine. The sanctions, combined with a substantial decline in global oil prices since 2019, had an adverse effect on the Russian economy, prompting downward revisions to the credit ratings of Russia and a number of major Russian companies, and caused extensive capital outflow from Russia in 2014 and 2015 and impaired the ability of Russian issuers to access the international capital markets, particularly during those years. The governments of the United States and certain EU member states, as well as certain EU officials, have indicated that they may consider additional sanctions should such tensions between Russia and Ukraine continue. The United States has also adopted additional sanctions measures against certain Russian persons and entities and sectors of the Russian economic activity, in response to the alleged interference by Russia in the U.S.

presidential elections in 2016. Further, in August 2018, the United States announced the imposition of the first phase of new sanctions on Russia in response to Russia's alleged use of chemical weapons compounds in the United Kingdom ("**UK**") against certain individuals. The imposition of these additional sanctions measures could adversely affect the Russian economy and trade.

While Belarus maintains strong independent diplomatic relationships with both Russia and Ukraine and has confirmed its neutral position with respect to the tensions between Russia and Ukraine, Belarus has significant economic and political relations with Russia. Russia and Belarus, together with Kazakhstan, Armenia and Kyrgyzstan are members of the Eurasian Customs Union (the "**Customs Union**") and Common Economic Space and established the EEU on 1 January 2015. While the establishment of the EEU is not expected to have an immediate significant impact on Belarus' relationship with Russia because it is essentially a continuation of the Customs Union and Common Economic Space structures that have been in place since 1 January 2010 and 1 January 2012, respectively, the establishment and functioning of the EEU is expected to continue to strengthen Belarus' economic relations with Russia going forward.

Russia is the main trade and economic partner of Belarus. In addition, interactions between Russia and Belarus involves the use by Belarusian banks (including StatusBank) of correspondent accounts with banks that are subject to sanctions imposed on certain Russian persons and entities by the United States, the EU and other countries. These sanctions could prevent Belarus from, or otherwise affect, trading or otherwise transacting with certain Russian counterparties, which could have a material adverse impact on Belarus' trade and consequently the country's economy.

Furthermore, in the ordinary course of business, the Group transacts with Russian banks or their subsidiaries that are the subject of "sectoral" imposed by the UK, U.S. and EU (such as Sberbank, VTB, Gazprombank and Roseximbank) with regard to a number of banking products such as loans, credit lines, deposits, letters of credit and investment banking services. Such operations are limited to the territory of Belarus and are permissible pursuant to applicable Belarusian law.

Belarus' close economic links with Russia, the existing sanctions imposed on certain Russian and Ukrainian persons and entities or any future sanctions could have a material adverse effect on Belarus' economy, which in turn could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Introduction of new, or increased existing bans, customs duties and tariffs on imported products by Belarusian governmental authorities could have a material adverse impact on the Group's business, results of operations, financial conditions and prospects.

Belarusian governmental authorities have from time to time introduced new, or increased existing bans, customs duties and tariffs on imported products. Although the share of imported products in the Group's product turnover is limited (25 per cent. in retail sales in 2019), import bans and/or introduction of, or increases in, customs duties or tariffs may result in reduced product availability and/or higher product prices, which may in turn increase the Group's costs and adversely affect the Group's margins and revenue. Furthermore, if substitute products are not available on commercially acceptable terms or at all, the Group's product assortment will become more limited, which may result in a decrease in the Group's revenue and profitability. Any of these circumstances could have a material adverse impact on the Group's business, results of operations, financial condition and prospects.

Political considerations may impede reform, and political instability may result from both the implementation of reforms or any failure or delay in such implementation, all of which could have a negative effect on Belarus' economy and the overall consumer confidence in Belarus.

The President of Belarus (the "**President**") who is elected directly by the people of Belarus has a wide range of powers including the power to call elections, appoint the Prime Minister of Belarus and Council of Ministers of Belarus (the "**Council of Ministers**") as the executive arms of the Government, make judicial appointments and appointments to local executive and administrative bodies and issue edicts, decrees and directives which have the force of law. The current President is not a member of any political party and no political party or other organised body currently has any significant representation in either chamber of the Belarus National Assembly as the representative and legislative body of Belarus. There is no limit on the number of terms for which the President can be elected and the President was re-elected with 80.1 per cent. of the vote, according to the Belarusian election commission, in elections held on 9 August 2020, which were followed by significant protests. In June 2020, the President of Belarus replaced the Prime Minister and some Ministers. Any shifts in the governmental policy, lack of consensus between the President, the Government or the Belarus National Assembly could lead to political instability and disrupt or reverse political, economic and regulatory reforms and policies (including those aimed at supporting the domestic businesses), which could have a material adverse effect on the value of investments relating to Belarus.

The public sector continues to account for a large share of economic activity in Belarus. The public sector budget for 2018 and 2019 resulted in a surplus of BYN 4.9 billion and BYN 3.3 billion, respectively. There can be no assurance that the public sector balance will remain in surplus in the future, especially in light of the COVID-19 pandemic. The total outstanding external public debt of Belarus as of 31 December 2019 was 27.1 per cent. of GDP, as compared to 30.6 per cent. of the GDP as of 31 December 2017 and 28.2 per cent. of the GDP as of 31 December 2018.

Certain commentators have suggested that without structural reform and a reduction in the extent of direct state support within Belarus' economy, the economy may not achieve sustainable growth. Progress on such reforms to date has been slow and reforms of this nature are likely to be politically unpopular. The extent to which Belarus will be able to attract broad scale investment in the absence of significant political reform is uncertain. Further borrowing from the IMF, the International Bank for Reconstruction and Development ("**IBRD**") and other IFIs may also be conditional on such reform.

For instance, in 2016 to 2018, annual consultations between Belarus and the IMF took place within the framework of Article IV of the IMF agreement, focusing on current economic policy and the forecast for the Belarusian economy's development for the coming years. On 16 January 2019, the report of the IMF staff was considered at the meeting of the IMF Board of Directors. The IMF Executive Board members noted a number of risks and vulnerabilities for the economy, including rapidly rising public debt, high dollarisation, and uncertainty about negative spill overs from Russia's "tax manoeuvre", together with delays or any failure in further implementation of reform policies.

Any delays or any failure in further implementation of reform policies favouring (i) privatisation, (ii) the reduction of direct state involvement in the economy and (iii) political reform or any political instability that may result from any significant increase in (1) the unemployment rate or (2) reduction in the current levels of social assistance and state subsidies could negatively affect Belarus' economy and the overall consumer confidence in Belarus, which in turn could have a material adverse effect on the Group's business, its ability to obtain financing in the international markets, and its financial condition, results of operations and prospects.

The economy of Belarus may be affected by the ageing population.

After the dissolution of the USSR, the majority of former Soviet Union states experienced increases in mortality and sharp drops in birth rates. Belarus was not an exception, although the increase in mortality was less

pronounced than in other newly independent states, as the socio-economic changes were less drastic. According to the World Bank, the Belarusian population decreased from 10.2 million in 1991 to 9.5 million people in 2018. Low post-war birth rates meant that in the 2000s the cohorts entering retirement were relatively small. This favourable demographic environment allowed for a surplus in the social protection fund of the Ministry of Labour and Social Protection of Belarus (the "**SPF**"). As old-age dependency increased, 2013 became the first year with registered SPF deficit. UN population projections suggest that age dependency will continue increasing until 2050 when it stabilises, thus the SPF may experience a shortfall in financing.

The current pension system in Belarus is a pay-as-you-go scheme. The retirement ages in Belarus are among the lowest in the region: currently 57 years for women and 62 for men. The retirement age is set to increase until it reaches 58 years for women and 63 years for men in 2022. The amount of the average monthly pension in Belarus in 2017, 2018 and 2019 amounted to BYN 309.6, BYN 352.1 and BYN 421.9, respectively. The average pension is approximately 40 per cent. of the average wage. Should the pension reform and other corresponding actions taken by the Government become insufficient to remedy the effects of the aging population, including a reduction in purchasing power, these factors could have an adverse effect on the Belarusian economy and as a result on the Group's business, financial condition, results of operations and prospects.

Weaknesses relating to the Belarusian legal system and Belarusian law create a volatile environment for investment and for business activity.

Belarus is still developing the legal framework required by a market economy. The Group's business is subject to the rules of laws and decrees, orders and regulations issued by the President, the Parliament, the Government, the ministries and regulatory authorities. Several fundamental Belarusian laws have only become effective within the past 10 to 20 years, and many have recently been amended. The recent nature of many Belarusian laws and the rapid evolution of the Belarusian legal system place the enforceability of laws in doubt and result in ambiguities, inconsistencies and anomalies. Many new laws remain untested. Among the risks of the current Belarusian legal system, to varying degrees, are: inconsistencies among laws and decrees, orders and regulations issued by the President, the Parliament, the Government, the ministries and regulatory authorities; limited judicial and administrative guidance on interpreting Belarusian law; the possibility of undue influence on or manipulation of judges; substantial gaps in the regulatory structure due to delay or absence of implementing legislation; a high degree of unchecked discretion on the part of governmental authorities; and bankruptcy procedures that are not well developed and can be subject to abuse. The foregoing factors make judicial decisions in Belarus difficult to predict and effective redress uncertain and may create risks of unlawful prosecution against the Group, its shareholders and management. For example, in 2003, Mr. Sergey Litvin and Mr. Uladzimir Vasilko were subject to a criminal investigation and prosecution for alleged tax evasion. However, the prosecution was dismissed in 2005 on the grounds that no criminal activity had actually occurred. No further prosecution has been launched against Mr. Sergey Litvin and Mr. Uladzimir Vasilko and neither have any criminal convictions. While there are no legal restrictions for Mr. Sergey Litvin and Mr. Uladzimir Vasilko preventing them from visiting or living in Belarus, they left Belarus in 2003 and have lived outside Belarus since then.

All of the weaknesses described above could negatively affect investor confidence in Belarus' business and legal environment, which could have a material adverse effect on the Group's ability to raise debt and equity capital in the international markets, as well as the Group's business, financial condition, results of operations and prospects.

There continues to be a lack of reliable official data in Belarus, which makes business planning inherently uncertain and may impair the ability of Belarusian companies to plan effective strategies.

The statistical information contained in these Listing Particulars has, unless otherwise stated, been derived from official publications of the Government, the National Statistical Committee of Belarus ("**National Statistical Committee**"), the National Bank and the Ministry of Finance as well as other third-party sources. So far as the Company is aware and is able to ascertain, no facts have been omitted which would render the reproduced information, data and statistics inaccurate or misleading. However, in the preparation of these Listing Particulars, this third-party information has not been independently verified nor has there been any investigation of the validity of the methodology of, or the basis used by, the third parties in producing such data or making estimates or forecasts, and, as a result, the Company can give no assurance as to the accuracy of third party-sourced data.

In addition, official statistical information published by the Government may in certain respects be less complete or reliable than comparable information for some of the more developed market economies of Western countries. The Group, as well as other Belarusian companies, has to rely on official statistical data in its business planning. If official statistical data proves to be inaccurate, this may lead to erroneous assumptions or business planning decisions, which could, in turn adversely affect the Group's business, financial condition, results of operations and prospects.

Corruption, as well as social instability could adversely affect the Group's business.

Emerging economies, such as the Belarusian economy, are subject to rapid change and are vulnerable to market conditions and may also experience more instances of corruption of Government officials than more mature markets. Fighting corruption has been identified as one of the key missions for Belarus, and it continues to work towards improving accountability, governance standards and legislative framework. In Transparency International's 2019 Corruption Perceptions Index survey of 180 countries, Belarus was ranked 66th. Corruption and allegations of corruption in Belarus may have a negative impact on its economy and reputation abroad, especially on its ability to attract foreign investment. Corruption could also disrupt the Group's ability to conduct business effectively, and claims that the Group may be involved in such corruption or illegal activities could generate negative publicity, either of which could harm the Group's business.

In addition, the failure of the Government to adequately address social problems could lead to labour and social unrest in the future. Such labour and social unrest could disrupt ordinary business operations, which also could materially adversely affect the Group's business, financial condition, results of operations and prospects.

Risks Related to Taxation

Risks related to taxation in Belarus

The Belarusian taxation system is continually evolving and is subject to frequent changes, which could have an adverse effect on the Group.

Generally, taxes payable by Belarusian companies are substantial and include, amongst others, corporate income tax, VAT, immovable property tax, payroll related social security charges and other taxes.

The tax laws related to these taxes, in particular the Tax Code of the Republic of Belarus (the "**Belarusian Tax Code**"), have been in force for a relatively short period of time compared with tax laws in more developed economies. Moreover, provisions of the Belarusian tax law applicable to financial instruments (including securities) may be subject to more rapid and unpredictable changes than similar tax laws in jurisdictions with more developed financial markets or more developed taxation systems.

Although the Belarusian tax climate and the quality of Belarusian tax legislation have generally improved since the introduction of the Belarusian Tax Code (the General Part of the Belarusian Tax Code became, effective in 2004 and the Special Part of the Belarusian Tax Code – in 2009), tax laws remain subject to frequent changes, lack of interpretative guidance and conflicting interpretations.

The Government is constantly reforming the tax system by redrafting parts of the Belarusian Tax Code as well as introducing other legal acts regulating taxation. This results in continuous changes being introduced to existing tax laws and their interpretation, which sometimes occur on short notice and apply retroactively. There can be no assurance that the Belarusian Tax Code will not be changed or interpreted in the future in a manner adverse to the stability and predictability of the Belarusian tax system. Moreover, tax regulations may be introduced by the President without amending the Belarusian Tax Code.

The Government has taken certain steps to reduce the overall tax burden in recent years. Nevertheless, Belarus may impose arbitrary and/or onerous taxes (late payment interest) and fines in the future, which could adversely affect the Group's business, results of operations, financial condition and prospects or the trading price of Notes.

As the Belarusian tax laws and regulation have been subject to frequent changes and as some of the sections of the Belarusian Tax Code are relatively new, the interpretation and application of these laws and regulations is often unclear, unstable or non-existent. Contradicting interpretations of tax laws and regulations may exist at central and local levels, increasing uncertainties and tax risks, and leading to the inconsistent enforcement of these tax laws and regulations in practice.

Taxpayers, the Ministry of Taxes and Duties and the Belarusian tax authorities often interpret tax laws and regulations differently. Private clarifications issued by the Ministry of Taxes and Duties and local tax authorities in response to specific taxpayers' queries with respect to particular situations are not binding on the Belarusian tax authorities and there can be no assurance that the Belarusian tax authorities will not take positions contrary to those set out in the private clarification letters issued by the Ministry of Taxes and Duties or local tax authorities. However, if a taxpayer fails to pay or makes an incomplete payment on the basis of written explanations on the application of tax laws obtained from the Ministry of Taxes and Duties or the tax authorities, a taxpayer shall not be subject to administrative liability (fines) and late payment interest.

In some instances the Belarusian tax authorities have used new interpretations of tax laws and regulations retroactively. During the past several years, the Belarusian tax authorities have shown a tendency to take more assertive positions in their interpretation of tax legislation, which has led to an increased number of material tax assessments issued by them as a result of tax audits of Belarusian companies operating in various industries. As taxpayers and the Belarusian tax authorities often interpret tax laws differently, taxpayers may need to resort to court proceedings to defend their position against the Belarusian tax authorities. Currently there are no consistent publicly available resources providing access to court decisions on tax disputes. In the absence of any binding precedent or consistent case law, decisions on tax or other related matters taken by different courts relating to the same or similar circumstances may be inconsistent or contradictory. This uncertainty could expose the Group to significant fines, late payment interest and to enforcement measures, despite the Group's best efforts at compliance, and could result in a greater than expected tax burden.

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

The Belarusian tax system continues, therefore, to be characterised by frequent changes to tax laws and regulations, the absence of interpretations or contradicting interpretations of tax laws and regulations, as well as inconsistent case law, and inconsistent decisions by the Belarusian tax authorities and their failure to address

many of the existing problems. These factors could adversely affect the Group's business, results of operations, financial condition, prospects or the trading price of, the Notes.

Repeated tax audits and absence of limitation period may result in additional tax liabilities.

The regulations and practice relating to tax audits and the statute of limitations for penalties and taxes create significant uncertainties for Belarusian taxpayers.

Tax returns, together with tax registers and related documentation, are subject to review and investigation by the Belarusian tax authorities, which are empowered by Belarusian law to accrue additional tax liabilities, late payment interest and penalties. The fact that a tax return for a given year has been reviewed by the Belarusian tax authorities does not prevent further review and investigation by the Belarusian tax authorities of the tax return and any other related documentation in respect of that year. Such a re-examination is permissible if it is ordered by the President, certain other government officials, pursuant to a criminal investigation and in other limited circumstances. Accordingly, previous tax audits may not preclude subsequent claims relating to the audited period.

Under Belarusian law, there is a limitation on the period that can be audited by the tax authorities of five years preceding the year when tax audit was initiated, unless the tax audit was performed in the furtherance of an order of the President, by certain other government officials, pursuant to a criminal investigation and in other limited circumstances.

Any tax that is underpaid must be collected from a taxpayer within five years from the date of tax payment, unless the tax audit was initiated by the President, certain other government officials, pursuant to a criminal investigation and in other limited circumstances.

The limitation period with respect to tax liabilities in relation to fines is three years.

Any repeated tax audits may result in additional costs to the Group, particularly if Belarusian tax authorities conclude that the Group did not satisfy its tax obligations for prior tax periods, which could have a material adverse effect on the Group's business, results of operations, financial condition, prospects and the trading price of the Notes.

Belarusian rules aimed at the limitation of deductible expenses may adversely affect the Group's business, financial condition and results of operation.

Amongst other tax authorities' measures aimed at combatting tax evasion through the use of low tax jurisdictions and/or preferential tax regimes are the "thin capitalisation" rules and the concept of "economically justified expenses".

Similar to many other countries Belarus has introduced "thin capitalisation" regulations. However, the Belarusian Tax Code provides for extended list of expenses falling within the scope of this concept. It sets forth restrictions not only with regard to deductibility of interest, but also in respect of various service fees, royalties (for certain types of intellectual property items) as well as fines and late payment interest paid to related parties. Expenses in excess of statutory "debt to equity" ratio are non-deductible for corporate income tax purposes.

The Belarusian Tax Code restricts deductibility of business expenses, if these expenses are not economically justified; however, the law does not provide for clear definition of this concept. Currently, the Belarusian Tax Code sets forth a set of markers that mark certain expenses as not economically justified. This list of markers includes, amongst others, cases where fees paid by taxpayers (except for joint stock companies) to their parent companies or subsidiaries for services if the paying company has employees with similar functions (duplicating services).

However, as there is no established practice of this concept application, there can be no assurance that tax authorities do not challenge other business expenses as economically unjustified denying their deductibility and charging additional amounts of taxes, late payment interest and fines.

Such evolving tax conditions create tax risks in Belarus that are greater than the tax risks typically found in countries with more developed taxation, legislative and judicial systems. These tax risks impose additional administrative burdens and costs on the Group's operations, including management's resources. Furthermore, these risks and uncertainties complicate the Group's tax planning and related business decisions, potentially exposing the Group to additional taxes, late payment interest, fines and enforcement measures, and could materially adversely affect the Group's business, results of operations, financial condition, prospects and the trading price of the Notes.

If Belarusian companies of the Group purchase services or attract financing from parent companies or subsidiaries, the Group might be subject to additional tax liabilities which could have a material adverse effect on its business, results of operations, financial condition, prospects and the trading price of Notes.

Belarusian transfer pricing rules may adversely affect the Group's business, financial condition and results of operations.

Belarus introduced transfer pricing rules in 2012. Since then there have been made many changes to the respective regulations including those setting forth thresholds and conditions for transactions to be recognised as controlled as well as transfer pricing methods and taxpayers' obligations. Although this legislation has been modelled on the basis of the transfer pricing principles developed by the Organisation for Economic Co-operation and Development ("**OECD**") as well as other countries' best practices, there are some peculiarities as to how generally accepted transfer pricing principles are reflected in the Belarusian rules.

According to the Belarusian transfer pricing rules, transactions may fall into the scope of "controlled transactions" if they are performed with real estate objects, Belarusian related companies (under certain thresholds and conditions), non-Belarusian related companies (under certain thresholds) or non-Belarusian companies that are resident in certain offshore zones (under certain thresholds).

The Belarusian transfer pricing rules require taxpayers to notify the Belarusian tax authorities of "controlled transactions". Taxpayers could also be required to present to the Belarusian tax authorities transfer pricing documentation related to "controlled transactions" upon their request.

The Belarusian tax authorities are entitled to accrue additional tax liabilities if prices of the "controlled transactions" deviate from the range of market price. Previously, controls were carried out if the deviation from the range of market prices was more than 20 per cent. From 2019, the Belarusian Tax Code does not provide for a 20 per cent. deviation. The tax authorities have conducted a number of transfer pricing audits and accrued additional taxes to taxpayers; however, there is still no established practice of transfer pricing rules application, which creates significant uncertainty.

Should the companies of the Group engage in "controlled transactions", no assurance can be given that the tax authorities will not challenge the prices applied by the Group and make adjustments, which could affect the Group's tax position. This could have a material adverse effect on the Group's business, results of operations, financial condition, prospects or the trading price of the Notes should the Group engage in any controlled transactions.

Payments under any potential Guarantee of the Loan may be subject to Belarusian withholding tax

Interest payments under any potential Guarantee of the Loan to be made by Belarusian Guarantors, if the Borrower procures that a Subsidiary (as defined in the Loan Agreement) becomes a guarantor pursuant to Clause 7.15 of the Loan Agreement, to the Issuer might be characterised as Belarusian-sourced income that would be

subject to the Belarusian withholding tax. The Belarusian tax regulations do not provide for direct regulation with regard to tax treatment of payments under guarantee. Most likely tax treatment of such payments should be the same as tax treatment of income under the initial obligation. Interest payments under the initial obligations are subject to withholding tax at a rate of zero per cent.

Payments to the Trustee under the Loan Agreement may be subject to Belarusian withholding tax

The Belarusian tax regulations do not provide for clear guidance with regard to tax treatment of interest payments under the Loan Agreement to be made to the Trustee upon the occurrence of an Event of Default or a Relevant Event. It is likely that tax treatment of such interest payments will be the same as tax treatment of interest payable to the Issuer, and a withholding tax at a rate of zero per cent. will be applied.

Tax might be imposed on disposals of the Notes by Noteholders, thereby reducing their value

The Belarusian Tax Code provides for obligation of non-resident legal entities having no permanent establishment in Belarus to pay withholding tax at a rate of 15 per cent. (or such other tax rate as may be effective at the time of such sale or other disposal) upon receipt of Belarusian-sourced income from disposal of securities in the territory of Belarus. It is not likely that disposal of the Notes might be treated as performed in the territory of Belarus. However, as the Belarusian tax law does not set forth any explanation with regard to determination of place of securities' disposal, there is no assurance that the Belarusian tax authorities will not claim Belarusian-sourced proceeds from the Notes' disposal as taxable in Belarus.

Proceeds from the disposal of Notes received from a source within Belarus by a Noteholder that is an individual not qualifying as a Belarusian tax resident for the purpose of Belarusian personal income tax could be subject to Belarusian personal income tax at a rate of 13 per cent. (or such other tax rate as may be effective at the time of such sale or other disposal). The tax would apply to the gross proceeds from such disposal of the Notes less any available duly documented costs (including the acquisition cost of the Notes and other expenses relating to the acquisition, holding and sale or other disposal of the Notes) provided that the duly executed supporting documentation is available to the person obliged to calculate and withhold Belarusian personal income tax in a timely manner. At a Noteholder's option instead of submission of document supporting expenses related to the proceeds from the Notes disposal, they can claim a deduction in the amount of 20 per cent. of the proceeds if the Notes were purchased by a Belarusian legal entity or a Belarusian individual entrepreneur.

Belarusian withholding tax or personal income tax rate may technically be eliminated under provisions of an applicable double tax treaty concluded between Belarus and the country of tax residency of a particular Noteholder, subject to timely compliance by that Noteholder with the respective treaty clearance formalities in practice. In order to apply for tax exemption or payment of tax at a reduced tax rate under the respective double tax treaty a Non-Resident Noteholder should confirm their tax residency status to the tax agent.

The imposition or possibility of imposition of the withholding tax and personal oncome tax could adversely affect the value of the Notes. See "*Taxation—Certain Belarusian Tax Considerations*".

Risks Related to the Notes

Payments under the Notes are limited to the amount of certain payments received by the Issuer from the Company under the Loan Agreement.

The Issuer has an obligation under the Terms and Conditions of the Notes and the Trust Deed to pay such amounts of principal, interest, and additional amounts (if any) as are due in respect of the Notes. However, the Issuer's obligation to pay is limited to the amount of principal, interest, and additional amounts (if any) actually received and retained (net of tax) by, or for the account of, the Issuer pursuant to the Loan Agreement. Consequently, if the Company fails to meet its payment obligations under the Loan Agreement, this will result

in the Noteholders receiving less than the scheduled amount of principal or interest or any other amounts, if any, on the relevant due date.

Moreover, except as otherwise expressly provided in the "*Terms and Conditions of the Notes*" and in the Trust Deed, the Noteholders will not have any proprietary or other direct interest in the Issuer's rights under, or in respect of, the Loan Agreement. Subject to the terms of the Trust Deed, no Noteholder will have any entitlement to enforce any of the provisions of the Loan Agreement, or have direct recourse to the Company, except through action by the Trustee under the Charge (as defined in the "*Terms and Conditions of the Notes*") or any assignment of rights, including the Assigned Rights (as defined in the "*Terms and Conditions of the Notes*"). Furthermore, Noteholders should be aware that neither the Issuer nor the Trustee accepts any responsibility for the performance by the Company of its obligations under the Loan Agreement (see "*Terms and Conditions of the Notes*").

The right of the Issuer to receive payments under the Loan (and therefore its ability to make payments under the Notes as they fall due) is effectively subordinated to any liabilities of the Company's subsidiaries, and the ability of Noteholders to recover in full could be adversely affected if the Company, or any of its subsidiaries, declares bankruptcy, liquidates or reorganises.

Some of the Group's operations are conducted through the Company's subsidiaries, and, to a certain extent, the Company depends on the earnings and cash flows of these subsidiaries to meet its debt obligations, including its obligations under the Loan Agreement. Some of the Company's subsidiaries have material liabilities, and many of those liabilities are secured. Since the Company's subsidiaries do not guarantee its payment obligations under the Loan Agreement or the Issuer's payment obligations under the Notes, neither the Issuer nor Noteholders will have any direct claim on the Company's subsidiaries' cash flows or assets. In the event of a bankruptcy, liquidation or reorganisation of any of the Company's subsidiaries, their creditors will generally be entitled to payment of their claims from the cash flows and assets of those subsidiaries before any cash flows or assets are made available for distribution to the Company as a shareholder. This may adversely affect the Company's ability to service its payment obligations under the Loan Agreement.

In addition, a Noteholder's claims in the currency of the Notes (US dollars) may be converted into Belarusian Roubles in any Belarusian bankruptcy proceedings and, therefore, in addition to the general risks of less than full recovery associated with any bankruptcy (or similar) proceedings, Noteholders may be adversely affected by movements in the currency exchange rates between the Belarusian Rouble and the US dollar.

The trading price of the Notes may be volatile.

The trading price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Group's or its competitors' operating results, adverse business developments, changes to the regulatory environment in which the Group operates, changes in financial estimates by securities analysts, and the actual or expected sale of a large number of debt securities similar to the Notes, as well as other factors. Any such disruptions may harm Noteholders. In addition, in recent years, the global financial markets have experienced significant price and volume fluctuations that, if repeated in the future, could adversely affect the trading price of the Notes without regard to the Group's results of operations, prospects or financial condition.

The lack of a public market for the Notes could reduce the value of an investment in the Notes.

There may not be an existing market for the Notes at the time they are issued. The Notes are expected to be listed and admitted to trading on the Global Exchange Market of Euronext Dublin. However, there can be no assurance that a liquid market will develop for the Notes, that Noteholders will be able to sell their Notes or that such holders will be able to sell their Notes for a price that reflects their value. Furthermore, the Borrower, directly or through entities acting on behalf of the Borrower or entities affiliated with the Borrower, and/or entities related to or affiliated with the Borrower, acting on their own behalf, are considering purchasing a

material portion of the aggregate principal amount of the Notes in the Offering and/or in the secondary market, which may adversely affect the liquidity and price of the Notes in the secondary market.

The Notes may or must be redeemed early in a number of circumstances, and the Company may be unable to repay its obligations under the Loan Agreement.

In certain circumstances, as more fully described in "*Terms and Conditions of the Notes*", the Company may, or in some cases must, prepay the Loan in whole or in part together with accrued interest at any time, and (to the extent that it has actually received the relevant funds from the Company) the Issuer shall redeem all outstanding Notes in accordance with the Terms and Conditions of the Notes. On such redemption, or at maturity, the Company may not have the funds to fulfil its obligations under the Loan Agreement and it may not be able to arrange for additional financing. If the early repayment or maturity date of the Loan occurs at a time when other arrangements prohibit the Company from repaying the Loan, the Company may try to obtain waivers of such prohibitions from the lenders under those arrangements, or it could attempt to refinance the borrowings that contain the restrictions. If the Company could not obtain the waivers or refinance these borrowings, it may be unable to repay the Loan.

Changes to the Company's credit rating or that of the Republic of Belarus may adversely affect the Notes' trading price.

It is expected that the Notes will be rated "B" − by Fitch and "B-" − by Standard & Poor's. Any changes in the credit ratings of the Company or the sovereign rating of the Republic of Belarus could adversely affect the trading price of the Notes. A change in the credit rating of one or more other Belarusian corporate borrowers or banks could also adversely affect the trading price of the Notes. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organisation.

Noteholders' rights will be limited so long as the Notes are issued in book-entry interests.

Owners of book-entry interests will not be considered owners or holders of Notes unless and until definitive notes are issued in exchange for book-entry interests. Instead, Euroclear, Clearstream, Luxembourg, or DTC or their nominees, will be the sole holders of the Notes.

Payments of principal, interest and other amounts owing on or in respect of the Notes in global form will be made as described in "*Summary of the Provisions Relating to the Notes in Global Form*" and none of the Issuer, the Trustee or any paying agent will have any responsibility or liability for any aspect of the records relating to, or payments of interest, principal or other amounts to, Euroclear, Clearstream, Luxembourg or DTC, or to owners of book-entry interests.

Owners of book-entry interests will not have the direct right to act upon any solicitation for consents or requests for waivers or other actions from holders of the Notes, including enforcement of security for the Notes. Instead, Noteholders who own a book-entry interest will be reliant on the nominees for the common depositary or custodian (as registered holder of the Notes) to act on their instructions and/or will be permitted to act directly only to the extent such holders have received appropriate proxies to do so from Euroclear, Clearstream, Luxembourg or DTC or, if applicable, from a participant. There can be no assurances that procedures implemented for the granting of such proxies will be sufficient to enable the Noteholders to vote on any requested actions or to take any other action on a timely basis.

The treatment of the Notes for U.S. federal income tax purposes is subject to uncertainty

Although the matter is not free from doubt, to the extent relevant for US tax purposes, the Issuer intends to take the position that a beneficial owner of a Note will be treated as the beneficial owner of a debt instrument that is not a contingent payment debt instrument. No assurance can be given that the IRS will not assert, or a court would not sustain, a position regarding the characterisation of the Notes that is contrary to this treatment.

Alternative characterisations include treatment of the Notes as equity in the Issuer or the Company, as contingent payment debt instruments subject to special rules relating to accrual of original issue discount ("**OID**") and contingent interest, or as other types of financial instruments. If the Notes were to be treated as contingent payment debt instruments or as equity, US Holders may be required, among other things, to recognise income for US federal income tax purposes at different times and in different amounts, or subject to higher rates of tax, than described below and may suffer additional adverse US federal income tax consequences. See "Certain United States Federal Income Tax Considerations".

Noteholders may face foreign exchange risks by investing in the Notes

The Notes will be denominated and payable in U.S. Dollars. For a Noteholder who measures its investment returns by reference to a currency other than the U.S. Dollar, an investment in the Notes entails foreign exchange related risks due to, among other factors, possible significant changes in the value of the U.S. Dollar relative to the currency by reference to which a Noteholder measures your investment returns because of economic, political and other factors over which the Group has no control. Depreciation of the U.S. Dollar against the currency by reference to which a Noteholder measures its investment returns could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss when the return on the Notes is translated into the currency by reference to which a Noteholder measure its investment returns. There may be tax consequences for Noteholders as a result of any foreign exchange gains or losses from any investment in the Notes.

The Issuer is subject to certain legal risks, including the location of its centre of main interest ("COMI"), the appointment of an examiner in the event the Issuer experiences financial difficulties, the claims of examiners, preferred creditors under Irish law and floating charges

COMI

The Issuer has its registered office in Ireland. Under Regulation (EU) No. 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings (recast) (the "**Recast EU Insolvency Regulation**"), the Issuer's COMI is presumed to be the place of its registered office (i.e. Ireland) in the absence of proof to the contrary and provided that the Issuer did not move its registered office within the three months prior to a request to open insolvency proceedings.

As the Issuer's COMI is presumed to be Ireland, any main insolvency proceedings in respect of the Issuer would fall within the jurisdiction of the courts of Ireland. As to what might constitute "*proof to the contrary*" regarding the location of a company's COMI, the key decision is that in ***Re Eurofood IFSC Ltd*** ([2004] 4 IR 370 (Irish □igh Court); [2006] IESC 41 (Irish Supreme Court); [2006] Ch 508; ECJ Case C-341/04 (European Court of Justice)), given in respect of the equivalent provision in the previous EU Insolvency Regulation (Regulation (EC) No. 1346/2000). In that case, on a reference from the Irish Supreme Court, the European Court of Justice concluded that "*factors which are both objective and ascertainable by third parties*" would be needed to demonstrate that a company's actual situation is different from that which the location of its registered office is deemed to reflect. For instance, if a company with its registered office in Ireland does not carry on any business in Ireland, that could rebut the presumption that the company's COMI is in Ireland. However, if a company with its registered office in Ireland does carry on business in Ireland, the fact that its economic choices are controlled by a parent undertaking in another jurisdiction would not, of itself, be sufficient to rebut the presumption.

As the Issuer has its registered office in Ireland, has Irish directors, is registered for tax in Ireland and has retained an Irish corporate services provider, the Issuer does not believe that factors exist that would rebut the presumption that its COMI is located in Ireland, although this would ultimately be a matter for the relevant court to decide based on the circumstances existing at the time when it was asked to make that decision. If the

Issuer's COMI was found to be in another EU jurisdiction and not in Ireland, main insolvency proceedings would be opened in that jurisdiction instead.

Examinership

Examinership is a court moratorium/protection procedure which is available under Irish company law to facilitate the survival of Irish companies in financial difficulties. Where a company, which has its COMI in Ireland is, or is likely to be, unable to pay its debts an examiner may be appointed on a petition to the relevant Irish court under Section 509 of the Companies Act 2014.

The Issuer, the directors of the Issuer, a contingent, prospective or actual creditor of the Issuer, or shareholders of the Issuer holding, at the date of presentation of the petition, not less than one-tenth of the voting share capital of the Issuer are each entitled to petition the court for the appointment of an examiner. The examiner, once appointed, has the power to halt, prevent or rectify acts or omissions, by or on behalf of the company after his appointment and, in certain circumstances, negative pledges given by the company prior to his appointment will not be binding on the company. Furthermore, where proposals for a scheme of arrangement are to be formulated, the company may, subject to the approval of the court, affirm or repudiate any contract under which some element of performance other than the payment remains to be rendered both by the company and the other contracting party or parties.

During the period of protection, the examiner will compile proposals for a compromise or scheme of arrangement to assist in the survival of the company or the whole or any part of its undertaking as a going concern. A scheme of arrangement may be approved by the relevant Irish court when a minimum of one class of creditors, whose interests are impaired under the proposals, has voted in favour of the proposals and the relevant Irish court is satisfied that such proposals are fair and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests would be impaired by implementation of the scheme of arrangement and the proposals are not unfairly prejudicial to any interested party.

The fact that the Issuer is a special purpose entity and that all its liabilities are of a limited recourse nature means that it is unlikely that an examiner would be appointed to the Issuer.

If however, for any reason, an examiner were appointed while any amounts due by the Issuer under the Notes were unpaid, the primary risks to the holders of Notes would be as follows:

- the Trustee, acting on behalf of Noteholders, would not be able to enforce rights against the Issuer during the period of examinership; and
- a scheme of arrangement may be approved involving the writing down of the debt due by the Issuer to the Noteholders irrespective of the Noteholders' views.

Preferred Creditors

If the Issuer becomes subject to an insolvency proceeding and the Issuer has obligations to creditors that are treated under Irish law as creditors that are senior relative to the Noteholders, the Noteholders may suffer losses as a result of their subordinated status during such insolvency proceedings. In particular:

- under the terms of the Trust Deed, the Issuer will charge to the Trustee on behalf of Noteholders by way of first fixed charge (the "**Charge**") as security for its payment obligations in respect of the Notes certain rights under the Loan Agreement and to the Account. Under Irish law, the claims of creditors holding fixed charges may rank behind other creditors (namely fees, costs and expenses of any examiner appointed and certain capital gains tax liabilities) and, in the case of fixed charges over book debts, may rank behind claims of the Irish Revenue Commissioners for PAYE, local property tax and VAT;

- under Irish law, for a charge to be characterised as a fixed charge, the charge holder is required to exercise the requisite level of control over the assets purported to be charged and the proceeds of such assets including any bank account into which such proceeds are paid. There is a risk therefore that even a charge which purports to be taken as a fixed charge may take effect as a floating charge if a court deems that the requisite level of control was not exercised; and

in an insolvency of the Issuer, the claims of certain other creditors (including the Irish Revenue Commissioners for certain unpaid taxes), as well as those of creditors mentioned above, will rank in priority to claims of unsecured creditors and claims of creditors holding floating charges.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission adopted a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovenia, Slovakia and Spain (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has a very broad scope and could, if introduced, apply to certain transactions relating to the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain transactions relating to the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

On 8 December 2015, 10 of the participating Member States issued a statement indicating an agreement on certain features of the FTT. According to this statement, the FTT would apply to certain transactions on shares and derivatives. However, the FTT would not apply to transactions relating to the Notes if it is implemented with the same feature as described in the 8 December 2015 statement.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

OECD Action Plan on Base Erosion and Profit Shifting

Fiscal and taxation policy and practice is constantly evolving and recently the pace of change has increased due to a number of developments. In particular, a number of changes of law and practice are occurring as a result of the Organisation for Economic Co-operation and Development ("**OECD**") BEPS project. Investors should note that certain action points which form part of the OECD BEPS project (such as Action 4, which can deny deductions for financing costs, see the risk factor entitled "*EU Anti-Tax Avoidance Directive*" below or Action 6 on the prevention of treaty abuse) may be implemented in a manner which affects the tax position of the Issuer.

EU Anti-Tax Avoidance Directive.

As part of its anti-tax avoidance package, and to provide a framework for a harmonised implementation of a number of the BEPS conclusions across the EU, the EU Council adopted Council Directive (EU) 2016/1164 (the "**Anti-Tax Avoidance Directive**") on 12 July 2016.

The EU Council adopted Council Directive (EU) 2017/952 (the "**Anti-Tax Avoidance Directive 2**") and, together with the Anti-Tax Avoidance Directive, the "**Anti-Tax Avoidance Directives**" on 29 May 2017, amending the Anti-Tax Avoidance Directive, to provide for minimum standards for counteracting hybrid mismatches involving EU member states and third countries. EU member states had to implement the Anti-Tax Avoidance Directive by 2019 (subject to derogations for EU member states which have equivalent measures in their domestic law) and the Anti-Tax Avoidance Directive 2 by 31 December 2019 (except for measures relating to reverse hybrid mismatches, which must be implemented by 31 December 2021).

The Anti-Tax Avoidance Directives contain various measures that could, depending on their implementation in Ireland, potentially result in certain payments made by the Issuer ceasing to be fully deductible. This could increase the Issuer's liability to tax and reduce the amounts available for payments on the Notes.

There are two measures of particular relevance. Firstly, the Anti-Tax Avoidance Directive provides for an "interest limitation rule" which restricts the deductible interest of an entity to 30 per cent. of its earnings before interest, tax, depreciation and amortisation. However, the interest limitation only applies to the net borrowing costs of an entity (being the amount by which its borrowing costs exceed its taxable interest revenues and other economically equivalent taxable revenues). This measure has not yet been implemented in Ireland. The exact scope of the measure and its impact on the Issuer's tax position will depend on how this is implemented in Ireland.

Secondly, the Anti-Tax Avoidance Directive (as amended by the Anti-Tax Avoidance Directive 2) provides for hybrid mismatch rules. These rules apply in Ireland with effect from 1 January 2020 and are designed to neutralise arrangements where amounts are deductible from the income of one entity but are not taxable for another, or the same amounts are deductible for two entities. These rules could potentially apply to the Issuer where: (i) the interest that it pays under the Notes, and claims deductions from its taxable income for, is not brought into account as taxable income by the relevant Noteholder, either because of the characterisation of the Notes, or the payments made under them, or because of the nature of the Noteholder itself; and (ii) the mismatch arises between associated enterprises, between the Issuer and an associated enterprise or under a structured arrangement. It is not clear if the Issuer will have any associated enterprise which will hold any Notes or be in receipt of payments from the Issuer, however if the Issuer has an associated enterprise holding Notes or receiving payments from it, then the measures should not impact payments on the Notes to that enterprise where the amounts of the payment are fully included for tax purposes and brought into account as taxable income by that enterprise.

For the purposes of the hybrid rules, a structured arrangement is one involving a mismatch outcome where the mismatch outcome is priced into the terms of the arrangement or the arrangement was designed to give rise to a mismatch outcome. Absent any guidance from the Irish Revenue Commissioners on how they will approach structured arrangements, it is not yet clear if this would apply to the transaction to bring it within scope of the hybrid rules.

USE OF PROCEEDS

The Issuer will use the proceeds received from the issue and sale of the Notes for the sole purpose of making the Loan. The Company intends to use the proceeds of the Loan in the amount of approximately U.S.$ 246 million to finance the purchase of any or all of the 2022 Notes, tendered and accepted for purchase in the Tender Offer and the redemption of 2022 Notes remaining outstanding after the Tender Offer upon the approval of the Mandatory Early Redemption, as well as the payment of any early consent fees in connection therewith, all pursuant to the Tender Offer and Consent Solicitation Memorandum. Any additional proceeds of the Loan will be used to refinance certain other indebtedness of the Group in the future.

On 30 September 2020, pursuant to the Tender Offer and Consent Solicitation Memorandum, the Issuer invited holders of the 2022 Notes to: (i) tender any or all of the 2022 Notes held by them for purchase by the Issuer for cash; and (ii) concurrently consent to amend by extraordinary resolution the terms and conditions of the 2022 Notes and the 2022 Loan Agreement to provide for the Mandatory Early Redemption, all on the terms and subject to the conditions set forth in the Tender Offer and Consent Solicitation Memorandum.

As of 30 September 2020 there was U.S.$240,977,000 in principal amount of the 2022 Notes outstanding[1]. 2022 Notes tendered in the Tender Offer and Consent Solicitation and accepted for purchase by the Issuer are expected to be settled on 2 November 2020, and the Mandatory Early Redemption to be completed on 3 November 2020. See "*Subscription and Sale—Tender Offer and Priority Allocation*".

Neither the Company nor any other member of the Group will, directly or indirectly, use the proceeds of the Loan or the offering of the Notes, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity:

- to fund or facilitate any activities of or business with any person that, at the time of such funding or facilitation, is the subject or target of UN, U.S., UK or EU sanctions that will result in a violation by any person of such sanctions;
- to fund or facilitate any activities of or business in any country or territory that is the subject or the target of UN, EU, US or UK country-wide or territory-wide sanctions; or
- in any other manner that will result in a violation by any person (including any person participating in the transaction, whether as underwriter, adviser, investor or otherwise) of UN, U.S., UK or EU sanctions.

The commissions, costs and expenses in connection with the issuance and offering of the Notes and the admission to trading thereof will be paid by the Company.

[1] 2022 Notes that are held by the Company and/or its subsidiaries are not considered "outstanding".

CAPITALISATION

The following table shows the Group's consolidated cash and cash equivalents and capitalisation, comprising the sum of short-term and long-term borrowings and total equity as of 30 June 2020, (i) on an actual basis and (ii) as adjusted to give effect to the offer of Notes and the use of proceeds thereof, as well as the Tender Offer and Mandatory Early Redemption, as if they had occurred on 30 June 2020. For further information regarding the Group's financial condition, see "*Selected Consolidated Financial Information and Operating Data*" and the Financial Statements included elsewhere in these Listing Particulars.

	As of 30 June 2020		
	Actual	**Transaction Adjustments**	**As Adjusted**
		(BYN thousands)	
Cash and cash equivalents	217,494	120,040	337,534
Loans and borrowings			
2022 Notes	572,945	(572,945)	—
RUB Notes	514,590	—	514,590
Secured loans	115,416	—	115,416
Unsecured loans	197,704	—	197,704
Total loans and borrowings	1,400,655	(572,945)	827,710
Notes offered hereby(1)	—	720,240	720,240
Total equity	6,860	—	6,860
Total capitalisation	1,407,515	147,295	1,554,810

Note:

(1) Represents the total aggregate principal amount of the Notes. The BYN equivalent amount is based on the National Bank's exchange rate of U.S.$1.00 to BYN 2.40 as of 30 June 2020. See "*Exchange Rate Information*".

On 30 September 2020, pursuant to the Tender Offer and Consent Solicitation Memorandum, the Issuer invited holders of the 2022 Notes to: (i) tender any or all of the 2022 Notes held by them for purchase by the Issuer for cash; and (ii) concurrently consent to amend by extraordinary resolution the terms and conditions of the 2022 Notes and the 2022 Loan Agreement to provide for the Mandatory Early Redemption, all on the terms and subject to the conditions set forth in the Tender Offer and Consent Solicitation Memorandum.

As of 30 September 2020 there was U.S.$240,977,000 in principal amount of the 2022 Notes outstanding[2]. 2022 Notes tendered in the Tender Offer and Consent Solicitation and accepted for purchase by the Issuer are expected to be settled on 2 November 2020, and the Mandatory Early Redemption is expected to be completed on 3 November 2020.

Other than as discussed above, there have been no material changes in the consolidated capitalisation of the Group since 30 June 2020.

[2] 2022 Notes that are held by the Company and/or its subsidiaries are not considered "outstanding".

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND OPERATING DATA

Except as indicated below, the financial data of the Group set forth in the following tables (i) as of 30 June 2020 and for the six months ended 30 June 2020 and 2019 is derived from the Interim Consolidated Financial Information and (ii) as of and for the years ended 31 December 2019, 2018 and 2017 is derived from the Annual Consolidated Financial Statements. The information in this section should be read in conjunction with sections entitled "Presentation of Financial and Other Information" and "Operating and Financial Review".

Consolidated Statement of Profit or Loss and Other Comprehensive Income Data

	Six months ended 30 June		Year ended 31 December		
	2020	**2019**	**2019**	**2018**	**2017**
			(BYN thousands)		
Revenue, interest and commission income	2,468,358	2,334,226	4,758,693	4,402,839	3,932,801
Cost of goods and services sold and interest expenses	(1,858,539)	(1,765,567)	(3619,092)	(3,248,025)	(2,910,087)
Gross profit	**609,819**	**568,659**	**1,139,601**	**1,154,814**	**1,022,714**
Administrative and selling expenses	(420,547)	(431,017)	(879,705)	(847,352)	(728,811)
Changes in allowance for impairment of financial assets	(1,225)	121	1,169	6,621	(1,774)
Other income	5,490	7,436	13,186	15,609	15,762
Other expenses	(11,788)	(8,373)	(20,906)	(16,300)	(24,337)
Operating profit	**181,749**	**136,826**	**253,345**	**313,392**	**283,554**
Finance income	1,342	59,605	31,757	872	1,089
Finance costs	(287,874)	(87,599)	(179,128)	(215,032)	(167,681)
Net finance costs	**(286,532)**	**(27,994)**	**(147,371)**	**(214,160)**	**(166,592)**
Profit/(loss) before income tax	**(104,783)**	**108,832**	**105,974**	**99,232**	**116,962**
Income tax (expense)/benefit	(2,389)	(22,630)	(52,560)	(30,837)	(14,445)
Profit/(loss) for the period	**(107,172)**	**86,202**	**53,414**	**68,395**	**102,517**
Other comprehensive (loss)/income					
Items that will never be reclassified to profit or loss:					
Revaluation of property, plant and equipment	—	(25,762)	(46,763)	(125,144)	(142,746)
Related tax	—	4,637	8,418	(21,951)	25,694
Items that are or may be reclassified to profit or loss:					
Foreign operations - foreign currency translation differences	1	20	48	(145)	(230)
Total other comprehensive (loss)/income	**1**	**(21,105)**	**(38,297)**	**103,048**	**(117,282)**
Total comprehensive income/(loss) for the period	**(107,171)**	**65,097**	**15,117**	**171,433**	**(14,765)**

Consolidated Statement of Financial Position Data

	As of 30 June	As of 31 December		
	2020	**2019**	**2018**	**2017**
		(BYN thousands)		
Assets				
Property, plant and equipment	1,237,883	1,263,621	1,412,727	1,265,214
Right-of-use assets and leased property	358,147	334,855	—	—
Prepayments for non-current assets	10,708	14,113	28,525	28,970
Intangible assets	17,470	16,145	11,626	6,494
Goodwill	6,232	6,265	6,359	7,055
Derivatives	—	15,297	—	—
Loans granted	39,081	48,156	51,036	41,206
VAT recoverable	2,455	3,285	12,214	7,994
Other investments	—	201	1,613	816
Deferred tax asset	34,283	25,863	51,172	88,961
Total non-current assets	**1,706,259**	**1,727,801**	**1,575,272**	**1,446,710**
Inventories	368,611	368,984	381,475	299,673
Trade and other receivables	128,589	151,201	161,226	105,227
Current tax assets	13	6,307	1,107	708
VAT recoverable	3,228	12,167	18,012	21,003
Prepayments	51,704	40,171	51,539	41,264
Loans granted	16,978	19,875	27,068	11,412
Other investments	—	—	5,530	30,291
Cash and cash equivalents	217,494	286,040	161,942	173,906
Non-current assets held for sale	—	57	65	87
Total current assets	**786,617**	**884,802**	**808,504**	**683,571**
Total assets	**2,492,876**	**2,612,603**	**2,383,776**	**2,130,281**
Equity				
Share capital	132,242	132,242	132,242	132,242
Revaluation reserve	274,472	274,472	340,375	238,088
Accumulated loss	(400,032)	(250,971)	(236,549)	(281,670)
Equity, attributable to owners of the Company	**6,682**	**155,743**	**236,068**	**88,660**
Non-controlling interests	178	238	340	301
Total equity	**6,860**	**155,981**	**236,408**	**88,961**
Liabilities				
Loans and borrowings	1,310,951	1,195,335	1,163,574	1,264,556
Lease liabilities	327,670	263,061	61,766	70,357
Derivatives	12,401	—	—	—
Deferred income	3,434	3,760	2,635	4,303
Deferred tax liabilities	1,361	1,805	1,592	3,237
Other non-current liabilities	1,878	2,593	13,531	9,713

	As of 30 June	As of 31 December		
	2020	2019	2018	2017
		(BYN thousands)		
Total non-current liabilities	**1,657,695**	**1,465,834**	**1,243,098**	**1,352,066**
Loans and borrowings	89,704	1,785	9,453	20,871
Accrued interests	19,228	17,541	11,652	14,363
Lease liabilities	115,365	103,027	13,018	10,803
Trade and other payables	504,789	781,778	786,562	572,091
Current tax liabilities	4,545	236	3,290	1,891
Deferred income	902	1,078	2,436	1,543
Other current liabilities	93,788	85,343	77,859	67,692
Total current liabilities	**828,321**	**990,788**	**904,270**	**689,254**
Total liabilities	**2,486,016**	**2,456,622**	**2,147,368**	**2,041,320**
Total equity and liabilities	**2,492,876**	**2,612,603**	**2,383,776**	**2,130,281**

Consolidated Statement of Cash Flows

	Six months ended 30 June		Year ended 31 December		
	2020	2019	2019	2018	2017
			(BYN thousands)		
Cash flows from operating activities:					
Profit/(loss) for the period/year	(107,172)	86,202	53,414	68,395	102,517
Adjustments for:					
Income tax expense/(benefit)	2,389	22,630	52,560	30,837	14,445
Depreciation of property, plant and equipment	40,450	36,590	86,935	80,069	86,109
Amortisation of intangible assets	1,699	2,128	4,390	2,892	2,021
Amortisation of right-of-use assets and leased property	45,715	45,917	90,260	—	—
Net finance costs	286,532	27,994	147,371	214,160	166,592
Impairment/(reversal of impairment) of property, plant and equipment	—	—	1,149	(3,057)	193
Changes in allowance for impairment of financial assets	1,225	(121)	(1.169)	(6,621)	1,774
(Gain)/loss on disposal of property, plant and equipment	2,272	1,217	6,805	(4,391)	363
Cash flow from operating activities before changes in operating assets and liabilities	**273,110**	**222,557**	**441,715**	**381,834**	**374,014**
Changes in:					
Inventories	235	19,939	12,491	(82,445)	(60,407)
Trade and other receivables	19,068	(4,562)	1,206	(54,134)	(14,722)
VAT recoverable	9,769	11,736	14,774	(1,207)	2,765
Prepayments	(11,496)	4,560	4,814	(10,597)	1,362
Non-current assets held for sale	57	65	8	22	(87)
Deferred income	(502)	(393)	(233)	(775)	(780)

	Six months ended 30 June		Year ended 31 December		
	2020	**2019**	**2019**	**2018**	**2017**
			(BYN thousands)		
Trade and other payables	(285,664)	(97,451)	(12,706)	206,798	(57,202)
Loans granted by the Bank	12,328	8,478	10,685	(22,537)	(379)
Other investments	—	(17,836)	5,530	25.330	—
Proceeds from sale/(purchase of) bonds	—	—	—	—	(12,340)
Other liabilities	6,249	20,837	22,807	17,870	18,793
Cash generated from operating activities	**23,154**	**167,930**	**501,091**	**460,159**	**251,017**
Income tax paid	(544)	(8,920)	(12,563)	(15,049)	(11,454)
Net cash from operating activities	**22,610**	**159,010**	**488,528**	**445,110**	**239,563**
Cash flows from investing activities:					
Acquisition of non-controlling interest	—	—	—	—	(33)
Sale/purchase of investments	—	—	865	(471)	—
Proceeds from sale of property, plant and equipment	14,665	93,042	105,361	18,317	3,978
Acquisition of property, plant and equipment	(24,543)	(43,736)	(80,421)	(80,448)	(45,166)
Deposit interests received	1,342	190	1,066	872	149
Acquisition of intangible assets	(3,024)	(2,756)	(8,909)	(8,024)	(3,060)
Redemption of loans granted	39	—	(589)	—	—
Net cash from/ (used in) investing activities	**(11,521)**	**46,740**	**17,373**	**(69,754)**	**(44,132)**
Cash flow from financing activities:					
Proceeds from loans and borrowings	483,285	371,084	879,947	1,266,639	1,494,385
Repayment of loans and borrowings.	(402,182)	(360,993)	(868,626)	(1,462,799)	(1,420,186)
Interest paid on loans and borrowings	(53,496)	(57,456)	(112,304)	(121,273)	(119,514)
Sale and leaseback financing	—	—	—	35,707	—
Principal repayment under finance lease agreements	—	—	—	—	(17,195)
Interest repayment under finance leases agreement	—	—	—	—	(8,151)
Repayment of lease liabilities	(70,678)	(117,655)	(221,302)	(71,351)	—
Repayment of VAT under lease agreements.	(1,018)	(9,905)	(18,220)	(11,724)	(5,069)
Dividends paid.	(41,950)	—	(40,724)	(25,017)	(19,256)
Net cash used in financing activities	**(86,039)**	**(174,925)**	**(381,229)**	**(389,818)**	**(94,986)**
Net (decrease)/increase in cash and cash equivalents	**(74,950)**	**30,825**	**124,672**	**(14,462)**	**100,445**
Cash and cash equivalents at the beginning of period	286,040	161,942	161,942	173,906	74,511
Effect of movements in exchange rates on cash held	6,404	(1,921)	(574)	2,498	(1,050)
Cash and cash equivalents as of the end of the period	**217,494**	**190,846**	**286,040**	**161,942**	**173,906**

Notes:

(1) For the year ended 31 December 2017, "Acquisition of subsidiary, net of cash acquired" was titled of "Acquisition of non-controlling interest".

(2) For the year ended 31 December 2017, "Deposits withdrawal (placement), net" was titled of "Acquisition of bonds".

Additional Financial Information

	As of and for the six months (except where otherwise indicated) ended 30 June		As of and for the year ended 31 December		
	2020	**2019**	**2019**	**2018**[1]	**2017**[1]
	(BYN millions, except where otherwise indicated)				
Adjusted EBITDA[2]	270	221	435	396	372
Adjusted EBITDA Margin (*%*)[3]	10.9	9.5	9.1	9.0	9.5
Adjusted EBITDAR Margin (*%*)[4]	10.9	9.6	9.2	11.6	11.8
Adjusted Free Cash Flow[5]	(56)	137	374	375	195
Adjusted Net Working Capital[6]	(3,835)	(124,335)	(192,013)	(205,667)	(132,757)
Net Debt[7]	1,626	1,405	1,277	1,086	1,193
Net Debt to Adjusted EBITDA (*x, LTM*)[8]	3.37	n/a	2.94	2.74	3.21
Consolidated Leverage Ratio (*x, LTM*)[9]	3.20	3.01	2.99	2.56	3.16
Adjusted EBITDA to Interest Expenses (*x, LTM*)[10]	3.1	n/a	2.7	3.0	2.7

Notes:

(1) All data for the years ended 31 December 2018 and 2017 in this table has been calculated from financial information prepared under the historical IAS 17 accounting standard for lease recognition, not IFRS 16 and therefore is not directly comparable to the later periods. See "*Operating and Financial Review—Significant Factors Affecting the Results of Operations—Changes to IFRS reporting standards*" for more information on the impact of IFRS 16 on the Group's financial information.

(2) Adjusted EBITDA is defined as profit/(loss) for the period from continuing operations, plus income taxes, net finance costs and depreciation and amortisation.

(3) Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by revenue, interest and commission income expressed as a percentage.

(4) Adjusted EBITDAR Margin is defined as the sum of Adjusted EBITDA and rental expenses divided by revenue, interest and commission income, expressed as a percentage. The following table presents a reconciliation of Adjusted EBITDA, Adjusted EBITDAR, Adjusted EBITDA Margin and Adjusted EBITDAR Margin for the periods indicated:

	Six months ended 30 June		Year ended 31 December		
	2020	**2019**	**2019**	**2018**	**2017**
	(BYN thousands, except for percentages)				
Profit/(loss) from continuing operations	(107,172)	86,202	53,414	68,395	102,517
Adjusted for:					
Income tax expense/(benefit)	2,389	22,630	52,560	30,837	14,445
Net finance costs	286,532	27,994	147,371	214,160	166,592
Depreciation	40,450	36,590	86,935	80,069	86,109
Amortisation	1,699	2,128	4,390	2,892	2,021
Amortization of right-of-use assets and leased property	45,715	45,917	90,260	—	—
Adjusted EBITDA	**269,613**	**221,461**	**434,930**	**396,353**	**371,684**
Rental expenses	492	1,752	4,290	114,302	91,238
Adjusted EBITDAR	**270,105**	**223,213**	**439,220**	**510,655**	**462,922**
Divided by:					
Revenue, interest and commission income	2,468,358	2,334,226	4,758,693	4,402,839	3,932,801
Adjusted EBITDA Margin	**10.9**	**9.5**	**9.1**	**9.0**	**9.5**
Adjusted EBITDAR Margin	**10.9**	**9.6**	**9.2**	**11.6**	**11.8**

(5) Adjusted Free Cash Flow means net cash from operating activities less the repayment of lease liabilities and interests (when applicable) less Capital Expenditures plus proceeds from sale of property, plant and equipment. The following table presents a reconciliation of Adjusted Free Cash Flow for the periods indicated:

	As of and for the six months ended 30 June		As of and for the year ended 31 December		
	2020	**2019**	**2019**	**2018**	**2017**
			(BYN thousands)		
Net cash from operating activities	22,610	159,010	488,528	445,110	239,563
Adjusted for					
Repayment of lease liabilities under Right-of-use agreements	46,488	51,785	94,495	—	—
Interest expenses under Right-of-use agreements	19,101	16,765	36,120	—	—
Capital Expenditures	27,567	46,492	89,330	88,472	48,226
Proceeds from sale of property, plant and equipment	14,665	93,042	105,361	18,317	3,978
Adjusted Free Cash Flow	**(55,881)**	**137,010**	**373,944**	**374,955**	**195,315**

(6) Adjusted Net Working Capital is defined as the sum of inventories (excluding banking inventories) and net trade receivables less trade accounts payable. The Company believes that change Adjusted Net Working Capital is a useful indicator of the cash requirements to support the growth of the business. The following table presents a reconciliation of Adjusted Net Working Capital as of the dates indicated:

	As of 30 June		As of 31 December		
	2020	**2019**	**2019**	**2018**	**2017**
			(BYN thousands)		
Inventories (excl. banks)	368,491	362,292	368,909	381,415	299,629
Trade receivables, net	92,303	109,609	110,369	102,317	71,896
Trade accounts payable	464,629	596,236	671,291	689,399	504,282
Adjusted Net Working Capital	**(3,835)**	**(124,335)**	**(192,013)**	**(205,667)**	**(132,757)**

(7) Net Debt is calculated as the sum of short-term and long-term loans and borrowings (including obligations under finance leases and right-of-use liabilities, when applicable) minus cash and cash equivalents.

(8) Net Debt to Adjusted EBITDA is a ratio calculated by dividing Net Debt by Adjusted EBITDA. For the six months ended 30 June 2020, this ratio is calculated by dividing Net Debt by LTM Adjusted EBITDA as presented below.

(9) Consolidated Leverage Ratio is a ratio calculated by dividing (x) Covenant Adjusted Net Debt, calculated as the sum of short-term and long-term loans and borrowings (including obligations under finance leases and excluding right-of-use liabilities, when applicable, and including derivatives and guarantees) by (y) Covenant Adjusted EBITDA calculated excluding the effect of IFRS 16 adoption on rental costs and one-off expenses, when applicable, in each case, in accordance with the Group's financial covenant tests. For the six months ended 30 June 2020 and for the six months ended 30 June 2019, this ratio is calculated by dividing the Covenant Adjusted Net Debt by the LTM Covenant Adjusted EBITDA figure. The applicable figures have been converted from Belarusian Roubles to U.S. Dollars at the period end exchange rate for the Covenant Adjusted Net Debt and period average exchange rate for the Covenant Adjusted EBITDA. See "*Exchange Rate Information*".

The following tables present these figures as of and for the periods indicated:

	For the twelve months ended 30 June		For the year ended 31 December		
	2020	**2019**	**2019**	**2018**	**2017**
			(BYN thousands, unless indicated otherwise)		
Profit/(loss) from continuing operations	(139,960)	85,829	53,414	68,395	102,517
Adjusted for:					
Income tax expense/(benefit)	32,319	36,078	52,560	30,837	14,445
Net finance costs	405,909	173,279	147,371	214,160	166,592
Depreciation	90,795	77,184	86,935	80,069	86,109
Amortisation	3,961	3,836	4,390	2,892	2,021
Amortization of right-of-use assets and leased property	90,058	45,917	90,260	—	—

Adjusted EBITDA	**483,082**	**422,123**	**434,930**	**396,353**	**371,684**
One-off expenses	3,743	—	3,743	4,603	—
IFRS-16 Impact	(127,177)	(62,998)	(123,315)	—	—
Covenant Adjusted EBITDA	**359,648**	**359,125**	**315,358**	**400,956**	**371,684**
BYN/USD translation rate (average for each period presented) (*BYN per U.S.$1*)	2.21	2.10	2.09	2.04	1.93
Covenant Adjusted EBITDA (*USD thousands*)	**162,854**	**171,006**	**150,788**	**196,875**	**192,403**
Net Debt	1,626,196	1,404,966	1,277,168	1,085,869	1,192,581
Derivatives	12,401	—	(15,297)	—	—
Guarantees	43,511	37,776	37,322	696	6,742
IFRS-16 Impact	(429,167)	(389,453)	(349,689)	—	—
Covenant Adjusted Net Debt	**1,252,941**	**1,053,289**	**949,504**	**1,086,565**	**1,199,323**
BYN/USD translation rate (period-end rate for each period presented) (*BYN per U.S.$1*)	2.40	2.04	2.10	2.16	1.97
Covenant Adjusted Net Debt (*USD thousands*)	**521,885**	**515,484**	**451,371**	**503,086**	**607,960**
Consolidated Leverage Ratio	**3.20**	**3.01**	**2.99**	**2.56**	**3.16**

(10) Adjusted EBITDA to Interest Expenses is a ratio calculated by dividing Adjusted EBITDA by Interest Expenses. For the six months ended 30 June 2020, this ratio is calculated by dividing LTM Adjusted EBITDA by LTM Interest Expenses and Interest Expenses under lease agreements, as presented below.

Last Twelve Months Financial Data[(1)]

	For the twelve months ended 30 June
	2020
	(BYN thousands)
Revenue, interest and commission income	4,892,825
Cost of goods and services sold and interest expenses	(3,712,064)
Gross profit	**1,180,761**
Net cash from operating activities	352,128
Repayment of lease liabilities	(89,198)
Interest expenses under lease agreements	(38,456)
Capital Expenditures	(70,405)
Proceeds from the sale of property, plant and equipment	26,984
Adjusted Free Cash Flow	**181,053**
Interest Expenses and Interest Expenses under lease agreements	(157,659)
Adjusted EBITDA	483,082

Note:

(1) Last twelve months financial data is calculated as a figure for the year ended 31 December 2019 less a figure for the six months ended 30 June 2019 plus a figure for the six months ended 30 June 2020.

Selected Operating Data for Grocery Retail Stores

Grocery stores and selling space:

	As of 30 June	As of 31 December		
	2020	2019	2018	2017
Number of grocery stores	879	870	762	500
Selling space (*ths sq. m.*)	332.4	334.6	320.1	278.5
Owned selling space (*ths sq. m.*)	123.4	123.1	129.2	121.6
Leased selling space (*ths sq. m.*)	209.0	211.2	190.9	156.8

Grocery retail sales by store format:

Retail format	Six months ended 30 June		Year ended 31 December		
	2020	2019	2019	2018	2017
			(BYN thousands)		
Rural convenience	64,916	51,810	113,890	54,384	6,839
Urban convenience	1,080,884	937,979	1,958,673	1,730,213	1,469,959
Supermarkets	520,118	485,525	978,978	912,560	811,395
Hypermarkets	536,997	592,799	1,162,933	1,257,518	1,280,039
Total	**2,202,914**	**2,068,113**	**4,214,474**	**3,954,675**	**3,568,233**

Sales and traffic density in grocery retail stores:

	Six months ended 30 June		Year ended 31 December		
	2020	2019	2019	2018	2017
Sales per 1 sq. m. per month, net (BYN)	1,101	1,061	1,073	1,101	1,083
Traffic per 1 sq. m. per day, tickets	3.06	3.12	3.17	3.14	3.16

Like-for-like performance:

	Six months ended 30 June	Year ended 31 December		
	2020	2019	2018	2017
		(%)		
LFL sales (increase/(decrease) period on period)	1.9	(4.3)	2.8	1.1
LFL traffic (increase/(decrease) period on period)	(5.2)	(4.6)	(2.6)	(7.5)
LFL average ticket (increase/(decrease) period on period)	7.5	0.3	5.6	9.3

OPERATING AND FINANCIAL REVIEW

The following discussion and analysis of the Group's results of operations and financial condition should be read in conjunction with the Annual Consolidated Financial Statements and the Interim Consolidated Financial Information. Prospective investors should read the following discussion together with the whole of these Listing Particulars, including "Risk Factors", "Presentation of Financial and Other Information" and "Selected Consolidated Financial Information and Operating Data" and should not rely solely on the information set out in this section. This section contains forward-looking statements that involve risks and uncertainties. The Group's actual results may differ materially from those discussed in such forward-looking statements as a result of various factors, including those described under "Risk Factors" and "Presentation of Financial and Other Information—Forward-Looking Statements".

Overview

The Group is the largest player in the Belarusian grocery retail market with market share in 2019 of approximately 19 per cent. in the overall food retail market according to the Group's estimates based on the National Statistical Committee data. In the modern format grocery retail market, the Group's 2019 market share was approximately 38 per cent., which was approximately five times that of the second largest competitor and was higher than the combined market share of the next five competitors, according to the Group's estimates based on the National Statistical Committee data. As of 30 June 2020, Eurotorg operated a nationwide retail chain of 879 grocery stores across 325 cities and settlements in Belarus. Approximately 1 million customers make purchases at Eurotorg stores every day, and about 2.5 million active loyalty cardholders, or over 20 per cent. of Belarus' total population of 9.4 million people were unique participants in the Group's loyalty programmes as of 31 December 2019.

The Group's customer proposition is centred around a consistent offering of market-leading prices and focused assortment of high-turnover products, with a particular emphasis on the fresh category and local assortment. This positioning is complemented by a range of creative marketing activities that underpin long-term generational bonding with customers and strength of the Eurotorg brand. According to the BCG Report, price and loyalty are the attributes that most distinguish Eurotorg from its competitors.

The Group has built an extensive nationwide supplier network, with approximately 75 per cent. of its sales being locally produced, and has also developed large, market-leading direct imports capabilities. In addition, the Group places a strong emphasis on its own production as well as developing its private label assortment which comprises over 200 unique brands (with these brands collectively accounting for 11.9 per cent. and 12.6 per cent. of total revenue in the six months ended 30 June 2020 and the year ended 31 December 2019, respectively).

Eurotorg operates its retail grocery stores under the Euroopt, Hit! and Groshyk banners. As of 30 June 2020, the Company operated 602 stores, 264 stores and 13 stores under these banners respectively. Eurotorg operates its grocery stores across four formats: rural convenience stores, urban convenience stores, supermarkets and hypermarkets. As of 30 June 2020, the Group's retail store portfolio consisted of 148 rural convenience stores, 598 urban convenience stores, 96 supermarkets and 37 hypermarkets. Eurotorg's management believes that this diversified multi-format chain model enables the Group to meet the different consumption needs of its customers from daily neighbourhood to basket family shopping, as well as to penetrate any particular location in Belarus based on the size of the local population and potential customer base. The Group's expansion strategy in grocery retail is predominantly focused on the roll-out of the convenience stores, with selective expansion in other formats.

Eurotorg operates a balanced real estate strategy, and as of 30 June 2020 owned 37.1 per cent. of its total selling space (predominantly supermarket and hypermarket stores) and leased 62.9 per cent. of its total selling space (predominantly the convenience stores).

Eurotorg's stores are supported by its own fully integrated, nation-wide logistics system based around four distribution centres with a total storage space of approximately 88.7 ths sq. m. and three warehouses with a total storage space of 16.8 ths sq. m. as of 30 June 2020. The Group owns a fleet of approximately 230 transportation vehicles, which carry out more than 45 per cent. of the total deliveries of products for its grocery stores. In addition to its core retail business, the Group's subsidiaries include StatusBank, a universal bank in Belarus with branches in 16 cities throughout Belarus. In order to maintain the Group's strategic focus on the growth of its core retail business, the Company intends to divest from StatusBank in the medium term.

In the six-month period ended 30 June 2020 and in the years ended 31 December 2019, 2018 and 2017, respectively, the Group had revenue, interest and commission income of BYN 2,468,358 thousand, BYN 4,758,693 thousand, BYN 4,402,839 thousand and BYN 3,932,801 thousand. This strong financial performance was mainly driven by expansion of the grocery retail chain, as the Group had 9, 108, 262, and 47 net new grocery store openings, respectively. The Group added 14.4 ths sq. m., 41.7 ths sq. m. and 7.8 ths sq. m. of net selling space in the years ended 31 December 2019, 2018 and 2017, respectively. In the six months ended 30 June 2020, the Group reduced its selling space by 2.1 ths sq. m., as a result of the Group's optimisation of its retail network and its resulting decision not to renew its lease on a hypermarket in Mogilev. In the six-month period ended 30 June 2020 and in the years ended 31 December 2019, 2018 and 2017, respectively, the Group had net profit/(loss) from continuing operations of BYN (107,172) thousand, BYN 53,414 thousand, BYN 68,395 thousand and BYN 102,517 thousand, respectively, and Adjusted EBITDA of BYN 269,613 thousand, BYN 434,930 thousand, BYN 396,353 thousand and BYN 371,684 thousand, respectively. Over the three years ended 31 December 2019, the Group had a CAGR in revenue, interest and commission income of 10.0 per cent.

Significant Factors Affecting the Results of Operations

The Company believes that the following factors significantly affected the Group's results of operations during the period under review and may continue to affect its results of operations in the future.

Economic Conditions and Foreign Exchange Rates

Substantially all of the Group's operations are based in, and substantially all of the Group's revenues are derived from, Belarus. As a result, Belarusian macroeconomic trends, including the rate of growth of the Belarusian economy, significantly influence the Group's performance. See "*Risk Factors—Risks Related to the Group's Business and Industry—A deterioration in general economic conditions in Belarus could have a material adverse effect on the Group's business, results of operations, financial condition and prospects*".

The table below sets out certain economic indicators for each of the periods indicated.

	Six months ended 30 June	**Year ended 31 December**		
	2020	**2019**	**2018**	**2017**
Nominal GDP, total (*BYN millions*)	137,484.9[(1)]	131,951.7	122,319.7	105,748.2
Nominal GDP, per capita (*BYN thousands*).....	14.6[(1)]	14.0	12.9	11.1
Real GDP growth rate (*per cent.*)	(1.7)	1.2	3.1	2.5

Consumer price index[2] (*per cent.*).....	5.2	4.7	5.6	4.6
Average refinancing rate (*per cent. per annum*)....	8.6	9.8	10.3	13.4
Average interbank market annual rate (*per cent. per annum*).....	9.0	10.1	10.7	9.5
Average exchange rate of U.S. Dollar (*BYN*).....	2.3343	2.0914	2.0366	1.9318
Average exchange rate of Euro (*BYN*)	2.5711	2.3418	2.4054	2.1783

Note:

(1) Nominal GDP (total) and Nominal GDP (per capita) have been presented for the twelve months ended 30 June 2020.

(2) The consumer price index is measured based on changes in prices in December (for full year data) or June (for the half year data) of the current year over December or June, as appropriate, of the previous year.

Between late 2014 and 2016, Belarus experienced adverse economic conditions, primarily as a result of a significant reduction in exports to, and investments from its closest economic partner, Russia, as the Russian economy contracted sharply during the same period. Real GDP in Belarus fell in both 2015 and 2016 (by 3.8 per cent. and 2.5 per cent., respectively). The Belarusian Rouble depreciated significantly against the U.S. Dollar and the Euro between 2014 and 2016 and was redenominated on 1 July 2016.

In 2017 and 2018, Belarus' economy stabilised, and GDP increased in real terms by 2.5 per cent. and 3.1 per cent. In 2019, Belarus' GDP increased in real terms by 1.2 per cent. However, the emergence of the COVID-19 pandemic poses a risk to the financial health of Belarus. In April 2020, the IMF forecast that Belarus' real GDP will decline by 6.0 per cent. in 2020. See "*Risk Factors—Risks Related to Belarus—The economic effects of the outbreak of COVID-19 could adversely affect Belarus' economy and the Group*".

In addition, on 9 August 2020, Belarus held presidential elections, in which President Lukashenko was re-elected with 80.1 per cent. of the vote, according to the Belarusian election commission. Following the results, there have been widespread strikes, protests and violent clashes between protestors and state security forces in Belarus. The ongoing strikes at the country's largest factories could affect economic growth, as well as the Belarusian government's budget. If the mass protests continue and general strikes resume, they could also cause Belarus to struggle to meet its sovereign debt obligations and lead to a further deterioration in the Belarusian economy. (including, without limitation, in the event of any further foreign sanctions against Belarusian authorities). See "*Risk Factors—Risks Related to Belarus— Political and social unrest in Belarus could adversely affect Belarus's economy and the Group*"

The Company believes that the Group's financial performance and operations performance are strongly correlated to the direction of the developments in the Belarusian economic environment. As such, the Group's performance was positively impacted in 2017, 2018 and 2019. The condition of the Belarusian economy and levels of disposable income and consumer spending will continue to have a significant effect on the Group's results of operations.

Expansion of Operations

The Group expanded its operations throughout the periods under review, by increasing the number of its grocery stores and its total selling space. Since 2016, the Group has primarily focused on achieving expansion by identifying and leasing smaller format stores.

The table below sets number of stores and selling space as of the dates indicated.

	As of 30 June	As of 31 December		
	2020	2019	2018	2017
Number of grocery stores	879	870	762	500
Selling space (*ths sq. m.*)	332.4	334.6	320.1	278.5
Owned selling space (*ths sq. m.*)	123.4	123.1	129.2	121.6
Leased selling space (*ths sq. m.*)	209.0	211.2	190.9	156.8

The Group's expansion during the periods under review strengthened its position as the largest food retailer in the Belarusian market, which underpins many of its key strengths, including economies of scale in purchasing and contracting and the ability to negotiate advantageous prices and other commercial terms with its key suppliers. See "*Business—Key Strengths—Unique customer proposition makes Eurotorg the leading shopping destination in the hearts and minds of consumers in Belarus—Market-leading price operating model*". The increase in the total number of the Group's stores and selling space contributed to significant increases in its volume of sales and revenues. The opening of new stores resulted in additional associated selling costs and expenses along with a decrease in the share of headquarter overhead costs in the Group's total costs and expenses.

Since 2016, in line with its current strategy, the Group has continued to seek to expand its operations and reduce Capital Expenditures, primarily by opening smaller format stores on leased premises. See "*—Real Estate Strategy, Capital Expenditures and Rental Expenses—Strategy*" and "*Business—Strategy—Sustainable capex-light expansion of the grocery store network*". This has impacted the Group's revenue, costs and expenses, capital expenditure and borrowings.

Sales and traffic density in grocery retail stores:

	Six months ended 30 June		Year ended 31 December		
	2020	2019	2019	2018	2017
Sales per 1 sq. m. per month, net (BYN)	1,101	1,061	1,073	1,101	1,083
Traffic per 1 sq. m. per day, tickets	3.06	3.12	3.17	3.14	3.16

Like-for-Like Sales Performance

The Group distinguishes between sales, average ticket and traffic attributable to new stores and sales, average ticket and traffic attributable to existing stores. LFL sales is one of the key contributors to the Group's results of operations and depends on both the traffic and average ticket. The below table contains information on the Group's LFL sales, LFL traffic and the LFL average ticket for the periods indicated:

	Six months ended 30 June	Year ended 31 December		
	2020	2019	2018	2017
		(%)		
LFL sales (increase/(decrease) period on period)	1.9	(4.3)	2.8	1.1

	Six months ended 30 June	Year ended 31 December		
	2020	2019	2018	2017
		(%)		
LFL traffic (increase/(decrease) period on period)	(5.2)	(4.6)	(2.6)	(7.5)
LFL average ticket (increase/(decrease) period on period)	7.5	0.3	5.6	9.3

The Group's LFL traffic decreased by 7.5 per cent. in 2017, primarily driven by the Group's targeted marketing campaigns aimed at motivating consumers to buy more per visit, while reducing the number of visits. LFL traffic decreased by 2.6 per cent. in 2018, due to the roll-out of new stores that decreased sales at existing stores in local areas.

The LFL traffic decrease of 4.6 per cent. in 2019 was primarily driven by Eurotorg's accelerated expansion decreasing sales at existing stores in favour of new stores. This was partly offset by positive growth in the fourth quarter of 2019, as the Group launched a store optimisation process that resulted in the shuttering of a number of under-performing stores.

In the six months ended 30 June 2020, the Group's LFL traffic decreased by 5.2 per cent. due to changes in consumer behaviour as a result of the COVID-19 pandemic, and the structure of LFL sales shifting in favour of a higher average ticket with less frequent store visits. Overall, in the six months ended 30 June 2020, the average customer traffic per day was approximately 1.02 million customers. The Group's grocery stores demonstrated high traffic density across all its formats during this period. In the six months ended 30 June 2020, an average monthly customer traffic accounted for 4.5 tickets per sq. m. per day in rural convenience stores, 4.5 tickets per sq. m. per day in urban convenience stores, 2.4 tickets per sq. m. per day in supermarkets and 1.6 tickets per sq. m. per day in hypermarkets.

In 2017, LFL average ticket improved to 9.3 per cent. which was higher than food inflation, driven by the Group's effective marketing campaigns, including "Udacha v pridachu". In 2018, the Group's LFL average ticket grew by 5.6 per cent., in line with food inflation (5.1 per cent.). In 2019, the Group's LFL average ticket grew slightly by 0.3 per cent., affected by a high comparable base in the fourth quarter of 2018 due to high levels of marketing activity in the previous period. In the six months ended 30 June 2020, the Group's average LFL ticket increased by 7.5 per cent., reflecting the impact of COVID-19.

As a result, the Group's LFL sales increased by a moderate 1.1 per cent. in 2017 and increased by 2.8 per cent. in 2018. In 2019, LFL sales decreased by 4.3 per cent., as a moderate increase in the average LFL ticket did not fully offset negative LFL traffic. In the six months ended 30 June 2020, the Group's LFL sales increased by 1.9 per cent. and were primarily driven by an increase in the average LFL ticket, while the LFL traffic remained lower.

Grocery Retail Formats

The Group's grocery stores now operate under three banners: Euroopt, Hit! and Groshyk. Eurotorg operates its grocery stores across four formats: rural convenience stores, urban convenience stores, supermarkets and hypermarkets. The following is a summary of Eurotorg's current store formats:

- ***Rural convenience stores***: convenience stores located in rural areas with a population of under 2,000 people.

- ***Urban convenience stores***: convenience stores located in urban areas, typically within walking distance for their target customers.
- ***Supermarkets***: supermarkets, typically located in dense residential districts within city boundaries.
- ***Hypermarkets***: hypermarkets, typically located close to transport hubs in urban areas with a population of over 50,000 people.

Real Estate Strategy, Capital Expenditures and Rental Expenses

Strategy

During the six months ended 30 June 2020 and the three years ended 31 December 2019, 2018 and 2017, the Group continued to expand the network of its stores with the number of stores increasing from 500 as of 31 December 2017 to 879 as of 30 June 2020. The Group's decision as to whether (and in which proportions) to acquire and/or construct and own or lease the real estate it uses impacts its financial position and results of operations. For example, significantly higher capital expenditure is required to acquire and/or construct a store, whereas ongoing rental payments must be made in respect of stores leased by the Group. As a result of the Group's strategic shift to opening new stores in predominantly smaller convenience store formats, the share of new stores opened on leased premises increased from an average of 84 per cent. during 2016-2018, to 91 per cent. during 2019 and to 98 per cent. in the first half of 2020, while average selling space of new stores declined from 207 sq. m., to 171 sq. m. and to 186 sq. m. in the respective periods. The Group's Capital Expenditure declined correspondingly from 1.2 per cent. of total revenue, interest and commission income in 2017 to 1.1 per cent. of revenue in the six months ended 30 June 2020. Rental expenses, while growing in absolute terms over the same period, grew moderately as a percentage of total revenue, interest and commission income under the IAS 17 at 2.3 per cent., 2.6 per cent., 2.7 per cent. and 2.7 per cent. in 2017, 2018, 2019 and the six months ended 30 June 2020, respectively.

The Group's stores are constructed and/or equipped in a modern format and approximately 78 per cent. of the Group's stores have been opened since 1 January 2014. Although the capital expenditure requirements to fit out and equip a modern format store are typically higher than for a traditional format store, the Company considers that the use of modern format stores is critical to the maintenance of the Group's brand and offers customers a more enjoyable and convenient shopping experience, thereby driving customer loyalty and traffic. See *"Business—Key Strengths—Unique customer proposition makes Eurotorg the leading shopping destination in the hearts and minds of consumers in Belarus—Unique loyalty programme and customer experience"*. Further, the Group's new, modern format stores typically require less ongoing maintenance capital expenditure than traditional stores.

Standard lease terms

Lease agreements entered into by the Group vary in duration and typically contain an option for the Group to extend the lease agreement for a new term, and generally allow the Group to terminate its leases early with no penalty subject to three-months' notice. The weighted average remaining lease period (weighted by rental expenses) of Eurotorg's leases is 3.8 years with 5.8 per cent., 61.6 per cent. and 32.6 per cent. of leases expiring in 2020, between 2021 to 2024 and 2025 (and beyond), respectively as of 30 June 2020. As a percentage of rental expenses, approximately 65 per cent. of the Group's leases were denominated in Euros, 27 per cent. in U.S. Dollars and 8 per cent. in Belarusian Rouble in the six months ended 30 June 2020. The Group has limited dependence on lessors due in part to a lack of large property owners in the market. As of 30 June 2020, the Group had more than 700 lessors with the top 10 per cent. of lessors representing approximately 22.6 per cent. of the Group's portfolio.

Development of Logistics System

The Company believes that the Group is the only Belarusian food retailer to operate a fully integrated, nation-wide logistics system. See *"Business—Key Strengths—Unique customer proposition makes Eurotorg the leading shopping destination in the hearts and minds of consumers in Belarus—Market-leading price operating model"*. The Group's stores are supported by its fully integrated, nation-wide logistics system based around four distribution centres with a total storage space of approximately 88.7 ths sq. m. and three warehouses with a total storage space of 16.8 ths sq. m., which operate as centralised bases for deliveries to the Group's stores located throughout Belarus, and employ modern automated warehousing management systems. Approximately 70.3 per cent. of the Group's storage space is owned. The Group owns a fleet of approximately 230 transportation vehicles which carry out more than 45 per cent. of the total deliveries of products to and from the Group's distribution bases and grocery stores, with the remaining deliveries being carried out by third party contractors. The Group's distribution centres, warehouses and transportation fleet enable it to achieve a high level of centralisation of its delivery processes (with approximately 73 per cent. of products delivered to the Group's stores from its warehouses and distribution centres) and give it significant control over its supply chain and reduce its dependence on third party suppliers and transportation service providers. This has enabled the Group to achieve improved operational efficiencies and reduced the Group's associated costs and expenses. The Group intends to continue to improve its supply chain and warehouse efficiency and it expects this to drive further cost efficiency.

Ability to Maintain and Increase Gross and Adjusted EBITDA Margins

The Company believes that the Group's strong relationship with its suppliers and its ability to benefit from significant economies of scale in its purchases and negotiate advantageous prices and other commercial terms with them has been, and will continue to be, crucial to enable it to continue to implement its low price operating model whilst maintaining and increasing its gross margins. See "*Business—Key Strengths—Unique customer proposition makes Eurotorg the leading shopping destination in the hearts and minds of consumers in Belarus—Market-leading price operating model*".

The Group's gross margins are also affected by its product mix. In particular, the Group typically realises a higher gross margin on the sales of non-food items, as well as on the sales of private label and own-produced products (as these can be purchased by the Group at a lower price than brand-name products).

After an increase in personnel costs as a percentage of revenue in 2019, the Group introduced a number of efficiency initiatives designed to improve productivity and reduce personnel costs and expenses which have supported its Adjusted EBITDA Margin. Personnel costs (hereinafter employee benefits plus social security contributions) as percentage of total revenue, interest and commission income declined from 9.3 per cent. in 2019 to 8.8 per cent. in the six months ended 30 June 2020.

Foreign Exchange Rates

The volatility of the Belarusian Rouble against major foreign currencies (the U.S. Dollar and the Euro) can have an adverse effect on the Group's results, primarily because its reporting currency is the Belarusian Rouble and almost all of its revenues are received in Belarusian Roubles, but a significant proportion of its real estate operating leases and indebtedness are linked to or denominated in foreign currencies (primarily the U.S. Dollar and the Euro), and utilities expenses are indirectly affected by the foreign currency movements, thereby exposing the Group to foreign exchange risk on translation of these liabilities to Belarusian Rouble. In particular, the Group's finance costs during the periods under review were materially affected as a result of the volatility of the exchange rates, with positive year-on-year impact in the years ended 31 December 2017 and 2019, as finance losses declined year-on-year due to a lower exchange rate volatility. The depreciation of the Belarusian Rouble in the first half of 2020 compared to the first half of 2019 also had an effect on the Group's finance costs, as the Group's outstanding debt is predominantly denominated in or linked to the Euro and U.S.

Dollar, and the Group's general and administrative expenses due to increases in rents and utility costs linked to Euro. The Group partially offsets this risk by leasing and subleasing its premises in its stores to third parties with a rent linked to the Euro.

As a result of the recent political and social unrest, as well as the UK, EU and prospective US sanctions on Belarus, the Belarusian Rouble depreciated a further 9 per cent. against the U.S. Dollar, from BYN 2.44 as of 1 August 2020, just prior to the election, to BYN 2.66 as of 31 August 2020. In addition, the Belarusian currency has depreciated against the Euro, losing 30 per cent. in 2020. The Belarusian Rouble may continue to depreciate due to the current political and social environment in Belarus (including, without limitation, in the event of any further foreign sanctions against Belarusian authorities).

Seasonality

The Group's revenue is affected by seasonality, peaking in December due to New Year celebrations and reaching a trough in the third quarter. As a result, the Group's revenue performance tends to be stronger in the second half of the year compared to the first half, with peak sales in the fourth quarter. The Group's stores in smaller towns and villages in Belarus help to partially offset the seasonal decline in sales of stores in larger cities during the summer months.

Changes to IFRS reporting standards

The Group began applying IFRS 16 Leases from 1 January 2019, using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under the previous standard, IAS 17, and related interpretations.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Under IFRS 16, lessor accounting remains similar to the current standard such that lessors must continue to classify leases as finance or operating leases.

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings.

On 1 January 2019, the Group reclassified the carrying value of property, plant and equipment acquired under finance leases in the amount of BYN 163,736 thousand from property, plant and equipment to right-of-use assets and leased property of the consolidated statement of finance position.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 11.44 per cent. for leases denominated in BYN and 8.48 per cent. for leases denominated in Euros and U.S. Dollar.

	(BYN thousands)
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	**28,873**
Discounted using the increments borrowing rate at 1 January 2019	**28,340**
Finance lease liabilities recognised as of 31 December 2018	74,784
Recognition exemption for leases with less than 12 months of lease term	(1,572)
Recognition exemption for leases of low-value assets	(914)

	(BYN thousands)
Extension options reasonably certain to be exercised	369,968
Lease liabilities recognised at 1 January 2019	**470,606**

The impact of applying IFRS 16 on the items of statement of profit or loss and other comprehensive income and statement of cash flows is the following:

- In relation to the leases under IFRS 16 the Group has recognised items amortisation of right-of-use assets and leased property in administrative and selling expenses and interest expenses under lease agreements and profit/(loss) from foreign exchange differences in finance income/(costs) instead of operating lease expense.
- Repayment under lease agreements is included into cash used in financing activities (previously these outflows were included into cash flows used in operating activities) and comprises principal and interest repayment.

Results of Operations

The following table sets out the Group's selected income statement data for the six months ended 30 June 2020 and 2019 and the years ended 31 December 2019, 2018 and 2017.

	Six months ended 30 June		**Year ended 31 December**		
	2020	**2019**	**2019**	**2018**	**2017**
			(BYN thousands)		
Revenue, interest and commission income	2,468,358	2,334,226	4,758,693	4,402,839	3,932,801
Cost of goods and services sold and interest expenses	(1,858,539)	(1,765,567)	(3,619,092)	(3,248,025)	(2,910,087)
Gross profit	**609,819**	**568,659**	**1,139,601**	**1,154,814**	**1,022,714**
Administrative and selling expenses	(420,547)	(431,017)	(879,705)	(847,352)	(728,811)
Change in allowance for impairment of financial assets	(1,225)	121	1,169	6,621	—
Impairment loss on trade and other receivables	—	—	—	—	(1,774)
Other income	5,490	7,436	13,186	15,609	15,762
Other expenses	(11,788)	(8,373)	(20,906)	(16,300)	(24,337)
Operating profit	**181,749**	**136,826**	**253,345**	**313,392**	**283,554**
Finance income	1,342	59,605	31,757	872	1,089
Finance costs	(287,874)	(87,599)	(179,128)	(215,032)	(167,681)
Net finance costs	**(286,532)**	**(27,994)**	**(147,371)**	**(214,160)**	**(166,592**
Profit/(loss) before income tax	**(104,783)**	**108,832**	**105,974**	**99,232**	**116,962**
Income tax (expense)/benefit	(2,389)	(22,630)	(52,560)	(30,837)	(14,445)
Profit/(loss) for the period	**(107,171)**	**86,202**	**53,414**	**68,395**	**102,517**
Other comprehensive loss					

	Six months ended 30 June		Year ended 31 December		
	2020	**2019**	**2019**	**2018**	**2017**
			(BYN thousands)		
Items that will never be reclassified to profit or loss:					
Revaluation of property, plant and equipment:	—	(25,762)	(46,763)	(125,144)	142,746
Related tax	—	4,637	8,418	(21,951)	25,694
Items that are or may be reclassified to profit or loss:					
Foreign operations - Foreign currency translation differences	1	20	48	(145)	(230)
Total other comprehensive (income)/loss	**1**	**(21,105)**	**(38,297)**	**103,048**	**(117,282)**
Total comprehensive income/(loss) for the year	**(107,172)**	**65,097**	**15,117**	**171,443**	**(14,765)**

Explanation of Key Income Statement Line Items

Revenue, interest and commission income

The Group's revenue, interest and commission income consists of revenue from sales of goods (retail and wholesale), advertising, leases, interest and commission income from its banking operations, its own production and other revenue. The approach to recognition of revenue by the Group depends on the source and type of the relevant revenue components. Revenue from the sale of goods is recognised at the point of sale. Revenue from services rendered is recognised in proportion to the stage of completion of the transaction at the reporting date. Revenues from sales of advertising services are reflected based on the actual number of seconds of advertising during the reporting period. Interest income and expenses are recorded on an accrual basis and measured using the effective interest rate method. Other fees, commissions and other income and expense items are recognised in profit or loss when the corresponding service is provided.

Cost of goods and services sold and interest expenses

The Group's cost of goods and services sold and interest expenses include the cost of merchandise, transportation costs and loading-and-unloading services, cost of services, cost of its own products, bank interest expenses and other costs.

Gross profit

Gross profit is equal to revenue, interest and commission income less cost of goods and services sold and interest expenses.

Administrative and selling expenses

The Group's administrative and selling expenses consist of employee benefits, rent, utility costs, social security contribution, amortisation, taxes other than income tax, other materials and stationery, marketing and advertising, professional services, repair and maintenance, change in receivables' impairment allowance and other expenses.

Other income

The Group's other income includes income from sales of property, plant and equipment, currency purchase/sale, income from received fines, sale of materials, revaluation of property, plant and equipment and investment income.

Other expenses

The Group's other expenses comprise charity, revaluation of property, plant and equipment, investment expenses and fines and penalties.

Operating profit

Operating profit is equal to the sum of gross profit and other income less administrative and selling expenses and other expenses.

Finance income

The Group's finance income comprises interest income and foreign currency gain on financial assets and financial liabilities.

Finance costs

The Group's finance costs include interest expense, leasing costs, bank charges, foreign currency loss on financial assets and financial liabilities and allowance for impairment on financial assets.

Profit/(loss) before income tax

Profit/(loss) before income tax is equal to the sum of operating profit and gain on net monetary position less net finance costs.

Income tax benefit/(expense)

Income tax benefit/(expense) comprises current income tax expense and deferred tax expense. The Group pays tax in accordance with the laws of Belarus. The Belarusian statutory income tax rates applicable to the Group and StatusBank for the periods under review were 18 per cent. and 25 per cent., respectively.

Profit/(loss) for the period

Profit for the year is equal to profit before tax less income tax benefit.

Total other comprehensive income (loss)

Total other comprehensive income (loss) is equal to other comprehensive income (loss) items that will never be reclassified to profit or loss, such as revaluation of property, plant and equipment and related tax, plus items that are or may be reclassified to profit or loss, such as foreign operations - foreign currency translation differences.

Total comprehensive income (loss) for the period

Total comprehensive income (loss) for the period is equal to profit/(loss) for the period plus total other comprehensive income (loss).

Six Months Ended 30 June 2020 and 2019

Revenue, interest and commission income

The following table sets out the components of the Group's total revenue, interest and commission income for the six months ended 30 June 2020 and 2019.

	Six months ended 30 June	
	2020	**2019**
	(BYN thousands)	
Retail sales	2,210,942	2,089,842

Wholesale	225,870	213,591
Other revenue	8,202	7,106
Total revenue from contracts with customers	**2,445,014**	**2,310,539**
Rental revenues	16,608	16,864
Interest income of the Bank	6,736	6,823
Total rental revenue, interest and commission income of the Bank	**23,344**	**23,687**
Total revenue, interest, and commission income	**2,468,358**	**2,334,226**

The Group's total revenue, interest and commission income increased by BYN 134,132 thousand, or 5.7 per cent., for the six months ended 30 June 2020 to BYN 2,468,358 thousand from BYN 2,334,226 thousand for the six months ended 30 June 2019, driven by new store openings and positive LFL sales dynamics. Revenue other than from retail sales rose by 5.3 per cent. compared to the six months ended 30 June 2019, primarily due to a 5.7 per cent. increase in wholesale revenue driven by expanding co-operation with individual entrepreneurs and other retailers.

Cost of goods and services sold and interest expenses

The following table sets out the components of the Group's cost of goods and services sold and interest expenses for the six months ended 30 June 2020 and 2019.

	Six months ended 30 June	
	2020	**2019**
	(BYN thousands)	
Cost of purchased goods	1,820,723	1,720,318
Transportation costs and handling operations	34,684	42,849
Bank interest expenses	2,090	1,869
Other cost	1,042	1,720,531
Total cost of goods and services sold and interest expenses	**1,858,539**	**1,765,567**

The Group's cost of goods and services sold and interest expenses increased by BYN 92,972 thousand, or 5.3 per cent., for the six months ended 30 June 2020 to BYN 1,858,539 thousand from BYN 1,765,567 thousand for the six months ended 30 June 2019. This increase was mainly driven by an increase in the cost of purchased goods, which was primarily attributable to an increase in the total amount of goods purchased by the Group as it continued to expand its operations and total selling space. Transportation expenses decreased by BYN 8,165 thousand, or 19.1 per cent., for the six months ended 30 June 2020 to BYN 34,684 thousand from BYN 42,849 thousand for the six months ended 30 June 2019. This increase was mainly driven by the optimisation of logistics operations, including headcount optimisation and more efficient route planning.

Gross profit and gross margin

The Group's gross profit increased by BYN 41,160 thousand, or 7.2 per cent., to BYN 609,819 thousand for the six months ended 30 June 2020 from BYN 568,659 thousand for the six months ended 30 June 2019, as revenue growth outpaced the cost of goods and services sold and interest expense growth.

Gross margin increased by 0.3 percentage points to 24.7 per cent. in the six months ended 30 June 2020 from 24.4 per cent. in the same period in 2019. The increase in the gross margin in the six months ended 30 June 2020 was due to optimisation of logistics costs (hereinafter transportation costs and handling operations) that decreased to 1.4 per cent. of revenue in the six months ended 30 June 2020 from 1.8 per cent. in the same period in 2019.

Administrative and selling expenses

The below table sets out the components of the Group's administrative and selling expenses for the six months ended 30 June 2020 and 2019.

	Six months ended 30 June	
	2020	**2019**
	(BYN thousands)	
Employee benefits	166,524	163,869
Social security contributions	51,492	52,339
Utility costs	49,575	46,421
Amortization of right-of-use assets and leased property	45,715	45,917
Depreciation of property, plant and equipment	37,733	34,222
Professional services	18,062	19,046
Other materials and stationery	15,076	11,288
Taxes other than income taxes	11,861	15,355
Marketing and advertising	9,332	22,472
Repairs and maintenance	2,817	5,868
Amortization of intangible assets	1,699	2,128
Rent	492	1,752
Auditors' remuneration	321	123
Other expenses	9,848	10,217
Total administrative and selling expenses	**420,547**	**431,017**

The Group's administrative and selling expenses decreased by BYN 10,470 thousand, or 2.4 per cent., for the six months ended 30 June 2020 to BYN 420,547 thousand from BYN 431,017 thousand for the six months ended 30 June 2019.

This was primarily due to lower marketing and advertising costs and taxes other than income tax. Marketing and advertising costs decreased by BYN 13,140 thousand, due to less marketing activities and changes in the "Udacha v pridachu" lottery relating to prolonged rounds. Employee costs (employee benefits plus social security contributions) as a percentage of revenue decreased by 0.4 percentage points, due to the optimisation of the operating and administrative staff including a streamlined organisational structure. Taxes other than income taxes decreased by BYN 3,494 thousand, or 22.8 per cent., on the back of marginal coefficient for a property tax rate decrease from 2.5x to 2.0x.

Change in allowance for impairment of financial assets

The Group's change in allowance for impairment of financial assets amounted to an expense of BYN 1,225 thousand for the six months ended 30 June 2020 compared to an income of BYN 121 thousand for the six months ended 30 June 2019.

Other income

The Group's total other income decreased by BYN 1,946 thousand, or 26.2 per cent., to BYN 5,490 thousand for the six months ended 30 June 2020 from BYN 7,436 thousand for the six months ended 30 June 2019. This decrease was primarily attributable to a decrease in gains on sale of materials, which was partly offset by an increase in sales of foreign currency of the bank.

Other expenses

The Group's total other expenses increased by BYN 3,415 thousand, or 40.8 per cent., to BYN 11,788 thousand for the six months ended 30 June 2020 from BYN 8,373 thousand for the six months ended 30 June 2019. This increase was primarily attributable to an increase in losses on the disposal of property, plant and equipment and losses on investing activities.

Operating profit and operating margin

The Group's operating profit increased by BYN 44,923 thousand, or 32.8 per cent., to BYN 181,749 thousand for the six months ended 30 June 2020 from BYN 136,826 thousand for the six months ended 30 June 2019.

Operating margin increased by 1.5 percentage points to 7.4 per cent. for the six months ended 30 June 2020 from 5.9 per cent. for the six months ended 30 June 2019, which was attributable to an increase in gross margin as well as a decrease in the share of administrative and selling expenses.

Finance income

The Group's finance income decreased by BYN 58,263 thousand, or 97.7 per cent., to BYN 1,342 thousand for the six months ended 30 June 2020 from BYN 59,605 thousand for the six months ended 30 June 2019.

This decrease was primarily attributable to the depreciation of the BYN exchange rate in that period.

Finance costs

The Group's total finance costs increased by BYN 200,275 thousand, or 228.6 per cent., to BYN 287,874 thousand for the six months ended 30 June 2020 from BYN 87,599 thousand for the six months ended 30 June 2019. This increase was primarily attributable to foreign exchange losses due to the depreciation of the BYN exchange rate in that period, as well as losses from a change in the fair value of derivatives.

Profit/(loss) before income tax

The Group's profit before tax decreased by BYN 213,615 thousand to a loss of BYN 104,783 thousand for the six months ended 30 June 2020 as compared to a profit of BYN 108,832 thousand for the six months ended 30 June 2019. This decrease was primarily caused by an increase in net finance costs, which was partly offset by an increase in operating profit.

Income tax expense

The Group's income tax expense decreased by BYN 20,241 thousand to an expense of BYN 2,389 thousand for the six months ended 30 June 2020 as compared to an expense of BYN 22,630 thousand for the six months ended 30 June 2019. This decrease was primarily attributable to the decrease in profit before tax.

Profit/(loss) for the period

The Group's profit for the period decreased by BYN 193,374 thousand to a loss of BYN 107,172 thousand for the six months ended 30 June 2020 from a profit of BYN 86,202 thousand for the six months ended 30 June 2019.

Total comprehensive income/(loss) for the period

The Group's total comprehensive income decreased by BYN 172,268 thousand to a loss of BYN 107,171 thousand for the six months ended 30 June 2020 from a profit of BYN 65,097 thousand for the six months ended 30 June 2019. This decrease was primarily attributable to the reduction in profit for the period.

Years Ended 31 December 2019 and 2018

Revenue, interest and commission income

The following table sets out the components of the Group's total revenue, interest and commission income for the years ended 31 December 2019 and 2018.

	Year ended 31 December	
	2019	**2018**
	(BYN thousands)	
Retail sales	4,257,363	3,999,228
Wholesale	440,723	344,230
Other revenue	15,691	13,780
Total revenue from contracts with customers	4,713,777	4,357,238
Rental revenues	31,260	32,983
Interest income of the Bank	13,656	12,618
Total rental revenue, interest and commission income of the Bank	44,916	45,601
Total revenue and interest and commission income	**4,758,693**	**4,402,839**

The Group's total revenue, interest and commission income increased by BYN 355,854 thousand, or 8.1 per cent., for the year ended 31 December 2019 to BYN 4,758,693 thousand from BYN 4,402,839 thousand for the year ended 31 December 2018, mainly driven by accelerated net retail sales, as well as increased wholesale sales.

Cost of goods and services sold and interest expenses

The following table sets out the components of the Group's cost of goods and services sold and interest expenses for the years ended 31 December 2019 and 2018.

	Year ended 31 December	
	2019	**2018**
	(BYN thousands)	
Cost of purchased and produced goods	3,533,295	3,164,398
Transportation costs and handling operations	79,795	77,927

	Year ended 31 December	
	2019	2018
	(BYN thousands)	
Bank interest expenses	4,803	3,238
Other cost	1,199	2,462
Total cost of goods and services sold and interest expenses	**3,619,092**	**3,248,025**

The Group's total cost of goods and services sold and interest expenses increased by BYN 371,067 thousand, or 11.4 per cent., for the year ended 31 December 2019 to BYN 3,619,092 thousand from BYN 3,248,025 thousand for the year ended 31 December 2018. This increase was mainly driven by an increase in the cost of purchased goods, which was primarily attributable to an increase in the total amount of goods purchased by the Group as it continued to expand its operations and total selling space. Transportation expenses remained stable for this period.

Gross profit and gross margin

The Group's gross profit slightly decreased by BYN 15,213 thousand, or 1.3 per cent., to BYN 1,139,601 thousand for the year ended 31 December 2019 from BYN 1,154,814 thousand for the year ended 31 December 2018, as the cost of goods and services sold and interest expense growth outpaced revenue growth.

Gross margin decreased by 2.3 percentage points to 23.9 per cent. in the year ended 31 December 2019 from 26.2 per cent. in the year ended 31 December 2018, as a result of the new discounter format Hit!, as well as a number of measures taken by the Group to strengthen its price leadership positioning, including active investments in shelf prices.

Administrative and selling expenses

The below table sets out the components of the Group's administrative and selling expenses for the years ended 31 December 2019 and 2018.

	Year ended 31 December	
	2019	2018
	(BYN thousands)	
Employee benefits	334,395	298,940
Rent	4,290	114,302
Social security contributions	107,036	96,057
Depreciation	79,967	73,397
Amortisation of right-of-use assets and leased property	90,260	—
Utility costs	93,509	91,562
Marketing and advertising	38,994	49,220
Taxes other than income tax	32,442	33,053
Other materials and stationery	21,452	29,107
Professional services	37,822	28,863

	Year ended 31 December	
	2019	**2018**
	(BYN thousands)	
Repair and maintenance	10,580	10,046
Amortisation of intangible assets	4,390	2,892
Impairment of property, plant and equipment	1,149	(3,507)
Other expenses	23,080	23,179
Total administrative and selling expenses	**879,705**	**847,352**

The Group's total administrative and selling expenses increased by BYN 32,353 thousand, or 3.8 per cent., for the year ended 31 December 2019 to BYN 879,705 thousand from BYN 847,352 thousand for the year ended 31 December 2018. This was primarily due to an increase in higher employee expenses (employee benefits plus social security contributions), which increased by BYN 46,434 thousand primarily due to overall growth in nominal average wages in Belarus (by 12.3 per cent. year on year in 2019) and a 2.6 per cent. decrease in sales densities (to BYN 1,073 per sq. m. per month).

The Group's total administrative and selling expenses as a percentage of revenue decreased by 0.7 percentage points to 18.5 per cent. in the year ended 31 December 2019 from 19.2 per cent. in the year ended 31 December 2018, mainly due to the adoption of IFRS 16. Under IFRS 16, rental costs of BYN 123,315 thousand were excluded and capitalised as financial lease liabilities and the Group recognised additional depreciation and amortisation on rented assets of BYN 83,632 thousand. As a result, rental costs decreased by BYN 110,012 thousand, or 96.2 per cent., while amortisation of right-of-use assets and leased property saw an increase of BYN 90,260 thousand in the year ended 31 December 2019.

Change in allowance for impairment on trade and other receivables

The Group's change in allowance for impairment on trade and other receivables amounted to an expense of BYN 1,169 thousand for the year ended 31 December 2019 and income of BYN 6,621 thousand for the year ended 31 December 2018.

Other income

The Group's total other income decreased by BYN 2,423 thousand, or 15.5 per cent., to BYN 13,186 thousand for the year ended 31 December 2019 from BYN 15,609 thousand for the year ended 31 December 2018. This decrease was primarily attributable to smaller gains on the sale of property, plant and equipment, which was partly offset by increased sales of materials.

Other expenses

The Group's total other expenses increased by BYN 4,606 thousand, or 28.3 per cent., to BYN 20,906 thousand for the year ended 31 December 2019 from BYN 16,300 thousand for the year ended 31 December 2018. This increase was primarily attributable to the loss on disposal of property, plant and equipment mainly driven by the sale of a large shopping centre in Minsk.

Operating profit and operating margin

The Group's operating profit decreased by BYN 60,047 thousand, or 19.2 per cent., to BYN 253,345 thousand for the year ended 31 December 2019 from BYN 313,392 thousand for the year ended 31 December 2018.

Operating margin fell by 1.8 percentage points to 5.3 per cent. in the year ended 31 December 2019 from 7.1 per cent. in the year ended 31 December 2018, which was attributable to the decrease in gross margin which was partly offset by the decrease in the share of administrative and selling expenses as a percentage of revenue, due to the adoption of IFRS 16. Under IFRS 16, the Group's administrative and selling expenses were reduced by BYN 39,683 thousand, as some rental costs were excluded and capitalised as financial lease liabilities and additional depreciation and amortisation on rented assets was recognised, which led to an increase in operating profit by the same amount.

Finance income

The Group's total finance income increased by BYN 30,885 thousand to BYN 31,757 thousand for the year ended 31 December 2019 from BYN 872 thousand for the year ended 31 December 2018. This increase was primarily attributable to the increase in the fair value of derivatives and the profit from foreign exchange differences on the back of a stronger RUB to EUR exchange rate, as well as the adoption of IFRS 16. Under IFRS 16 the Group accrued an additional foreign exchange gain of BYN 19,516 thousand, as most operating lease contracts are denominated primarily in Euros and U.S. Dollars, while the BYN exchange rate was stable during the period.

Finance costs

The Group's total finance costs decreased by BYN 35,904 thousand, or 16.7 per cent., to BYN 179,128 thousand for the year ended 31 December 2019 from BYN 215,032 thousand for the year ended 31 December 2018. This decrease was primarily attributable to a decrease in interest expenses and financial lease costs (excluding interest expenses on operating lease liabilities) due to lower interest rates on new financing and a decrease in the total debt.

Profit/(loss) before income tax

The Group's profit before tax increased by BYN 6,742 thousand, or 6.8 per cent., to BYN 105,974 thousand for the year ended 31 December 2019 as compared to BYN 99,232 thousand for the year ended 31 December 2018. This increase was primarily caused by a decrease in net finance costs, which was partly offset by a decrease in operating profit.

Income tax benefit/(expense)

The Group's income tax expense increased by BYN 21,723 thousand, or 70.4 per cent., to an expense of BYN 52,560 thousand for the year ended 31 December 2019 from BYN 30,837 thousand for the year ended 31 December 2018. This increase was primarily caused by the effect of a statutory revaluation adjustment related to real estate.

Profit/(loss) for the period

The Group's profit for the period decreased by BYN 14,981 thousand, or 21.9 per cent., to BYN 53,414 thousand for the year ended 31 December 2019 from BYN 68,395 thousand for the year ended 31 December 2018. This decrease was primarily attributable to an increase in income tax expense, which was partly offset by an increase in profit before income tax

Total other comprehensive income (loss)

The Group's total other comprehensive income for the year decreased by BYN 141,345 thousand from an income of BYN 103,048 thousand for the year ended 31 December 2018 to a loss of BYN 38,297 thousand for the year ended 31 December 2019, mainly driven by the revaluation of property, plant and equipment.

A summary of the revaluation of buildings and structures is presented below:

	Year ended 31 December	
	2019	**2018**
	(BYN thousands)	
Carrying amount of the buildings and structures before revaluation	1,113,075	1,043,602
Net change as a result of revaluation and impairment, including	(47,912)	128,651
Changes in revaluation reserve	(46,763)	125,144
Impairment in excess of the accumulated revaluation reserve	(1,149)	—
Reversal of previously recognised impairment losses	—	3,507
Net impairment of property, plant and equipment	**(1,149)**	**—**
Carrying amount of the buildings and structures after revaluation	1,065,163	1,172,253

Total comprehensive income/(loss) for the year

The Group's total comprehensive income for the year decreased by BYN 156,326 thousand to BYN 15,117 thousand for the year ended 31 December 2019 from BYN 171,443 thousand for the year ended 31 December 2018, primarily as a result of the above.

Years Ended 31 December 2018 and 2017

Revenue, interest and commission income

The following table sets out the components of the Group's total revenue, interest and commission income for the years ended 31 December 2018 and 2017.

	Year ended 31 December	
	2018	**2017**
	(BYN thousands)	
Retail sales	3,999,228	3,598,801
Wholesale	344,230	205,865
Revenue from advertising[(1)]	—	65,713
Rental revenues	32,983	28,617
Interest and commission income of the Bank	12,618	13,930
Revenue of food processing companies[(2)]	—	15,134
Other revenue	13,780	4,741
Total revenue and interest and commission income	**4,402,839**	**3,932,801**

Notes:

(1) For the ended 31 December 2018, revenue from advertising was included in cost of purchased and produced goods.

(2) For the ended 31 December 2018, revenue of food processing companies was included in wholesale.

The Group's total revenue, interest and commission income increased by BYN 470,038 thousand, or 12.0 per cent., for the year ended 31 December 2018 to BYN 4,402,839 thousand from BYN 3,932,801 thousand for the year ended 31 December 2017, driven by accelerated net retail sales and an increase in wholesale revenue. Retail sales increase was facilitated by openings of new grocery store sand supported by moderate LFL sales growth. Growth of wholesale revenue was driven by expanding co-operation with individual entrepreneurs and other retailers.

Cost of goods and services sold and interest expenses

The following table sets out the components of the Group's cost of goods and services sold and interest expenses for the years ended 31 December 2018 and 2017.

	Year ended 31 December	
	2018	**2017**
	(BYN thousands)	
Cost of purchased goods	3,164,398	2,846,049
Transportation costs and handling services	77,927	51,694
Cost of food processing companies	—	7,621
Bank interest expenses	3,238	2,838
Other costs	2,462	1,885
Total cost of goods and services sold and interest expenses	**3,248,025**	**2,910,087**

The Group's total cost of goods and services sold and interest expenses increased by BYN 337,938 thousand, or 11.6 per cent., for the year ended 31 December 2018 to BYN 3,248,025 thousand from BYN 2,910,087 thousand for the year ended 31 December 2017. This increase was mainly driven by an increase in the cost of purchased goods, which was primarily attributable to an increase in the total amount of goods purchased by the Group as it continued to expand its operations and total selling space. In addition, transportation expenses increased on the back of an increase in market rates for third-party carrier services.

Gross profit and gross margin

The Group's gross profit increased by BYN 132,100 thousand, or 12.9 per cent., to BYN 1,154,814 thousand for the year ended 31 December 2018 from BYN 1,022,714 thousand for the year ended 31 December 2017, as revenue growth outpaced growth in the total cost of goods and services sold and interest expense.

Gross margin increased by 0.2 percentage points to 26.2 per cent. for the year ended 31 December 2018 from 26.0 per cent. for the year ended 31 December 2017, supported by an increase in the share of sales attributable to high-margin categories, such as private label and own-produced products.

Administrative and selling expenses

The below table sets out the components of the Group's administrative and selling expenses for the years ended 31 December 2018 and 2017.

	Year ended 31 December	
	2018	**2017**
	(BYN thousands)	
Employee benefits	298,940	259,029
Rent	114,302	91,238
Utility costs	91,562	80,211
Social security contributions	96,057	82,428
Depreciation	73,397	80,724
Taxes other than income tax	33,053	32,168
Other materials and stationery	29,107	24,531
Marketing and advertising	49,220	37,645
Professional services	28,863	11,921
Repair and maintenance	10,046	9,408
Impairment/(reversal of impairment losses) of property, plant and equipment	(3,507)	193
Amortisation of intangible assets	2,892	2,021
Auditors' remuneration	241	356
Other expenses	23,179	16,938
Total administrative and selling expenses	**847,352**	**728,811**

The Group's total administrative and selling expenses increased by BYN 118,541 thousand, or 16.3 per cent., for the year ended 31 December 2018 to BYN 847,352 thousand from BYN 728,811 thousand for the year ended 31 December 2017. This increase was primarily driven by higher employee and rent expenses, as well as growth of costs for professional services. Employee expenses (employee benefits plus social security contributions) as a percentage of revenue increased by 0.3 percentage points, due to the Group's accelerated store roll-out programme, which led to staff numbers increasing at a faster rate than revenue growth. The increase in employee expenses was also driven by strong growth of nominal average wages in Belarus (by 16.4 per cent. in 2018). Rental costs as a percentage of revenue increased 0.3 percentage points, due to the Group's accelerated programme of openings in leased premises (90 per cent. of all net added grocery stores in 2018 were leased) and consequent growth of rented selling space as a share of the total from 56 per cent. as of the end of 2017 to 60 per cent. as of the end of 2018. Professional services' costs increase was primarily driven by one-off expenses related to preparations for an initial public offering of the Group's shareholder on the London Stock Exchange that was ultimately postponed due to market conditions.

Change in allowance for impairment on trade and other receivables

The Group's change in allowance for impairment on trade and other receivables amounted to income of BYN 6,621 thousand for the year ended 31 December 2018 and expenses of BYN 1,774 thousand for the year ended 31 December 2017.

Other income

The Group's total other income slightly decreased by BYN 153 thousand, or 1 per cent., to BYN 15,609 thousand for the year ended 31 December 2018 from BYN 15,762 thousand for the year ended 31 December 2017.

Other expenses

The Group's total other expenses decreased by BYN 8,037 thousand, or 33.0 per cent., to BYN 16,300 thousand for the year ended 31 December 2018 from BYN 24,337 thousand for the year ended 31 December 2017. This decrease was primarily attributable to the Group incurring increases in other expenses resulting from the inclusion by the Group of expenses of Mayakinvest LLC and Rudsal invest LLC following their merger with Eurotorg LLC. There were no such expenses in 2018.

Operating profit and operating margin

The Group's operating profit increased by BYN 29,838 thousand, or 10.5 per cent., to BYN 313,392 thousand for the year ended 31 December 2018 from BYN 283,554 thousand for the year ended 31 December 2017.

Operating margin decreased by 0.1 percentage points to 7.1 per cent. for the year ended 31 December 2018 from 7.2 per cent. for the year ended 31 December 2017, which was attributable to an increase in the share of administrative and selling expenses (excluding depreciation and amortisation). This was partly offset by the higher gross margin and a positive contribution from other income and expenses.

Finance income

The Group's total finance income decreased by BYN 217 thousand, or 19.9 per cent., to BYN 872 thousand for the year ended 31 December 2018 from BYN 1,089 thousand for the year ended 31 December 2017 as in 2018 recovery of allowance for impairment of financial assets was reclassified from finance income. This was partly offset by the growth of interest income on bank deposits.

Finance costs

The Group's total finance costs increased by BYN 47,351 thousand, or 28.2 per cent., to BYN 215,032 thousand for the year ended 31 December 2018 from BYN 167,681 thousand for the year ended 31 December 2017 primarily under pressure from foreign exchange losses, which was partly offset by lower interest expenses and other finance costs. The Group's interest and financial lease expenses amounted to BYN 131,091 thousand in 2018 compared to BYN 135,769 thousand in 2017.

Profit/(loss) before income tax

The Group's profit before tax decreased by BYN 17,730 thousand, or 15.2 per cent., to a profit of BYN 99,232 thousand for the year ended 31 December 2018 as compared to a profit of BYN 116,962 thousand for the year ended 31 December 2017. This decrease was primarily due to an increase in net finance costs, which was only partly offset by an increase in operating profit.

Income tax benefit/(expense)

The Group's income tax expense increased by BYN 16,392 thousand, or 113.5 per cent., to BYN 30,837 thousand for the year ended 31 December 2018 as compared to BYN 14,445 thousand for the year ended 31 December 2017. This increase was primarily due to an increase in effect of statutory revaluation adjustment.

Profit/(loss) for the period

The Group's profit for the period decreased by BYN 34,122 thousand, or 33.3 per cent., to a profit of BYN 68,395 thousand for the year ended 31 December 2018 from a profit of BYN 102,517 thousand for the year ended 31 December 2017. This decrease was primarily attributable to decrease in profit before income tax and increase in income tax expense.

Total other comprehensive income (loss)

The Group's total other comprehensive income for the year increased by BYN 220,330 thousand to BYN 103,048 thousand for the year ended 31 December 2018, mainly driven by a revaluation of property, plant and equipment.

A summary of the revaluation of buildings and structures is presented below:

	Year ended 31 December	
	2018	**2017**
	(BYN thousands)	
Carrying amount of the buildings and structures before revaluation	1,043,602	1,188,259
Net change as a result of revaluation and impairment, including	128,651	(142,939)
Changes in revaluation reserve	125,144	(142,746)
Impairment in excess of the accumulated revaluation reserve	—	(193)
Reversal of previously recognised impairment losses	3,507	—
Net impairment of property, plant and equipment	—	(193)
Carrying amount of the buildings and structures after revaluation	1,172,253	1,045,320

Total comprehensive income/(loss) for the year

The Group's total comprehensive income for the year increased by BYN 186,208 thousand to BYN 171,443 thousand for the year ended 31 December 2018, primarily as a result of the above.

Liquidity and Capital Resources

The Group's liquidity needs arise primarily from the need to finance (i) its day-to-day operations; (ii) the implementation of the Group's strategy (including, any mergers, asset acquisitions or upgrades and business expansions envisaged thereby); and (iii) servicing the Group's existing debt. During the periods under review, the Group funded its liquidity needs predominantly with net cash flows from operating activities and short-term and long-term borrowings.

Cash flows

The following table sets out the Group's summary cash flow information for the six months ended 30 June 2020 and 2019 and the years ended 31 December 2019, 2018 and 2017.

	Six months ended 30 June		Year ended 31 December		
	2020	**2019**	**2019**	**2018**	**2017**
			(BYN thousands)		
Net cash from operating activities	22,610	159,010	488,528	445,110	239,563
Net cash from/(used in) investing activities	(11,521)	46,740	17,373	(69,754)	(44,132)
Net cash used in financing activities	(86,039)	(174,925)	(381,229)	(389,818)	(94,986)
Net increase/(decrease) in cash and cash equivalents	(74,950)	30,825	124,672	(14,462)	100,445

Net cash from operating activities

A breakdown of the Group's net cash from operating activities for the periods under review is set out in the table below:

	Six months ended 30 June		Year ended 31 December		
	2020	**2019**	**2019**	**2018**	**2017**
			(BYN thousands)		
Cash flows from operating activities:					
Profit/(loss) for the period/year	(107,172)	86,202	53,414	68,395	102,517
Adjustments for:					
Income tax expense/(benefit)	2,389	22,630	52,560	30,837	14,445
Depreciation of property, plant and equipment	40,450	36,590	86,935	80,069	86,109
Amortisation of intangible assets	1,699	2,128	4,390	2,892	2,021
Amortisation of right-of-use assets and leased property	45,715	45,917	90,260	—	—
Net finance costs	286,532	27,994	147,371	214,160	166,592
Change in allowance for impairment on trade and other receivables	1,225	(121)	(1,169)	(6,621)	1,774
Impairment/(reversal of impairment) of property, plant and equipment	—	—	1,149	(3,507)	193
(Gain)/loss on disposal of property, plant and equipment	2,272	1,217	6,805	(4,391)	363
Net cash flows from operating activities before changes in working capital	**380,282**	**136,355**	**388,301**	**313,439**	**271,497**
Changes in:					
Inventories	235	19,939	12,491	(82,445)	(60,407)
Trade and other receivables	19,068	(4,562)	1,206	(54,134)	(14,722)
VAT recoverable	9,769	11,736	14,774	(1,207	2,765
Prepayments	(11,496)	4,560	(4,814)	(10,597)	1,362
Deferred income	(502)	(393)	(233)	(775)	(780)
Trade and other payables	(285,664)	(97,451)	(12,706)	206,798	(57,202)
Loans granted by the Bank	12,328	8,478	10,685	(22,537)	(379)
Non-current assets held for sale	57	65	8	22	(87)
Other investments	—	(17,836)	5,530	25,330	—
Other liabilities	6,249	20,837	22,807	17,870	18,793
Cash generated from operating activities	**23,154**	**167,930**	**501,091**	**460,159**	**251,017**
Income tax paid	(544)	(8,920)	(12,563)	(15,049)	(11,454)
Net cash from operating activities	**22,610**	**159,010**	**488,528**	**445,110**	**239,563**

Six Months Ended 30 June 2020 and 2019

The Group's net cash from operating activities decreased by BYN 136,400 thousand, or 85.8 per cent., to BYN 22,610 thousand for the six months ended 30 June 2020 from BYN 159,010 thousand for the six months ended 30 June 2019. Net cash flows from operating activities before changes in working capital increased year on year due to a BYN 243,927 thousand increase in aggregate adjustments to profit from BYN 136,355

thousand for the six months ended 30 June 2019 to BYN 380,282 thousand for the six months ended 30 June 2020, which was partly offset by a BYN 193,374 thousand decrease in profit for the period. This increase in net cash flows from operating activities before changes in working capital due to an increase in aggregate adjustments to profit was partly offset by a BYN 195,329 thousand negative change in net cash flows due to an increase in trade and other payables and an increase in working capital from BYN 54,627 thousand for the six months ended 30 June 2019 to BYN 249,956 thousand for the six months ended 30 June 2020.

The increase in aggregate adjustments to profit for the period primarily resulted from an increase in net finance costs of BYN 258,538 thousand due to the depreciation of the BYN exchange rate. The largest changes in working capital were due to (i) a BYN 188,213 thousand decrease in trade and other payables primarily due to one-off investments in payments to suppliers, (ii) a BYN 23,630 thousand increase in trade and other receivables primarily due to shortening the payment cycle of wholesale clients with the Group, and (iii) a BYN 19,704 thousand decrease in inventories for the six months ended 30 June 2020 primarily due to stock optimisation.

The Group's Adjusted Free Cash Flow for the six months ended 30 June 2020 was negative BYN 55,881 thousand and for the six months ended 30 June 2019 was positive BYN 137,010 thousand.

Years Ended 31 December 2019 and 2018

The Group's net cash from operating activities increased by BYN 43,418 thousand, or 9.8 per cent., to BYN 488,528 thousand for the year ended 31 December 2019 from BYN 445,110 thousand for the year ended 31 December 2018. Net cash flows from operating activities before changes in working capital increased year on year due to a BYN 74,862 thousand increase in aggregate adjustments to profit for the year ended 31 December 2019 from BYN 313,439 thousand for the year ended 31 December 2018 to BYN 388,301 for the year ended 31 December 2019, which was partly offset by a BYN 14,981 thousand decrease in profit for the period. This increase in net cash flows from operating activities before changes in working capital due to an increase in aggregate adjustments to profit was partly offset by a BYN 18,949 thousand negative change in net cash flows due to decrease in working capital from BYN 78,325 thousand for the year ended 31 December 2018 to BYN 59,376 thousand for the year ended 31 December 2019.

The increase in aggregate adjustments to profit for the period primarily resulted from applying the IFRS 16 standard, including adjustments for amortisation of right-of-use assets and leased property of BYN 90,260 thousand. The largest changes in working capital were due to (i) a BYN 219,504 thousand decrease in trade and other payables primarily due to a significant inflow in trade and other payables in 2018 supported by a large expansion of the retail network and Eurotorg's growing purchasing power, (ii) a BYN 94,936 thousand increase in inventories primarily due to stock increases, and (iii) a BYN 55,340 thousand increase in trade and other receivables in the year ended 31 December 2019 primarily due to a significant outflow in trade and other receivables in 2018 mainly driven by the launch of the drogerie business (a sister company in the Eurotorg Holdings plc group).

The Group's Adjusted Free Cash Flow in 2019 and 2018 amounted to BYN 373,944 thousand and BYN 374,955 thousand, respectively.

Years Ended 31 December 2018 and 2017

The Group's net cash from operating activities increased by BYN 205,547 thousand, or 85.8 per cent., to BYN 445,110 thousand for the year ended 31 December 2018 from BYN 239,563 thousand for the year ended 31 December 2017. Net cash flows from operating activities before changes in working capital increased year on year, due to a BYN 41,942 thousand increase in aggregate adjustments to profit for the year ended 31 December 2018 from BYN 271,497 thousand for the year ended 31 December 2017 to BYN 313,439 for the year ended 31 December 2018, which was partly offset by a BYN 34,122 thousand decrease in profit for the period. This increase in net cash flows from operating activities before changes in working capital due to an

increase in aggregate adjustments to profit was supported by a BYN 201,322 thousand positive change in net cash flows due to decrease in working capital from a BYN 122,997 thousand outflow for the year ended 31 December 2017 to BYN 78,325 thousand inflow for the year ended 31 December 2018.

The increase in aggregate adjustments to profit for the period primarily resulted from an increase of BYN 47,568 thousand in adjustments for net finance costs. The largest changes in working capital were due to BYN 264,000 thousand increase in trade and other payables primarily due to a large expansion of the retail network and Eurotorg's growing purchasing power.

The Group's Adjusted Free Cash Flow in 2018 and 2017 amounted to BYN 374,955 thousand and BYN 195,315 thousand, respectively.

Net cash used in investing activities

A breakdown of the Group's net cash flows used in investing activities for the periods indicated is set out in the table below:

	Six months ended 30 June		**Year ended 31 December**		
	2020	**2019**	**2019**	**2018**	**2017**
			(BYN thousands)		
Cash flows from investing activities:					
Sale/purchase of investments	—	—	865	(471)	(33)
Proceeds from sale of property, plant and equipment	14,665	93,042	105,361	18,317	3,978
Acquisition of property, plant and equipment	(24,543)	(43,736)	(80,421)	(80,448)	(45,166)
Acquisition of intangible assets	(3,024)	(2,756))	(8,909)	(8,024)	(3,060)
Deposit interests received	1,342	190	1,066	872	149
Loans granted	—	—	(589)	—	—
Net cash from/ (used in) investing activities	**(11,521)**	**46,740**	**17,373**	**(69,754)**	**(44,132)**

Six Months Ended 30 June 2020 and 2019

The Group's net cash used in investing activities increased by BYN 58,261 thousand, or 124.6 per cent., to BYN 11,521 thousand net cash outflow for the six months ended 30 June 2020 from a BYN 46,740 thousand net cash inflow for the six months ended 30 June 2019, which was primarily attributable to a decrease in proceeds from sales of property, plant and equipment (as proceeds for the six months ended 30 June 2019 were exceptionally high, mainly driven by the sale of a large shopping centre in Minsk), which was partly offset by decrease in Capital Expenditure.

Years Ended 31 December 2019 and 2018

The Group's net cash from investing activities increased by BYN 87,127 thousand, or 124.9 per cent., to a BYN 17,373 thousand inflow from investing activities for the year ended 31 December 2019 from a BYN 69,754 thousand outflow used in investing activities for the year ended 31 December 2018, which was primarily attributable to the sale of a large shopping centre in Minsk, while Capital Expenditure remained stable.

Years Ended 31 December 2018 and 2017

The Group's net cash used in investing activities increased by BYN 25,622 thousand, or 58.1 per cent., to BYN 69,754 thousand for the year ended 31 December 2018 from BYN 44,132 thousand for the year ended 31

December 2017, which was primarily due to higher Capital Expenditure, which was partly offset by the proceeds from the sale of property, plant and equipment.

Net cash used in finance activities

	Six months ended 30 June		Year ended 31 December		
	2020	**2019**	**2019**	**2018**	**2017**
Cash flow from financing activities:					
Proceeds from loans and borrowings	483,285	371,084	879,947	1,266,639	1,494,385
Repayment of loans and borrowings	(402,182)	(360,993)	(868,626)	(1,462,799)	(1,420,186)
Interest paid on loans and borrowings	(53,496)	(57,456)	(112,304)	(121,273)	(119,514)
Sale and leaseback financing	—	—	—	35,707	—
Repayment of lease liabilities	(70,678)	(117,655)	(221,302)	(71,351)	(17,195)
Interest repayment under finance leases agreements	—	—	—	—	(8,151)
Repayment of VAT under finance lease	(1,018)	(9,905)	(18,220)	(11,724)	(5,069)
Dividends paid	(41,950)	—	(40,724)	(25,017)	(19,256)
Net cash used in financing activities	**(86,039)**	**(174,925)**	**(381,229)**	**(389,818)**	**(94,986)**

Six Months Ended 30 June 2020 and 2019

The Group's net cash used in financial activities amounted to BYN 86,039 thousand for the six months ended 30 June 2020, as compared to BYN 174,925 thousand for the six months ended 30 June 2019. This outflow of BYN 88,886 thousand, or 50.8 per cent., resulted from (i) a BYN 71,012 thousand net proceeds increase in loans and borrowings, primarily due to attracting additional funding, (ii) a BYN 55,864 thousand decrease in the repayment of debt under finance leases agreements, including sale and leaseback financing, primarily due to the accelerated repayment of financial lease liabilities in 2019, (iii) a BYN 41,950 thousand increase in repayment of dividends, and (iv) a BYN 3,960 thousand decrease in interest paid on loans and borrowings for the six months ended 30 June 2020, primarily due to a decrease in the average interest rate on the loan portfolio.

Years Ended 31 December 2019 and 2018

The Group's net cash used in financing activities amounted to BYN 381,229 thousand for the year ended 31 December 2019 as compared to BYN 389,818 thousand for the year ended 31 December 2018. This outflow decrease of BYN 8,589 thousand, or 2.2 per cent., resulted from (i) a BYN 207,481 thousand net proceeds increase in loans and borrowings primarily due to a significant debt repayment in 2018 compared to a debt increase in 2019, (ii) a BYN 192,154 thousand increase in the repayment of debt under finance leases agreements, including sale and leaseback financing, primarily due to the accelerated repayment of financial lease liabilities, and impact of applying the IFRS 16 standard, (iii) a BYN 15,707 thousand increase in repayment of dividends, and (iv) a BYN 8,969 thousand decrease in interest paid on loans and borrowings in the year ended 31 December 2019, primarily due to debt repayment and a decrease in the average interest rate on the loan portfolio.

Years Ended 31 December 2018 and 2017

The Group's net cash used in financing activities amounted to BYN 389,818 thousand for the year ended 31 December 2018 as compared to BYN 94,986 thousand for the year ended 31 December 2017. This outflow increase of BYN 294,832 thousand resulted from (i) a BYN 270,359 thousand net repayment increase in loans and borrowings primarily due to a significant debt repayment, (ii) a BYN 16,953 thousand, increase in the repayment of debt under finance leases agreements, including sale and leaseback financing primarily due to the accelerated repayment of financial lease liabilities, (iii) a BYN 5,761 thousand increase in repayment of

dividends, and (iv) a BYN 1,759 thousand increase in interest paid on loans and borrowings in the year ended 31 December 2018, primarily due to an increase in the share of local financing with a higher interest rate.

Capital Expenditures

The Group defines Capital Expenditures as cash flow related to the acquisition of property, plant and equipment and the acquisition of intangible assets. In 2016, the Group started to implement its low-cost expansion strategy of rolling out smaller-format stores in leased premises with Capital Expenditures at approximately 2 per cent. of total revenue, interest and commission income.

Six Months Ended 30 June 2020 and 2019

The Group's Capital Expenditures decreased by BYN 18,925 thousand, or 40.7 per cent., to BYN 27,567 thousand for the six months ended 30 June 2020 from BYN 46,492 thousand for the six months ended 30 June 2019 as the Group continued to implement its low-cost expansion strategy and slowed the pace of retail chain expansion. In the six months ended 30 June 2020, Capital Expenditures amounted to 1.1 per cent. of the Group's revenue, and were funded from operating cash flows.

Years Ended 31 December 2019 and 2018

The Group's Capital Expenditures remained stable and amounted to BYN 89,330 thousand for the year ended 31 December 2019 compared to BYN 88,472 thousand for the year ended 31 December 2018, as the Group continued its expansion of smaller-format stores in leased premises.

Years Ended 31 December 2018 and 2017

The Group's Capital Expenditures increased by BYN 40,246 thousand, or 83.5 per cent., to BYN 88,472 thousand for the year ended 31 December 2018 from BYN 48,226 thousand for the year ended 31 December 2017, and was driven by an acceleration of the store roll-out programme. The Group funded its Capital Expenditures in the year ended 31 December 2018 from operating cash flows.

The Group intends to continue to expand its operations in the near to medium term, primarily through the roll out of smaller format stores on a leased basis as opposed to the construction or acquisition of stores. As a result, capital expenditures are expected to be driven by new store openings in line with the Group's strategy. See *"Business—Strategy—Sustainable capex-light expansion of the grocery store network"*.

As of the date of these Listing Particulars, the Group does not have any contractual commitments to incur material Capital Expenditures.

Liquidity

The Group's primary sources of liquidity are cash flows from operating activities and debt financing. In the years ended 31 December 2017, 31 December 2018, 31 December 2019 and in the six months ended 30 June 2020 the current liabilities of the Group exceeded its current assets by BYN 5,683 thousand, BYN 95,766 thousand, BYN 105,986 thousand and BYN 41,704 thousand respectively. This excess was primarily driven by negative net working capital (trade and other receivables plus inventories and minus trade and other payables) which amounted to BYN 167,191 thousand, BYN 243,861 thousand, BYN 261,593 thousand and BYN 7,589 thousand in the corresponding periods, while the share of short-term debt was low. The Company believes that the budgeted cash flows from operating activities are sufficient to finance current operations of the Group. In addition, the Group continues negotiations with its creditors on further debt refinancing and continues to seek out opportunities to improve its debt portfolio

Lease Liabilities

Lease agreements of the Group include agreements with purchase option, which were classified as finance lease in accordance with IAS 17 before 1 January 2019, and agreements without purchase option, which were classified as operating lease in accordance with IAS 17 before 1 January 2019.

	Liabilities under finance leases	Right-of-use liabilities	Total
1 January 2019	**74,784**	**395,822**	**470,606**
New lease agreements	27,541	52,345	79,886
Modifications of lease agreements terms	—	15,533	15,533
Interest expenses under lease agreements	7,044	36,120	43,164
Profit from foreign exchange differences	(2,283)	(19,516	(21,799)
Repayment of lease liabilities	(90,687)	(130,615)	(221,302)
31 December 2019	**16,399**	**349,689**	**366,088**
Short-term part	5,980	97,047	103,027
Long-term part	10,419	252,642	263,061

Repayments under right-of-use agreements for the year ended 31 December 2019 consist of payments relating to rent expenses accrued for the year ended 31 December 2019 in the amount of BYN 123,315 thousand, repayments of payables relating to rent expenses accrued for the period ended 31 December 2018 in the amount of BYN 2,980 thousand and prepayments for rent expenses for the periods starting from 1 January 2020 in the amount of BYN 4,320 thousand.

Contractual Obligations, Commitments and Contingencies

The Group rents commercial, warehouse and subsidiary premises and production equipment under operating leases. The lease contract is usually initially concluded for a term of five to 10 years with the right of its subsequent extension. Rent payments are regularly reviewed in accordance with market rates. The Group rents premises and equipment with the right of early termination upon notice to the lessor provided, as a rule, at least three months before the date of such termination. Changes to the leases accounting standard under IFRS 16 came into effect on 1 January 2019 and introduced a single on-balance sheet model for recording almost all lease agreements on a lessee’s balance sheet.

Legal claims

In the course of the Group's activities, customers and counterparties may lodge claims against the Group. Management believes that, as a result of the proceedings, the Group will not incur significant losses and accordingly no provision has been made in the consolidated financial statements.

Taxation contingencies in Belarus

The taxation system in Belarus is characterised by complexity and frequent changes in legislation, official pronouncements and authorities’ decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. However, there is no extensive court practice in Belarus on tax issues.

Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities during five subsequent calendar years, and in certain cases this period is unlimited.

The current tax authority initiatives in Belarus continue to elaborate taxation regulations vis-à-vis related-party and cross-border transactions. The most significant concepts in this respect include a limitation on "deductible" expenses on controlled debts (interest, management fees, etc.), the concept of the beneficial ownership of income and restrictions on the deductibility from the tax base of "economically unjustified costs". Due to the introduction in 2019 of a new "unreasonable tax benefit" concept, uncertainties have increased in relation to tax planning and strategy optimization. Any strategy where the main goal is to minimize tax charges is not permitted under this new tax concept, and respective operations should be taxed based on conditions that existed before implementing such strategy.

The application practice of the recently changed legislation is still evolving and should be considered based on the actual circumstances. Due to uncertainty the Group's tax position could be potentially impacted and additional tax risks going forward could arise.

All these circumstances may create tax risks in Belarus that could be more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Belarusian tax legislation, official pronouncements and tax authorities' decisions. However, the interpretations of the tax authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Credit-related commitments

In the course of its activities, StatusBank uses financial instruments with off-balance sheet risks to meet the needs of its customers. These instruments carrying credit risks to various extents, are not reflected in the statement of financial position. StatusBank's maximum exposure to contingent financial liabilities and credit commitments in the event of non-performance by the second party to the transaction and the impairment of all counterclaims and pledge is the same as the contractual value of these instruments.

StatusBank applies the same credit policy in respect of contingent liabilities as for financial instruments recorded in the statement of financial position.

The credit-related commitments of StatusBank were as follows:

	30 June 2020	31 December 2019
	(BYN thousands)	
Guarantees issued	2,470	2,216
Total credit-related commitments	**2,470**	**2,216**
Provision for credit-related commitments	(120)	(131)
Net credit-related commitments	**2,350**	**2,085**

As of 31 December 2019 the actual credit-related commitment of the Group relating to the surety agreement with the company "Euroopt" CJSC, amounted to BYN 35,237 thousand, and as at 30 June 2020 it amounted to BYN 41,161 thousand.

Loans, Borrowings and Leverage

The Group's principal loans and borrowings comprise the issue of the Eurobond and open lines of credit under facility agreements with a number of Belarusian banks and international institutions. The table below sets out the Group's total debt and net debt:

	30 June 2020	31 December 2019
	(BYN thousands)	
Total debt[(1)], *of which*	**1,414,523**	**1,213,519**
Short-term debt	94,932	7,765
Long-term debt	1,319,591	1,205,754
Cash and cash equivalents	**217,494**	**286,040**
Net debt	**1,197,029**	**927,479**

Note:

(1) Defined as the sum of non-current and current loans and borrowings and non-current and current liabilities under finance leases (BYN 1,310,951 thousand, BYN 89,704 thousand, BYN 8,640 thousand, BYN 5,228 thousand as of 30 June 2020, respectively; BYN 1,195,335 thousand, BYN 1,785 thousand, BYN 10,419 thousand, BYN 5,980 thousand as of 31 December 2019, respectively).

As of 30 June 2020, the Group's total debt (defined as explained in the footnote to the table above) was BYN 1,414,523 thousand, with net debt increasing by 29.1 per cent. as of 30 June 2020, compared to 31 December 2019 due to the depreciation of the Belarusian Rouble in the first half of 2020 and investments in net working capital at the expense of the Group's cash and cash equivalents and a moderate increase in debt. The Group also reduced borrowing costs, with the average interest rate as of 30 June decreasing by 0.32 percentage points compared to 31 December 2019 to 7.66 per cent. including cross currency interest rate swap agreement.

The table below sets out the Group's principal borrowings as of 30 June 2020:

	Currency	Rate	Maturity	Principal amount outstanding as of 30 June 2020
				(BYN, '000)
Bonds	USD	8.75%	2021-2022	572,945
Bonds	RUB	9.45%-10.95%	2023-2025	514,590
Secured bank loan	EUR	1.95%-4.30%	2020-2024	158,737
Secured bank loan	RUB	7.90%-9.60%	2021-2024	154,377
Secured bank loan	USD	7.50%	2025	3
Other loans	BYN	—	2022	3
Total loans and borrowings				**1,400,655**
Less the short-term part				**(89,704)**
Total long-term part				**1,310,951**

As of 30 June 2020, approximately 8.2 per cent. of the Group's loans and borrowings were secured, including by way of a pledge of its real estate, movable and inventories. As of 30 June 2020, there were no pledged ownership interests.

The Group's total loans borrowings as at 30 June 2020 were contractually repayable as follows:

	2020	2021	2022	2023	2024	2025
			(USD thousands)			
Total loans and borrowings, *of which*	**854**	**75,272**	**198,625**	**144,398**	**150,956**	**17,863**
Eurobond	—	70,800	170,177	—	—	—
Russian Rouble Bond	—	—	—	89,309	107,171	17,862
Other loans and borrowings	854	4,472	28,449	55,089	43,786	1

Eurobond

On 30 October 2017, the Group issued international bonds with a principal amount of U.S.$350 million at a rate of 8.75 per cent. (the "Eurobond"). The Group intends to fully repay the Eurobond with the proceeds from the offer of Notes.

Belarusbank

In April 2020 the Group signed a multicurrency credit line facility with Belarusbank. As of 30 June 2020, the Group had no outstanding borrowings owed to Belarusbank and the undrawn credit line amounted to U.S.$220 million equivalent.

Russian Rouble Bond

In July 2019, the Group issued its debut Russian Rouble-denominated bond, a RUB 5 billion 10.95 per cent bond due 2024. The Group issued an additional (tap issue) Russian Rouble-denominated bond, also a RUB 5 billion 10.95 per cent bond due 2024, in September 2019. In June 2020, Eurotorg successfully placed a second Russian Rouble-denominated bond, a RUB 5 billion 9.45 per cent. bond due 2025.

The total outstanding amount of the Russian Rouble-denominated bonds was equivalent to BYN 514,590 thousand as of 30 June 2020.

Syndicated Loan Facility

In 2019, Eurotorg signed a RUB 3.5 billion syndicated loan facility agreement consisting of a three-year RUB 0.5 billion tranche and a five-year RUB 3 million tranche. Gazprombank and MKB Bank acted as the mandated lead arrangers and lenders. As of 30 June 2020, the outstanding borrowings by the Group under the syndicated loan facility was equivalent to BYN 120,071 thousand.

Eximbank Russia

In December 2019, Eurotorg signed EUR 18.5 million loan agreement with Eximbank Russia (part of the Russian Export Center ("REC") Group). In May 2020 Eximbank Russia provided Eurotorg with a second loan of EUR 15 million. The loans are provided under insurance coverage of EXIAR JSC (part of the REC group) and are aimed at financing and refinancing Eurotorg's settlements with more than 40 Russian suppliers of food and consumer goods, including commercial organisations in the small and medium-sized business segment.

BPS Sberbank

As of 1 January 2017, the Group had outstanding borrowings owed to Sberbank in the aggregate principal amount of U.S.$237 million. In October 2017, following the Eurobond issuance, most of the outstanding borrowings to Sberbank were repaid, with the remaining outstanding amount of U.S.$90 million. As a result of

a more favourable refinancing environment, the Group gradually reduced borrowings at Sberbank, with the remaining outstanding principal amount of approximately €30 million as of 30 June 2020.

Segment Reporting

The Group has two reportable segments, described below, which represent the Group's strategic business units. These strategic business units are engaged in the production of various types of products and provide various types of services, and because the strategy of technological innovation and the marketing strategy for these business units differ, they are managed separately. Internal management reports for each of the strategic business units are analysed by the manager responsible for the Group's operating decisions at least quarterly.

The following summary describes the operations of each reportable segment:

- *Retail and wholesale*. Retail trade with food and other consumer goods on the territory of Belarus.
- *Banking business*. Attraction of deposits from legal entities, issuance of loans to private individuals and legal entities; opening and operation of accounts for private individuals and legal entities; purchase and sale of foreign currency and securities; issuance of bank guarantees.

See Note 29 to the Group's Interim Consolidated Financial Information.

See Note 33 to the Group's consolidated financial statements as of and for the year ended 31 December 2019 for the statement of profit or loss and other comprehensive income of each of the reportable segments for the years ended 31 December 2019 and 2018.

See Note 33 to the Group's consolidated financial statements as of and for the year ended 31 December 2018 for the statement of profit or loss and other comprehensive income of each of the reportable segments for the year ended 31 December 2017.

Use of Judgements and Estimates

In preparing its consolidated financial statements, the Company has made judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed for necessity of changes on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

At the reporting date key assumptions, judgements concerning the future performance of the Group and other key sources of estimation uncertainty are the following:

Useful lives of property, plant and equipment

The Group evaluate and re-evaluate the useful life of fixed assets annually based on the planned value of the remaining period of use, information on technology changes, physical condition of property, plant and equipment.

The depreciation policy is set out below in Note 6(i) to the Group's consolidated financial statements as of and for the years ended 31 December 2019, 2018 and 2017.

Determination of control

In 2017 a special purpose enterprise, the Bonitron Designated Activity Company, was established for bonds issuance on the Irish Stock Exchange. In 2019 a special purpose enterprise "Retail Bel Finance" LLC was established for bonds issuance on Moscow Stock Exchange. Both these companies are under control of the Group, therefore, the management decided to consolidate these entities.

Fair value of buildings

Based on the judgement that the fair value of buildings, which are owned or leased by the Group, will be more representative than their historical cost, the Company decided to recognise buildings at revalued amounts, representing fair value less subsequent accumulated depreciation and subsequent accumulated impairment losses, starting from 2007. The fair value of buildings is determined from market-based evidence by appraisal undertaken by professionally qualified independent valuers.

The Group estimates impairment by assessing whether factors indicating impairment exist, e.g. adverse trends in Belarusian economy, decrease in sales of individual supermarkets. Should the impairment be identified, the Group will test the expenses related to impairment of property, plant and equipment (see Note 6 (m) to the Group's consolidated financial statements as of and for the years ended 31 December 2019 and 2018).

Smallest cash generating unit

A cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Identification of such assets (or groups of assets) involves significant judgement. The management prepares financial budgets for revenue and profits for separate retail stores. Cash-generating units were determined at the level of each component (legal) entity included in the Group, except for the Company. Cash-generating units for this Company are determined at the level of each store.

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The estimate of probability is based on the Company's forecasts in relation to the future taxable profit and includes a significant degree of judgement of the Group's management.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Disclosures about Financial Risks

Management of risk and capital is an essential element of the Group's operations. The main financial risks inherent to the Group's operations are those related to credit risk exposures, liquidity, market movements in interest rates and foreign exchange rates. A description of the Group's risk management policies in relation to those risks follows.

Market risk

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Purchases from a number of suppliers are settled in foreign currencies. For this reason, the Group attracts bank loans in respective currencies while sale proceeds are denominated in Belarusian Roubles, which represents a currency risk. The Group manages currency risk through the process of determination of the sale prices of its goods.

Loans are predominantly denominated in currencies that do not correspond to the currency in which cash flows are generated by the relevant transactions of the Group, predominantly in Euros and U.S. Dollars. The management of the Group as quickly as possible adjusts the prices of goods in line with changing exchange rates, and the potential risks of a significant devaluation of the national currency are offset by a significant difference between the interest rates for loans in foreign currency and Belarusian Roubles.

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. As of 31 December 2019, the Group had cross currency interest rate swap agreement for its bonds in the amount of RUB 5 billion, according to which the Group receives interest payments at the rate 10.95 per cent. and makes interest payments at the rate 4.8 per cent. of bonds principal. As of 31 December 2019, the Group also had a cross currency interest rate swap agreement for its bonds at the amount of 500 million RUB, according to which the Group receives interest payments at the rate 9.6 per cent. and makes interest payments at the rate 3.75 per cent. of bonds principal. Under these agreements the Group receives principal payments in Russian Roubles and makes principal payments in Euro.

Interest rates risk

Interest rates risk arises from the possibility that changes in interest rates will affect the profit or loss or the value of the financial instruments. The main financial instruments with floating rate relate to loans received from banks and such floating rate is pegged to MOSPRIME, EURIBOR rates and the refinancing rate of the National Bank.

As of 31 December 2019 the structure of the Group's financial instruments grouped by the types of nominal interest rate was as follows:

	Interest-free	**Fixed rate**	**Floating rate**	**Total**
		(BYN thousands)		
Trade and other receivables	151,201	—	—	151,201
Loans granted	—	68,031	—	68,031
Cash and cash equivalents	286,040	—	—	286,040
Other investments	201	—	—	201
Loans and borrowings	(3)	(1,023,381)	(173,736)	(1,197,120)
Accrued interests	—	(16,912)	(629)	(17,541)
Liabilities under finance leases	—	(366,088)	—	(366,088)

	Interest-free	Fixed rate	Floating rate	Total
		(BYN thousands)		
Trade and other payables	(781,778)	—	—	(781,778)
Total open position	**(344,339)**	**(1,338,350)**	**(174,365)**	**(1,857,054)**

Credit risk

The Group is exposed to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group performs the evaluation of creditworthiness for each customer individually and determines the delay of payments based on internal assessment of the solvency and significance of the customer. The terms of payments are reviewed on a regular basis, at least once a year.

The Group's maximum exposure to credit risk is generally equal to the carrying amounts of financial assets and contingent liabilities. For guarantees, issued maximum exposure to credit risk is equal to contractual amount of the guarantee.

As of 31 December 2019, the maximum exposure to credit risk, taking into account impairment losses, was as follows:

	As of 31 December 2019
	(BYN thousands)
Cash and cash equivalents	286,040
Trade and other receivables	151,201
Loans granted	68,031
Other investments	201
Total	**505,473**

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity risk is to maintain sufficient level of cash and other financial assets that can be converted into cash within short period of time to be able to discharge its obligations when they fall due, and avoid unnecessary costs and risk of damage to the Group's reputation. The Group monitors liquidity by preparing monthly forecast statements of cash flow. If a significant depreciation of the Belarusian Rouble is expected, the Group prepares a stress test for its forecasts.

Most of the Group's product range is local products; for the rest, the Group either has no currency risk (because distributors assume this risk for some products) or is able to adjust prices promptly (as consumers have low price sensitivity for such goods). Depreciation of the Belarusian Rouble would be expected to affect rent and utilities expenses, which the Group would aim to partly offset by increasing rental revenues and by negotiating a reduction in its rental rates. Accordingly, no significant decrease in gross and operating margins is expected based on the most recent stress test.

Information concerning contractual maturity dates of financial liabilities as of 30 June 2020 including interest payments is presented below:

	Carrying amount	Cash flows under contract	Up to 1 year	1 to 5 years	Over 5 years
			(BYN thousands)		
Non-derivative financial liabilities					
Loans and borrowings	(1,400,655)	(1,762,175)	(209,795)	(1,552,380)	—
Trade and other accounts payable	(504,789)	(504,789)	(504,789)	—	—
Liabilities under finance leases	(443,035)	(539,947)	(125,948)	(336,578)	(77,421)
Accrued interests	(19,228)	(19,228)	(19,228)	—	—
Derivatives					
Cross-currency and interest rate swaps					
Inflow	202,377	253,079	20,376	232,703	—
Outflow	(214,778)	(242,550)	(10,028)	(232,522)	—
Total liabilities	**(2,380,108)**	**(2,815,610)**	**(849,412)**	**(1,888,777)**	**(77,421)**

BELARUSIAN FOOD RETAIL INDUSTRY

Belarusian Economy

In 2019, the GDP of Belarus amounted to USD 63.1 billion. The World Bank ranked Belarus 77th by nominal GDP, or 24th by GDP in terms of purchasing power parity in Europe in accordance with results of the year 2019.

From gaining independence in 1991 until the mid-1990s, economic situation in Belarus deteriorated gradually. This was caused mainly by the aftermath of the Soviet Union break-up, poor economic administration and low economic efficiency, as well as by the wrong decisions adopted in the attempts to stabilise the economy.

Since 1996, the country's social and economic policy has been aimed at building a socially-oriented market economy.

In 2007 and 2008, the Belarusian economy developed quickly, fuelled by the growing domestic demand, favourable foreign trade conditions and inflow of investments into the country. In 2009, the global financial crisis decelerated economic growth of Belarus down to 0.2 per cent. Afterwards, the Belarusian government took a number of steps as part of its economic policy to revitalise the growth, including: decreasing the level of governmental regulation, liberalising prices, adopting antimonopoly laws and reducing the tax burden on businesses. The government also simplified the procedures of registration, licensing and liquidation of companies and introduced certain measures to promote innovation and information technologies. In order to increase direct foreign investments the government, with support of the World Bank, set up the National Agency for Investments and Privatization. From 2009 to 2014, the above measures helped the Belarusian economy to achieve a 3.5 per cent. average annual growth of the real GDP.

In 2015 and 2016, Belarus faced an unfavourable foreign trade situation caused by the following factors: deteriorated economic situation in Russia (principal trade partner of Belarus), decreased direct foreign investments, devaluation of national currencies in the Eurasian Economic Union and fall of the global prices for oil and potassium fertilisers. This external economic environment significantly limited economic growth and reduced exports and GDP of Belarus. The real GDP decreased by 3.8 per cent. and 2.5 per cent. in 2015 and 2016, respectively.

Since 2017, Belarus' economy has stabilised. GDP increased in real terms by 2.5 per cent. in 2017, while inflation dropped to 4.6 per cent. and exports of goods and services reached U.S.$36.6 billion. In 2018, the country's GDP increased in real terms by 3.1 per cent., inflation remained low at 5.6 per cent., exports of goods and services increased to U.S.$42.3 billion, the refinancing rate declined to 10 per cent. and the current account deficit fell to 0.4 per cent. of nominal GDP. In 2019, Belarus' GDP increased in real terms by 1.2 per cent., while inflation slowed down to 4.7 per cent. However, the emergence of novel coronavirus pandemic poses a risk to the financial health of Belarus. For the first half of 2020, GDP in real terms declined by 1.7 per cent, while inflation remained at a stable low level of 5.2 per cent.

The nominal per capita GDP constituted USD 6,682 in 2019. According to the World Bank, this corresponds to the 36th position among the European countries, or the 34th position by purchasing power parity.

The share of services in the GDP's structure grew from 43.5 per cent. in 2010 to 47.8 per cent. in 2018.

The table below shows the key macroeconomic performance statistics for Belarus since 2015:

	2015	2016	2017	2018	2019
Nominal GDP, BYN million.....	89,910	94,949	105,748	122,320	131,952
Nominal GDP growth rate, %.....	11.6	5.6	11.4	15.7	7.9
Real GDP growth rate, %.....	(3.8)	(2.5)	2.5	3.1	1.2

	2015	2016	2017	2018	2019
Nominal GDP, U.S.$ million[(1)]	56,673	47,749	54,741	60,061	63,093
Nominal GDP (PPP) per capita, U.S.$ per annum	18,041	17,726	18,280	19,331	19,943
Refinancing rate (at year end), %	25.0	18.0	11.0	10.0	9.0
BYN/U.S.$ average exchange rate[(2)]	1.59	1.99	1.93	2.04	2.09
CPI Consumer Price Index ("**CPI**") (December-to-December), %	12.0	10.6	4.6	5.6	4.7
Food CPI (December-to-December), %	11.0	10.4	4.2	5.7	4.3
International reserves, U.S.$ million	4,176	4,927	7,315	7,158	9,394
International reserves, % of external public debt	32	35	42	41	55
Current account balance, % of GDP	(3.2)	(3.5)	(1.7)	0.04	(1.8)
Balance of trade, % of GDP	0.2	(0.02)	0.2	1.5	(0.5)
General government balance, % of GDP	1.5	1.5	2.9	4.0	2.6
FDI[(3)], U.S.$ million	1,612	1,307	1,247	1,635	1,327
FDI[(3)], % of GDP	2.8	2.7	2.3	2.7	2.1

Source: National Statistical Committee, National Bank, Ministry of Finance and World Bank.

Notes:

(1) Based on average BYN/U.S.$ exchange rate.

(2) The geometric average of the exchange rates on each calendar day of each month for the relevant annual period (exclusive of weekends and public holidays).

(3) On a net basis (net of the indebtedness owed to the direct investors for goods, work or services).

The Government's new economic policies and measures have established a basis for further growth between 2018 and 2022. However, the emergence of COVID-19 pandemic poses a risk to the financial health of Belarus. For the first half of 2020, GDP in real terms declined by 1.7 per cent, while inflation remained at a stable low level of 5.2 per cent. In April 2020, the IMF forecast that Belarus GDP will possibly decline in real terms by 6.0 per cent. in 2020.

Population and Consumption in Belarus

As of 1 January 2020, the population of Belarus was 9.4 million, which is comparable to that of Austria (8.9 million) and Sweden (10.3 million).

The population of Belarus has remained stable over the last five years. As of 1 January 2020, approximately 77.6 per cent. of the country's population live in cities, with more than 2.0 million (over 21 per cent.) living in the capital and its satellites, making it the tenth most populous city in Europe. There are 200 urban settlements in Belarus (of which 14 are cities with a population of more than 100,000 people) and over 21,700 rural settlements.

In 2019, real wages and real disposable income of households showed growth rates of 7.3 per cent. and 6.1 per cent., respectively, compared to a growth of 12.6 per cent. and 7.9 per cent., respectively, in 2018.

	2015	2016	2017	2018	2019
Registered unemployment, % of workforce	1.0	0.8	0.5	0.3	0.2
Nominal wages growth rate, year-on-year, %	10.9	7.6	13.9	18.1	12.3

	2015	2016	2017	2018	2019
Real wages growth rate, year-on-year, %.....	(2.3)	(3.8)	7.5	12.6	7.3
Disposable household cash income, BYN billion.....	56.3	58.7	64.1	72.8	81.7
Real disposable cash incomes of household growth rate, year-on-year, %.....	(5.9)	(6.9)	2.8	7.9	6.1
Consumer loans, BYN billion.....	1.7	1.7	3.0	4.4	5.5
Consumption (excl. services), BYN billion	36.7	39.1	42.9	48.2	53.2

Source: National Statistical Committee, National Bank

Geographical Structure of the Belarusian Retail Market

Due to its size, level of development, and the greater purchasing power of its citizens, Minsk has historically accounted for a disproportionate share of the total retail turnover in Belarus. Over the past five years, the share of Minsk in the Belarusian retail turnover has increased by 1.1 percentage points, from 30.1 per cent. in 2015 to 31.2 per cent. in 2019. The Minsk region showed a comparable growth of its share: from 14.6 per cent. in 2015 to 15.3 per cent. in 2019. Shares of other regions, excluding Brest region, have declined during the indicated period, as shown in the table below.

Share of total retail sales by region	**2015**	**2016**	**2017**	**2018**	**2019**
			(%)		
Minsk.....	30.1	30.6	30.8	30.9	31.2
Minsk region (excluding Minsk).....	14.6	15.0	15.0	14.8	15.3
Brest region.....	12.3	12.2	12.2	12.3	12.4
Gomel region	12.0	12.0	11.9	11.9	11.6
Vitebsk region.....	11.3	11.1	11.0	11.0	10.6
Grodno region.....	10.8	10.3	10.3	10.3	10.1
Mogilev region	9.0	8.8	8.9	8.8	8.7

Source: National Statistical Committee

When compared to the largest cities, Minsk had a higher market share in total retail sales in 2019 than all of the other regional centres combined, with Brest accounting for 4.6 per cent. of total retail sales, Gomel for 5.4 per cent., Vitebsk for 4.1 per cent., Grodno for 4.4 per cent., and Mogilev for 3.9 per cent.

Minsk has a similarly dominant proportion of the food retail sales market, accounting for 25.7 per cent. of total food retail sales in the country in 2019.

Grocery Retail Market in Belarus

According to the National Statistical Committee, in 2019, turnover in the Belarus retail market amounted to a total of BYN 49.6 billion, of which non-food items accounted for BYN 25.5 billion, while food items accounted for BYN 24.1 billion.

The grocery retail market in Belarus has historically been characterised by strong nominal year-on-year growth, with an 8.4 per cent. CAGR between 2015 and 2019 in nominal terms. The table below summarises the performance of the Belarus overall retail market, grocery retail market and turnover of food and non-food items in the years indicated:

	2015	2016	2017	2018	2019
Retail turnover, BYN million	34,723.6	36,923.4	40,237.3	45,165.2	49,557.5
Grocery retail turnover, BYN million	19,361.9	20,939.2	22,024.3	24,463.7	26,758.7
Food retail turnover, BYN million	17,425.7	18,845.3	20,383.2	22,186.12	24,082.7
Non-food retail turnover, BYN million	17,298.3	18,078.1	19,854.1	22,979.1	25,474.8
Real retail turnover growth, %	(1.3)	(4.2)	4.4	8.3	4.5
Real food retail turnover growth, %	(0.4)	(2.9)	2.8	4.5	3.1
Real non-food retail turnover growth, %	(2.2)	(5.5)	6.0	12.1	5.7
Real GDP growth, %	(3.8)	(2.5)	2.5	3.1	1.2

Source: National Statistical Committee, BCG Report, the Group's estimates based on National Statistical Committee data

An economic slowdown and negative trends in real disposable income contributed to declines in food retail sales in real terms in 2015 and 2016. As real GDP growth returned in 2017, food retail sales also grew by 2.8 per cent. year-on-year in real terms, with growth accelerating from the second half of 2017 and reaching 4.5 per cent. in 2018 backed by a strong growth of real disposable income, which grew by 7.9 per cent. in 2018. In 2019, food retail sales grew in real terms by 3.1 per cent. due to growth of real disposable income, which grew by 6.1 per cent. during the same period.

According to the National Statistical Committee, in January to June 2020, turnover in the Belarus retail market amounted to a total of BYN 25.1 billion (compared to BYN 23.5 billion in January to June 2019) and its year-on-year growth in real terms slowed to 2.6 per cent. due to the impact of the pandemic. However, the pandemic affected the food retail market to a lesser extent. Food retail sales in the first half of 2020 amounted to BYN 12.5 billion (compared to BYN 11.6 billion in January-June 2019) and grew by 4.8 per cent. year-on-year in real terms.

Description of Food Retail Formats in Belarus

The Belarusian food retail market is still undergoing transformation into a modern trade model that functions in developed economies. Traditional retail formats continue to be prevalent in the Belarusian food market, with a share of food retail sales at 51 per cent. in 2019, with modern retail formats accounting for the remaining 49 per cent. of the market, according to the Group's estimates based on the National Statistical Committee data. However, the share of modern retail formats is increasing up from 46 per cent. in 2017 (according to the BCG Report and the Group's estimates based on National Statistical Committee Data), displacing traditional retail formats. Sales in modern retail format stores increased at a CAGR of 13.3 per cent. in nominal terms between 2015 and 2019, compared to an increase of 4.6 per cent. for traditional format stores during the same period, according to the Group's estimates based on the National Statistical Committee data.

Within Belarus, modern format retail has even lower levels of penetration in small and mid-sized localities. According to the Group's estimates based on the National Statistical Committee data, in 2019, the average selling space for modern format stores was only 87 sq. m. per capita in urban localities with less than 20,000 inhabitants and 108 sq. m. per capita in towns with between 20,000 and 50,000 inhabitants, as compared to 145 sq. m. per capita in towns and cities with between 50,000 and 100,000 inhabitants, 142 sq. m. per capita in towns and cities with over 100,000 inhabitants, 157 and 178 sq. m. per capita in regional centres and Minsk respectively, and an overall average in Belarus of 118 sq. m. per capita.

Traditional retail formats

Traditional trade consists principally of independent small grocers or Soviet-era heritage outlets in smaller cities and villages, with the formats ranging from outlets, kiosks, markets and auto shops with over-the-counter

service. Despite the continued reduction in their market share, they still represented 51 per cent. of sales across the country's grocery market in 2019, according to the Group's estimates based on the National Statistical Committee data. A state-owned union of more than 100 regional co-operatives, Belkoopsoyuz, accounted for 8 per cent. of the market share in grocery retail in 2019 according to the Group's estimates based on the National Statistical Committee data and more than 80 per cent. of the network is concentrated in villages and small towns with 0-10,000 inhabitants, with a total of approximately 7,000 outlets according to the Group's estimates based on the National Statistical Committee data. Its governance structure, supply chain and procurement processes are not centralised.

Traditional trade retail formats are typically characterised by a lack of centralised governance, management or corporate strategy, limited means of supply chain management and inconsistent product selection, poor quality and high prices. Traditional format stores in Belarus are losing their market share to modern format store networks that offer superior customer experience, including a wide selection of high-quality products, low prices and high standards of customer service.

Modern retail formats

Modern retail formats range in size from forecourts and convenience stores to hypermarkets:

- *Forecourts*: outlets located at petrol stations, which typically focus on impulse consumer products for immediate consumption.
- *Convenience stores*: small grocery self-service outlets with a shopping space of less than 400 sq. m., typically located in convenient high-traffic sites, trading mostly in a wide variety of food, drinks, tobacco, grocery and household essentials. Convenience stores typically have between 2,000 to 8,000 stock keeping units ("**SKUs**").
- *Supermarkets*: self-service stores with a shopping space between 400 sq. m. and 2,500 sq. m. offering a broad range of food products and a limited range of non-food products, with the latter constituting less than 10 per cent. of total sales. Supermarkets typically have between 8,000 to 20,000 SKUs.
- *Hypermarkets*: large self-service premises with at least 2,500 sq. m. of shopping space divided into various trade departments. Hypermarkets sell a wide range of both food and non-food products, from detergents and household products to domestic appliances and automotive products. The non-food products make up more than 15 per cent. of total sales. Most hypermarkets have their own bakeries and culinary shops. Hypermarkets typically have above 20,000 SKUs.

The market shares of each modern retail format in Belarus in 2019 is shown in the table below:

Format	**2019**
	(%)
Hypermarkets	28
Supermarkets	40
Convenience stores	30
Forecourts	2

Source: the Group's estimates based on the National Statistical Committee data

The major players in the modern food retail market are the 10 largest privately-owned chains, which accounted for approximately 86 per cent. share of food retail sales in modern format stores in 2019. Eurotorg is by far the largest player in the market, with a market share of more than 5 times the next largest competitor in 2019, according to the Group's estimates based on the National Statistical Committee data.

The table below summarises the competitive dynamics for the top 10 players as of 31 December 2019, according to the Group's estimates based on the National Statistical Committee data:

	Revenue,[1] **2019**	**Convenience**	**Super-markets**	**Hyper-markets**	**Selling space**	**Selling space CAGR 2015 - 2019**
	(BYN million)	*(number of stores)*			*(ths sq. m.)*	*(%)*
Eurotorg	4,833	734	98	38	334.6	7.5
Gippo/Belmarket	950-1,000	28	54	9	89.0	2.2
Santa/Rublevsky	850-950	71	100	2	86.386.3	8.8
Korona	800-850	8	15	15	81.2	9.3
Sosedi	750-800	75	40	3	59.3	13.7
Dobronom	700-750	384	34	—	74.8	47.7
Vitalur	700-750	27	33	2	42.2	16.3
Almi	500-550	28	35	3	51.0	(6.0)
Green	500-550	—	6	7	40.9	33.5
Vesta	250-300	49	26	—	32.4	5.1

Note:

(1) Including sales tax/VAT.

The majority of the top 10 players are regional chains with stores concentrated in Minsk (Korona, Sosedi, Vitalur, and Green). Dobronom has a limited presence in Minsk. Santa/Rublevsky Gippo/Belmarket and Almi have presence in several regions and in the capital. However, only Eurotorg has a relatively even distribution of shopping space across the country's regions. Generally, many of the top competitors tend to focus on supermarkets and hypermarkets, and out of the top 10 players, Eurotorg is the only multi-format retailer with a significant share of selling space represented by smaller convenience stores.

BUSINESS

Overview

The Group is the largest player in the Belarusian grocery retail market with market share in 2019 of approximately 19 per cent. in the overall food retail market according to the Group's estimates based on the National Statistical Committee data. In the modern format grocery retail market, the Group's 2019 market share was approximately 38 per cent., which was approximately five times that of the second largest competitor and was higher than the combined market share of the next five competitors, according to the Group's estimates based on the National Statistical Committee data. As of 30 June 2020, Eurotorg operated a nationwide retail chain of 879 grocery stores across 325 cities and settlements in Belarus. Approximately 1 million customers make purchases at Eurotorg stores every day, and about 2.5 million active loyalty cardholders, or over 20 per cent. of Belarus' total population of 9.4 million people were unique participants in the Group's loyalty programmes as of 31 December 2019.

The Group's customer proposition is centred around a consistent offering of market-leading prices and focused assortment of high-turnover products, with a particular emphasis on the fresh category and local assortment. This positioning is complemented by a range of creative marketing activities that underpin long-term generational bonding with customers and strength of the Eurotorg brand. According to the BCG Report, price and loyalty are the attributes that most distinguish Eurotorg from its competitors.

The Group has built an extensive nationwide supplier network, with approximately 75 per cent. of its sales being locally produced, and has also developed large, market-leading direct imports capabilities. In addition, the Group places a strong emphasis on its own production as well as developing its private label assortment which comprises over 200 unique brands (with these brands collectively accounting for 11.9 per cent. and 12.6 per cent. of total revenue in the six months ended 30 June 2020 and the year ended 31 December 2019, respectively).

Eurotorg operates its retail grocery stores under the Euroopt, Hit! and Groshyk banners. As of 30 June 2020, the Company operated 602 stores, 264 stores and 13 stores under these banners respectively. Eurotorg operates its grocery stores across four formats: rural convenience stores, urban convenience stores, supermarkets and hypermarkets. As of 30 June 2020, the Group's retail store portfolio consisted of 148 rural convenience stores, 598 urban convenience stores, 96 supermarkets and 37 hypermarkets. Eurotorg's management believes that this diversified multi-format chain model enables the Group to meet the different consumption needs of its customers from daily neighbourhood to basket family shopping, as well as to penetrate any particular location in Belarus based on the size of the local population and potential customer base. The Group's expansion strategy in grocery retail is predominantly focused on the roll-out of the convenience stores, with selective expansion in other formats.

Eurotorg operates a balanced real estate strategy, and as of 30 June 2020 owned 37.1 per cent. of its total selling space (predominantly supermarket and hypermarket stores) and leased 62.9 per cent. of its total selling space (predominantly the convenience stores).

Eurotorg's stores are supported by its own fully integrated, nation-wide logistics system based around four distribution centres with a total storage space of approximately 88.7 ths sq. m. and three warehouses with a total storage space of 16.8 ths sq. m. as of 30 June 2020. The Group owns a fleet of approximately 230 transportation vehicles, which carry out more than 45 per cent. of the total deliveries of products for its grocery stores. In addition to its core retail business, the Group's subsidiaries include StatusBank, a universal bank in Belarus with branches in 16 cities throughout Belarus. In order to maintain the Group's strategic focus on the growth of its core retail business, the Company intends to divest from StatusBank in the medium term.

In the six-month period ended 30 June 2020 and in the years ended 31 December 2019, 2018 and 2017, respectively, the Group had revenue, interest and commission income of BYN 2,468,358 thousand, BYN 4,758,693 thousand, BYN 4,402,839 thousand and BYN 3,932,801 thousand. This strong financial performance was mainly driven by expansion of the grocery retail chain, as the Group had 9, 108, 262, and 47 net new grocery store openings, respectively. The Group added 14.4 ths sq. m., 41.7 ths sq. m. and 7.8 ths sq. m. of net selling space in the years ended 31 December 2019, 2018 and 2017, respectively. In the six months ended 30 June 2020, the Group reduced its selling space by 2.1 ths sq. m., as a result of the Group's optimisation of its retail network and its resulting decision not to renew its lease on a hypermarket in Mogilev. In the six-month period ended 30 June 2020 and in the years ended 31 December 2019, 2018 and 2017, respectively, the Group had net profit/(loss) from continuing operations of BYN (107,172) thousand, BYN 53,414 thousand, BYN 68,395 thousand and BYN 102,517 thousand, respectively, and Adjusted EBITDA of BYN 269,613 thousand, BYN 434,930 thousand, BYN 396,353 thousand and BYN 371,684 thousand, respectively. Over the three years ended 31 December 2019, the Group had a CAGR in revenue, interest and commission income of 10.0 per cent.

Key Strengths

The Group is the largest grocery retailer in Belarus with approximately five times the market share of the second largest player and higher than the combined market share of the next five competitors in 2019, according to the Group's estimates based on the National Statistical Committee data, representing one of the largest gaps between the first and second largest player in the grocery market in Europe. Eurotorg is also the only retail chain that has a nationwide presence in Belarus, with Eurotorg's grocery stores being the only modern format grocery retailer in over 190 settlements in the country, based on the Group's estimates as of 30 June 2020. The Group's leading customer proposition is focused on high-turnover products offered to customers at market-leading prices via its retail network. During BCG's market surveys in 2018, the Group's brand was recognised by 100 per cent. of adults surveyed, with 43 per cent. identifying Eurotorg's stores as their stores of choice, and the brand is further supported by successful and profitable marketing campaigns and unique loyalty programmes that enables nationwide customer coverage.

The Company believes that the following strengths have contributed to Eurotorg's successful development and will enable it to capitalise on the expected growth of the Belarus grocery retail market and continue growing its business:

The Group operates in a sizeable Belarus grocery retail market with strong fundamental upside potential and structural barriers to entry

Sizeable, rapidly growing and highly fragmented market with low penetration of modern retail formats

The Group operates in a sizeable market that is expected to rapidly grow in the coming years, according to the Group's estimates based on the National Statistical Committee data. The Belarus grocery retail market is still undergoing transformation into a modern trade model functioning in developed economies. According to the Group's estimates based on the National Statistical Committee data, traditional retail formats (Soviet-type stores, open-air markets, mom & pop stores and other unorganised trade outlets), despite continued reduction in their market share, still represented 51 per cent. of sales across the country's grocery market in 2019. Traditional trade retail formats are typically characterised by a lack of centralised governance, management or corporate strategy, limited means of supply chain management and inconsistent product selection, poor quality and high prices. Traditional format stores in Belarus are losing their market share to modern format store networks that offer superior customer experience, including a wide selection of high-quality products, low prices and high standards of customer service.

The Belarus grocery retail market is highly fragmented with the Group being the largest retail chain with approximately five times the market share of the second largest player in the modern grocery retail market in 2019, according to the Group's estimates based on the National Statistical Committee data.

With its leading market position and associated competitive advantages, the Company believes it is well placed to benefit from the growth in the fragmented Belarusian grocery retail market. The Group plans to extend its operations to small- and medium-sized cities and towns with low penetration of modern retail formats, and expand its presence in large cities where the Group's market share does not exceed existing regulatory restrictions. The Group believes that Eurotorg has the capability, backed by its scale, comprehensive supply chain, and nationwide logistics infrastructure, to strengthen its market leading position through a customer proposition focused on market-leading price offering and assortment focused on high-turnover products, strong experience in small retail formats, 100 per cent. brand recognition, and limited competition.

The Belarus grocery retail market has structural barriers to entry

No major international grocery retail chains currently have a significant presence in the Belarusian grocery retail market. In 2017 and 2019, two Russian discounter chains Svetofor and Dobrocen entered the market, but they have not reached a significant business scale to date. The Company believes that the existing protective measures, including structural and regulatory barriers, focused on the support of Belarus' food producers, indirectly protect local retailers and create barriers for the potential expansion of international retailers. The Company believes that these structural and regulatory barriers include the following:

- Applicable Belarusian regulation requires that a considerable number of SKUs across a majority of product categories offered by grocery retailers must be of domestic origin to ensure sustainable development of domestic food producers. As a consequence, any non-domestic market entrant would have to have (or rapidly develop) a comprehensive local supply chain, including strong relationships with suppliers of products of domestic origin and a local logistics system, and reach a substantial procurement volume which would allow it to negotiate competitive prices. A new entrant that lacks a comprehensive local products matrix and substantial procurement volumes would be unable to offer competitive prices for customers.

- Imported products face import duties in the range between 5 per cent. to 30 per cent. (save for products imported from Eurasian Economic Union countries and countries in the Commonwealth of Independent States Free Trade Area, including Russia, Ukraine, Kazakhstan, Armenia and Kyrgyzstan) and minimal pricing limits are set for socially important goods, alcohol and tobacco (primarily for protection against import from Eurasian Economic Union countries). This regulation is also driven by Belarus' strategy to protect local producers against imports.

- Belarus has a limited availability of infrastructure necessary for retail operations, including leasable standardised modern retail space (particularly that is suitable for supermarkets and hypermarkets) and critical shortage of sites suitable for construction of retail properties within cities with a population of over 50 thousand people, large warehouse capacities for rent and reliable third party logistics service providers, particularly those able to operate in the regions.

- For a competitor seeking to enter the market via acquisitions, there are no suitably developed existing retail chains of sufficient scale and nationwide presence. In addition, the majority of Eurotorg's competitors' operations are concentrated in Minsk, creating a substantial overlap in geographic coverage among modern format retailers, which limits opportunities for market consolidation.

As such, the Company believes that any potential new market entrant would have to overcome significant barriers to entry, including:

- Limited ability to capitalise on its buying power advantages and own brand recognition as well as non-competitive prices as a consequence of that;
- Necessity to make significant time and financial resources investments in establishing relationships with the local producers; and
- Necessity to adjust the business model taking into account a high share of locally produced goods.

Undisputed leadership in the Belarus grocery retail market far ahead of the second player

The Group is the largest grocery retail chain in the fragmented Belarusian market possessing a nation-wide retail network, and, as such, the Company believes that it enjoys certain significant competitive advantages over both traditional format store and smaller modern format store competitors. According to the Group's estimates based on the National Statistical Committee data, in 2019, the Group had an overall grocery retail market share of approximately 19 per cent. and a modern format grocery retail market share of approximately 38 per cent. In addition to market share, Eurotorg leads its competitors in key metrics, including:

- number of stores, with 879 stores as of 30 June 2020, which was approximately two times more than the next nearest competitor according to the Group's estimates based on the National Statistical Committee data;
- selling space, with total selling space of approximately 332.4 ths sq. m. as of 30 June 2020, and accounting for 29 per cent. of the total modern retail format selling space in Belarus in 2019 according to the Group's estimates based on the National Statistical Committee data, which was approximately 3.5 times more than the nearest competitor;
- geographical presence and coverage, with a presence in 125 of the 129 ATUs and 325 settlements as of 30 June 2020, while none of Eurotorg's modern format competitors had a presence in over 190 of the 325 settlements in Belarus in which the Group operates, according to management's estimates;
- sales in each category of stores, with Eurotorg's convenience store sales 4.4 times higher than the nearest competitor in 2019, while in the supermarkets and hypermarkets categories, Eurotorg's sales were 1.6 and 2.0 times higher, respectively, than the nearest competitor, according to the Group's estimates based on the National Statistical Committee data;
- brand recognition, with the Group's brand being recognised by 100 per cent. of adults surveyed by BCG in 2018 (1.4 times higher than the nearest competitor); and
- customer loyalty, with the Group's store equity index in Minsk of 2.9 being two times higher than the nearest competitor.

The Group further believes that its extensive geographical coverage offers competitive advantages in the efficiency of its logistics network and brand awareness. The majority of the top 10 players are regional chains with stores concentrated in Minsk (Korona, Sosedi, Vitalur, and Green). Dobronom has a limited presence in Minsk. Santa/Rublevsky Gippo/Belmarket and Almi have presence in several regions and in the capital. However, only Eurotorg has a relatively even distribution of shopping space among regions. Generally, many of the top competitors tend to focus on supermarkets and hypermarkets, and out of the top 10 players, Eurotorg is the only multi-format retailer with a significant share of selling space represented by smaller convenience stores.

Eurotorg's leading market position and multi-regional presence provide a strong foundation for future development of the Company.

Unique customer proposition makes Eurotorg the leading shopping destination in the hearts and minds of consumers in Belarus

The Group offers a compelling value-for-money customer proposition focused on market-leading prices, focused assortment and unique shopping experience across various formats aimed to address the needs of every household in the country. The Group continuously innovates and refines its customer proposition with its core model remaining unchanged. The Group's continuity of its base retail concept and focus on its value enhancement for customers enabled the Group to achieve an outstanding level of customer loyalty. Based on BCG's market surveys in 2018, Eurotorg's grocery stores were referred to as the stores of choice by 43 per cent. of Belarus citizens.

Market-leading price operating model

The Group has a market-leading price operating model, which has historically been central to the Group's development strategy and commitment to being the market-leading price grocery retailer in Belarus. Low prices are among the top three criteria for store selection among Belarusian consumers, according to the BCG Report. On the basis of third party surveys including surveys conducted by BCG, Nielsen and the National Academy of Science, and weekly price checks conducted by the Group, the Company believes that the Group maintains the lowest average prices for basic food products amongst its competitors.

The Group's market-leading price business model is supported by its strong relationships with a network of over 1,700 suppliers and its well-developed supply chain spanning over 25 years. Because of the large scale of Eurotorg's operations, the Group purchases a high volume of goods and products from third party suppliers and, as a result, has a significantly stronger buying power than its competitors, which enables the Group to effectively negotiate advantageous pricing, payment and other commercial terms resulting in market-leading prices with solid price distance to competitors. The Group also has direct import contracts with foreign suppliers with sizeable volumes on key products, primarily for the supply of fruits, vegetables and dry food. The Group's buying power and operating model is supported by its fully integrated, nation-wide logistics system.

Balanced assortment of quality products

Eurotorg offers a balanced assortment of quality products, designed to address the shopping needs of every household in Belarus, with a focus on high-turnover products (i.e. products for which there is the greatest customer demand in each category). This approach allows the Group to obtain better pricing terms from its suppliers, as well as to optimise its in-store stock handling, inventory and supply chain operations, thus achieving operational efficiencies and lower costs, all of which enable the Group to offer market-leading prices to its customers while maintaining strong margins. The top 1,000 SKUs and the top 1,000 to 5,000 SKUs by Eurotorg's sales volume accounted for 51.0 per cent. and 31.5 per cent. of the Group's sales in 2019, with all other SKUs accounting for 18.5 per cent. of the Group's sales during this period.

The Group takes particular care to offer fresh products selling approximately 35.4 per cent. of all fruits and nuts and 27.0 per cent. of all vegetables in the country (in 2019, according to the Company's estimates based on National Statistical Committee data).

Eurotorg has over 200 high-quality private label brands with national brand attributes, which accounted for 11.9 per cent., 12.6 per cent., 11.9 per cent. and 10.0 per cent. of the Group's revenue in the six months ended 30 June 2020 and the years ended 31 December 2019, 2018 and 2017, respectively. As the average price of the Group's high-quality private label products is typically lower than that of equivalent brand-name products, they provide customers with a compelling value proposition and further strengthen the Group's position as the price leader in grocery retail.

Eurotorg's own in-store production (which accounted for 10.5 per cent., 10.8 per cent., 11.8 per cent. and 11.3 per cent. of the Group's revenue in the six months ended 30 June 2020 and the years ended 31 December 2019,

2018 and 2017, respectively) and a large variety of non-food products (which accounted for 5.5 per cent., 6.5 per cent., 8.0 per cent. and 8.1 per cent. of the Group's revenue in the six months ended 30 June 2020 and the years ended 31 December 2019, 2018 and 2017, respectively) further reinforce the Group's customer proposition.

The Company believes that customers in Belarus prefer locally produced food products over imported equivalents. As a consequence of these demand patterns as well as regulatory requirements for a certain number of SKUs to be Belarusian origin products, these products accounted for approximately 75 per cent. of the Group's sales in 2019. The significant proportion of local products in Eurotorg's sales mix provides resiliency for the Group in case of unfavourable macro dynamics or foreign exchange rate movements, by reducing its reliance on imports.

Unique loyalty programme and customer experience

Eurotorg's stores offer its customers a convenient and affordable shopping experience via its retail network. Rationalised in-store logistics and easy-to-navigate layouts combined with trained staff focused on customer services add to the shopping experience.

In-store shopping experience is enhanced by the nation-wide marketing campaigns, such as the nationwide lottery "Udacha v pridachu", as well as other promotional activities the Group launches from time to time. These marketing campaigns complement Eurotorg's product offering with emotional elements. Since the launch of "Udacha v pridachu" in February 2016 to 30 June 2020, over 2.4 million unique customers (or more than 25 per cent. of Belarus' population) have participated in lottery draws of "Udacha v pridachu", with total prizes awarded having a value in excess of U.S.$33.2 million. The Group's marketing campaigns significantly improve the sales of participating product categories, making them highly attractive for the Group's suppliers, and significantly increase the average ticket for lottery participants compared to other customers.

Furthermore, to support customer loyalty, the Group offers the "E-plus" loyalty card programme. This loyalty card is required in order for customers to be able to participate in the Group's loyalty programmes. As of 31 December 2019, the Group had 2.5 million active cardholders, and 62 per cent. of the Group's sales in 2019 (in money terms) were made using loyalty cards. The Group's loyalty card is also required for customers to take part in the Group's popular marketing campaigns. The Company believes that its effective and profitable marketing campaigns and the Group's loyalty card programme further strengthen customer loyalty and Eurotorg's brand awareness. The Group continues to develop its loyalty card value proposition, including through third-party partnerships, including, for example, with Burger King, Puma, TEZ tour, GEELY and SIXT rent-a-car, that management expects will enable Eurotorg's loyalty card to be used to obtain discounts across multiple retail and services categories in Belarus. The Company believes that third-party partnerships provide further potential to stimulate sales of third-party partners' products and increase the value of owning a loyalty card, stimulate the number of visits and attract new customers to Eurotorg's grocery stores.

The Company believes that these pillars of Eurotorg's retail concept appeal to customers and are central to its unparalleled brand awareness and customer loyalty. Based on BCG's market surveys in 2018, Eurotorg's grocery stores are stores of choice for 43 per cent. of Belarus citizens. According to market surveys conducted by Nielsen in 2018, the Group has a store equity index (which ranks retail brands for familiarity, connection and loyalty) of 5.6 in Gomel, 3.2 in Brest and 2.9 in Minsk, which are among the highest in emerging markets and significantly ahead of the Group's competitors in Belarus. The Company believes that such outstanding brand loyalty is a key competitive strength and will allow Eurotorg to effectively expand operations.

Experienced management team and shareholder support

The Group has a highly skilled management team, formed by the Founding Shareholders, comprising a team of experienced industry professionals with a detailed understanding of the local retail market trends and

competitive environment. The team's experience provides the Group with the expertise required to develop and seamlessly implement its business strategy. The management team has successfully developed modern grocery retail platform in Belarus under Euroopt, Hit! and Groshvk brands over the last decade with the store network increasing from 10 stores in 2008 to 879 stores as of 30 June 2020.

The Company is focused on the continued professional development of the Group's employees. The Group regularly conducts specially developed job-specific training programmes, engages external professional coaches, organises business simulation games and offers its employees a range of distance learning courses. Most of the Group's managers have historically been sourced internally and share the values of Eurotorg.

The management team benefits from the support and guidance of the Founding Shareholders, each of whom has extensive experience in grocery retail. The Company believes that such framework of involvement and support of its shareholders and the Board creates a more stable and flexible platform from which the Group can effectively operate and achieve its strategic objectives. The Group believes that its supportive shareholders, together with its leading market position, growth prospects and expansion plans, will enable the business to continue to attract and retain high-calibre managers.

Strategy

The Group has the following key strategies:

Sustainable, capex-light expansion of the grocery store network

The Group will continue to seek to develop its leading market position and increase its market share, primarily by rolling out additional convenience stores in leased premises in under-penetrated urban regions of Belarus. Roll-outs in urban areas where market share is less than 20 per cent. is the Group's main priority, while low penetration of modern retail formats creates significant whitespace potential in small- and medium-sized cities and towns.

Strategically, the Group targets urban areas in all ATUs where its market share in food retail is currently below 20 per cent. (which allows for additional expansion under Belarusian law), including Minsk. According to the Group's estimates based on National Statistical Committee data, over 6.4 million people as of 1 January 2020 reside in ATUs in which Eurotorg has market share of less than 20 per cent. or no presence at all. Belarus' regulatory framework excludes certain approved towns and villages with populations below 2,000 inhabitants from the 20 per cent. market share limits, which gives an additional growth opportunity for the Group.

Continue to focus on maintaining the significant share of higher margin private label and own-produced products in the Group's sales

The Group intends to continue to focus on maintaining sales of its higher margin products, namely private label and own-produced products.

The Company believes that private label products provide a compelling value-for-money customer proposition as the average price of private label products is lower than that of equivalent brand-name products while gross profit margin of these products was 5 to 6 percentage points higher than the Group's average gross profit margin on non-private label products in 2019. In the six months ended 30 June 2020, private label products represented 11.9 per cent. of the Group's sales revenue.

In addition, the Company sees opportunities to increase the penetration of own-produced products in high-margin categories such as bakery, ready-to-eat food and confectionary in the Group's convenience grocery stores and supermarkets. The gross margin of own-produced products was 4 to 5 percentage points higher than the Group's average gross profit margin for non-own-produced products in 2019. To expand sales of own-produced products, the Group has undertaken a number of initiatives, including further centralisation of

production, branding of own-production zones in Euroopt stores, launching in-store bakeries, and expanding production of meals to order. In the six months ended 30 June 2020, the share of own-produced products represented 10.5 per cent. of the Group's sales revenue.

Continue to enhance buying power and further leverage the Group's infrastructure platform

The Company intends to further strengthen the Group's buying power, continue to develop partnership relations with its suppliers and facilitate competition between them in order to obtain better pricing and payment terms. The Company expects that the volume of the Group's purchases will increase as its operations expand, resulting in the greater negotiating power of Eurotorg. The Group plans to further leverage its well-invested infrastructure platform, namely its fully integrated, nation-wide logistics system and IT backbone, designed for scalability and in anticipation of Eurotorg's ongoing growth.

Continue to focus on controlling the expenses and improving the profitability of the business

The Company intends to optimise selling, general and administrative expenses and believes that there are multiple opportunities to decrease the expenditures or slow down their growth (as a share of retail sales). In particular, as the Group's revenue increases, the number of business functions and operational complexity is not expected to grow, with several functions being centralised across the Group's operations, thereby reducing the need for additional personnel to maintain these functions. In addition, the Group plans to proactively promote training for personnel to improve their productivity. The Company believes that there is potential for a reduction in personal costs to be achieved through the cost control measures the Group intends to implement.

On the store-level, the Group expects to decrease costs by merging certain functions in the stores located near each other on the basis of a flagship store, increasing the utilisation of logistics capacities and achieving overall efficiency improvements, including introduction of task schedules based on logistics and customer traffic forecasts, streamlining of processes for warehouse navigation and SKU storage framework, delivery limits, smart pallet sorting at distribution centres, SKU movement and shelf replenishment, further overall automation of accounting processes as well as enhanced tracking and distributing system for facility maintenance orders. The Group is also targeting further cost optimisations by switching to energy efficient technologies and equipment. In addition, the Company believes that the store operational model is very flexible allowing to achieve the economy of costs to maintain the operating profit of the store if any changes in the competition landscape would occur.

Proactively manage the Group's debt portfolio

The Group will continue to seek opportunities to reduce its debt burden through debt repayment and Adjusted EBITDA growth and to decrease average cost of debt. The Group plans to utilise the net proceeds from the offering of Notes to finance the purchase of any or all of the 2022 Notes in the Tender Offer (see "*Use of Proceeds*"). The Group also intends to continue to proactively manage the maturity profile of its debt portfolio, including by continuing to seek opportunities to refinance its existing shorter-term indebtedness on commercially reasonable terms (including through the issuance of the Notes) and by continuing to negotiate maturity extensions and other related amendments to its existing indebtedness with creditors.

In the long term, the Company considers that an appropriate ratio of net debt to Adjusted EBITDA is 1.5x and will make efforts to gradually reduce the net leverage debt to Adjusted EBITDA ratio.

History

The Group's business was established in 1993 as a food wholesaler. In 1997, the Group opened its first store in Minsk, with total space exceeding 16,000 sq. m. Since 2009, Group has grown its retail footprint from 10 stores to 879 stores as at 30 June 2020.

In 2008, the Group refocused from wholesale operations to retail operations and in December 2008, rolled out the first hypermarket in Belarus, and opened its first distribution centre in Minsk. The Group also adopted IFRS standards in 2008 in order to strengthen its commitment to the best international practice.

In 2010, the Group became the first grocery retailer with presence in each of the regions of Belarus. The Group was awarded a gold medal in the "Brand of the Year" contest within the nomination "Store Chains and Centres" and was recognised as the best retail chain in Minsk in the "Choice of the Year" contest.

In 2012, Eurotorg obtained its first international financing by entering into a long-term facility agreement with the European Bank for Reconstruction and Development ("**EBRD**").

In 2013, the Group strengthened its distribution network by opening its second distribution centre in Baranovichi.

In 2017, the Group completed its debut Eurobond offering, raising U.S.$350 million from international investors. The Eurobond was the first ever corporate international offering from Belarus and the credit ratings received in connection with the offering were the first corporate credit ratings issued for a company in Belarus.

On 31 July 2018, the Group entered into a EUR 20 million loan agreement with EBRD.

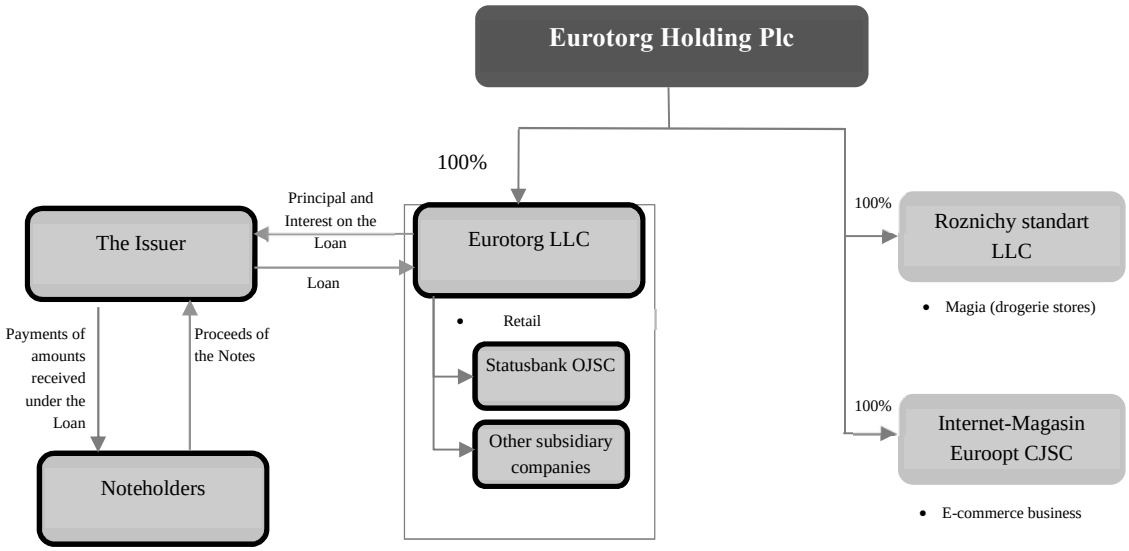
In 2019, the Company successfully placed two issues of Russian Rouble-denominated bonds, totalling RUB 10 billion and listed on the Moscow Exchange, and signed a RUB 3.5 billion syndicated loan facility agreement with leading Russian banks. The Russian Rouble-denominated bond was named the "Debut of the Year" at the 2019 Cbonds Awards.

In June 2020, the Company successfully issued a further RUB 5 billion five-year unsecured bond, listed on the Moscow Exchange, thus increasing the total volume of Russian Rouble-denominated bonds of the Company in circulation to RUB 15 billion.

In the period between 2011 and 2020, the Group expanded its network from 67 grocery stores with selling space of 55.5 ths sq. m. as of 31 December 2011 to 879 stores with selling space of 332.4 ths sq. m. as of 30 June 2020.

Organisational Structure of the Group

The Company is a limited liability company incorporated under the laws of Belarus and operates as the parent company of the Group. As of the date of these Listing Particulars, the Group consists of 13 companies (excluding the Company) with operations spanning across retail sales, transportation, production and packaging. See "*—Sales, Products and Pricing—Subsidiaries*" for a complete list of the Company's subsidiaries. The following chart shows the Company within the structure of the wider Eurotorg Holdings plc's group



The Group's business consists of two operating segments: (i) retail operations consisting of the Group's grocery stores and (ii) banking, however, in order to maintain the Group's strategic focus on the growth of its core retail businesses, the Company intends to divest from its banking business in the medium term. Retail and wholesale operations are the key segment of the Group's business with revenue from this segment accounting for 98.7 per cent. of the Group's total revenue, interest and commission income for the six months ended 30 June 2020.

In order to optimise its organisational structure, the Group may undertake certain intra-group reorganisation strategies. These may include the dissolution of certain non-operational Group companies, including the companies created for the construction of the Group's stores, and corporate reorganisations of other companies with the goal of optimising the corporate and business governance processes.

Retail Operations

Grocery Stores

General

The Group is the largest player in Belarusian grocery retail market with market share in 2019 of approximately 19 per cent. in the overall food retail market according to the Group's estimates based on the National Statistical Committee data. In the modern format grocery retail market, the Group's 2019 market share was approximately 38 per cent., which was approximately five times that of the second largest competitor and higher than the combined market share of the next five competitors, according to the Group's estimates based on the National Statistical Committee data. As of 30 June 2020, the Group operated 879 grocery stores with total selling space of 332.4 ths sq. m. and had an operational presence in 125 of the 129 ATUs of Belarus.

Classification and Formats

Eurotorg operates its grocery stores across four formats: rural convenience stores, urban convenience stores, supermarkets and hypermarkets. The Company's grocery stores operate under three banners: Euroopt, it! and Groshyk.

Euroopt is the primary banner under which the Company operates, with stores in all four formats operating under this banner. Stores under the Euroopt banner differ from stores that are under the it! and Groshyk banners due to their standardised assortment, pricing strategy and quality of service. As of 30 June 2020, the Company operated 602 stores under the Euroopt banner in 287 localities.

The Company operates grocery soft discounters in highly competitive locations under its Hit! banner. The commercial and operating models for Hit! differ from stores that operate under the Euroopt banner due to their limited assortment with a higher share of private label and direct import goods, increased price distinction from competitors and simplified service with faster and more efficient in-store processes. As of 30 June 2020, the Company operated 264 stores under the Hit! banner, mainly in the convenience store format, in 109 localities. The average selling space of Hit! stores was approximately 163 sq. m. as of 30 June 2020. Hit! stores offer a product range of approximately 2,000 SKUs on average.

To continue diversification of the Company's customer proposition, the Company launched a network of hard discounters under the Groshyk banner in the first quarter of 2020. These hard discounters offer products at the lowest price range of all the Group's banners. This is achieved by minimising operating costs and optimising logistical efficiency by using warehouse-style goods pallet layouts, which require lower employee numbers. Stores under the Groshyk banner are targeted not only at retail customers, but also at small merchants. As of 30 June 2020, the Company operated 13 stores under the Groshyk banner, mainly in the supermarket format, in 11 localities, with an average selling space per store of 751 sq. m. Groshyk stores offer a product range of approximately 1,300 SKUs on average.

The below table contains information on the number of grocery stores, total selling space, average selling space, average number of SKUs, selling space owned, percentage of sales per each grocery store classification and format as of and for the six months ended 30 June 2020.

Retail format	**Number of stores**	**Total selling space**	**Average selling space**	**Approx. average number of SKUs**	**Selling space owned**	**Percentage of net grocery sales**
		(ths sq. m.)	*(sq. m.)*		*(%)*	
Rural convenience	148	9.5	64	800	14.7	2.9
Urban convenience	598	132.6	221	3,500	12.1	49.1
Supermarkets	96	84.7	883	9,500	44.2	23.6
Hypermarkets	37	105.6	2,854	20,000	64.9	24.4
Total	**879**	**332.4**	**378**	**—**	**37.1**	**100**

The following table indicates the number of the Group's grocery stores organised by retail format in each of the regions of Belarus as of 30 June 2020:

Retail format	**Minsk**	**Minsk Region (excluding Minsk)**	**Brest Region**	**Gomel Region**	**Grodno Region**	**Mogilev Region**	**Vitebsk Region**
Rural convenience	—	34	21	10	20	10	53
Urban convenience	127	120	91	66	52	63	79
Supermarkets	20	17	10	14	15	13	7
Hypermarkets	7	4	4	6	7	3	6
Total	**154**	**175**	**126**	**96**	**94**	**89**	**145**

The Group's net grocery retail sales have been growing since 2014 reaching BYN 4,214,474 thousand in 2019. In the six months ended 30 June 2020, the Group's net grocery retail sales amounted to BYN 2,202,914

thousand. The following table represents the Group's net grocery retail sales categorised by retail format for the six months ended 30 June 2020 and 2019 and for the years ended 31 December 2019, 2018 and 2017.

Retail format	Six months ended 30 June		Year ended 31 December		
	2020	2019	2019	2018	2017
			(BYN thousands)		
Rural convenience	64,916	51,810	113,890	54,384	6,839
Urban convenience	1,080,884	937,979	1,958,673	1,730,213	1,469,959
Supermarkets	520,118	485,525	978,978	912,560	811,395
Hypermarkets	536,997	592,799	1,162,933	1,257,518	1,280,039
Total	**2,202,914**	**2,068,113**	**4,214,474**	**3,954,675**	**3,568,233**

The Group's convenience grocery stores, which include rural convenience and urban convenience, represented the largest share of Eurotorg's net grocery sales (52.0 per cent.) by classification group in the six months ended 30 June 2020.

Rural Convenience Stores

The Group's rural convenience stores are located in rural areas with a population of under 2,000 people. Belarus' regulatory framework excludes certain approved towns and villages with populations below 2,000 inhabitants from the 20 per cent. market share limits to promote the development of trade, catering and household services in rural areas.

As of 30 June 2020, the Group operated 148 rural convenience stores with a total selling space of 9.5 ths sq. m. and an average selling space of approximately 64 sq. m. As of 30 June 2020, the average store age across the rural convenience store portfolio was 1.8 years, and 85.3 per cent. of the stores were rented. As of 30 June 2020, rural convenience stores were present in 51 ATUs and 142 cities and settlements.

The below table contains key operating and financial information for rural convenience stores for the periods indicated:

	Six months ended 30 June	Year ended 31 December		
	2020	2019	2018	2017
Number of stores	148	150	140	10
Selling space ('000 sq. m.)	9.5	9.8	8.8	1.1
Sales revenue ('000 BYN)	64,916	113,890	54,384	6,839
Average ticket (BYN)	8.2	7.2	7.2	7.8
Sales density (BYN per sq. m. per month)	1,120	1,020	916	723
Traffic density (tickets per sq. m. per day)	4.5	4.6	4.2	3.0
LFL sales (%, increase/(decrease) period-on-period)	17.9	8.4	16.3	17.0
LFL traffic (%, increase/(decrease)period-on-period)	2.4	3.5	12.3	1.7
LFL average ticket (%, increase/(decrease) period-on-period)	15.2	4.7	3.5	15.1

In the six months ended 30 June 2020, rural convenience stores accounted for 2.9 per cent. of the Group's net grocery sales and 2.9 per cent. of the Group's total selling space.

Urban Convenience Stores

The Group's urban convenience stores are convenience stores with a standardised assortment that are typically located in urban areas with population of over 2,000, within walking distance for their target customers.

As of 30 June 2020, the Group operated 598 urban convenience stores with a total selling space of 132.6 ths sq. m. and an average selling space of approximately 221 sq. m. As of 30 June 2020, average store age across the urban convenience store portfolio was 4.2 years, and 87.9 per cent. of the selling space was rented. As of 30 June 2020, urban convenience stores were present in 108 ATUs and 167 cities and settlements, and with 23.4 per cent. of selling space in Minsk.

The below table contains key operating and financial information for urban convenience stores for the periods indicated:

	Six months ended 30 June	**Year ended 31 December**		
	2020	**2019**	**2018**	**2017**
Number of stores	598	584	490	382
Selling space ('000 sq. m.)	132.6	129.4	113.5	103.5
Sales revenue ('000 BYN)	1,080,884	1,958,673	1,730,213	1,469,959
Average ticket (BYN)	10.0	9.1	9.2	8.8
Sales density (BYN per sq. m. per month)	1,375	1,344	1,329	1,284
Traffic density (tickets per sq. m. per day)	4.5	4.9	4.7	4.8
LFL sales (%, increase/(decrease) period-on-period)	3.1	(3.5)	5.4	3.2
LFL traffic (%, increase/(decrease) period-on-period)	(6.5)	(4.2)	(0.6)	(6.1)
LFL average ticket (%, increase/(decrease) period-on-period)	10.2	0.7	6.0	10.0

The Group significantly increased its portfolio of urban convenience stores in the last few years, with the store portfolio growing from 217 as of the end of 2014 to 598 as of 30 June 2020. In the six months ended 30 June 2020, urban convenience stores accounted for 49.1 per cent. of the Group's net grocery sales and 39.9 per cent. of the Group's total selling space.

Supermarkets

The Group's supermarkets are typically located in dense residential districts within cities with populations over 10,000.

As of 30 June 2020, the Group operated 96 supermarkets with a total selling space of 84.7 ths sq. m. and an average selling space of approximately 883 sq. m. As of 30 June 2020, average store age across the supermarket store portfolio was 5.8 years, and 55.8 per cent. of the selling space was rented. As of 30 June 2020, the Group's supermarkets were present in 53 ATUs and 54 cities and settlements, with 23.4 per cent. of selling space in Minsk.

The below table contains key operating and financial information for the Group's supermarkets for the periods indicated:

	Six months ended 30 June	Year ended 31 December		
	2020	**2019**	**2018**	**2017**
Number of stores	96	98	94	70
Selling space ('000 sq. m.)	84.7	86.7	82.4	65
Sales revenue ('000 BYN)	520,118	978,978	912,560	811,395
Average ticket (BYN)	13.8	12.7	12.6	11.7
Sales density (BYN per sq. m. per month)	1,012	965	1,032	999
Traffic density (tickets per sq. m. per day)	2.4	2.5	2.7	2.8
LFL sales (%, increase/(decrease) period-on-period)	3.2	(5.6)	2.8	(1.6)
LFL traffic (%, increase/(decrease) period-on-period)	(3.0)	(6.1)	(3.4)	(9.1)
LFL average ticket (%, increase/(decrease) period-on-period)	6.4	0.5	6.4	8.2

In the six months ended 30 June 2020, supermarket stores accounted for 23.6 per cent. of the Group's net grocery sales and 25.5 per cent. of the Group's total selling space.

Hypermarkets

The Group's hypermarkets are typically located close to transport hubs in urban areas with a population of over 50,000 people.

As of 30 June 2020, the Group operated 37 hypermarket stores with a total selling space of 105.6 ths sq. m. and an average selling space of approximately 2,854 sq. m. As of 30 June 2020, average store age across the hypermarkets store portfolio was 6.2 years, and 35.1 per cent. of the selling space was rented. As of 30 June 2020, hypermarket stores were present in 22 ATUs and 22 cities and settlements, with 17.5 per cent. of selling space in Minsk.

The below table contains key operating and financial information for hypermarket stores for the periods indicated:

	Six months ended 30 June	Year ended 31 December		
	2020	**2019**	**2018**	**2017**
Number of stores	37	38	38	38
Selling space ('000 sq. m.)	105.6	108.7	115.4	108.9
Sales revenue ('000 BYN)	536,997	1,162,933	1,257,518	1,280,039
Average ticket (BYN)	16.8	16.6	16.8	16.0
Sales density (BYN per sq. m. per month)	835	865	935	963
Traffic density (tickets per sq. m. per day)	1.6	1.7	1.8	2.0

	Six months ended 30 June	Year ended 31 December		
	2020	2019	2018	2017
LFL sales (%, increase/(decrease) period-on-period)	(2.8)	(4.9)	(0.5)	0.3
LFL traffic (%, increase/(decrease) period-on-period)	(5.3)	(4.5)	(6.6)	(9.2)
LFL average ticket (%, increase/(decrease) period-on-period)	2.6	(0.4)	6.5	10.5

Since January 2017, the Group has refocused on developing smaller format stores, which resulted in a 7.0 ths sq. m. decrease in selling area at hypermarket stores. In the six months ended 30 June 2020, hypermarkets accounted for 24.4 per cent. of the Group's net grocery sales and 31.8 per cent. of the Group's total selling space.

Wholesale operations

Eurotorg's wholesale operations benefit from stable demand from individual entrepreneurs and standalone stores, small-sized organised retail and hospitality and recreation industry. Eurotorg offers its customers a wide choice of well-tested products across all categories, convenience, with the ability to save time and resources through a single purchasing point, and market-level prices. Eurotorg also selectively capitalises on standalone purchases from retail chains and wholesale traders, with attractive entry prices on fruits and dry food categories in certain periods of time. Eurotorg's wholesale operations accounted for 9.2 per cent. of total retail revenue in the six months ended 30 June 2020, and made a positive contribution to Adjusted Free Cash Flow and Adjusted EBITDA, despite lower margins compared to the core business. Going forward, Eurotorg intends to continue to maintain a stable scale of it wholesale business.

Real Estate

General

The Group's real estate portfolio comprises owned and leased grocery stores and logistical space for its retail operations, which includes distribution centres and warehouses. The Group also operates non-trade premises such as offices, food processing workshops, technical rooms for utility systems and other real estate on a leased and ownership basis.

In terms of leased premises, Eurotorg is considered a blue-chip tenant in Belarus' property market, often being the anchor tenant generating high traffic for other tenants in large properties, due to, among other things, the Group's financial position and reputation. Most premises that are leased by the Group are leased for an initial term of five to 10 years, with the pre-emptive right of the Group as the current tenant for the lease. The Group determines a minimum term of lease depending on the condition of the premises. For example, premises which require minor repairs are generally leased for at least five years and those which require major improvements are generally leased for at least seven to 10 years. Rent is typically fixed and is predominantly linked to foreign currencies, with 65 per cent. linked to Euros and 27 per cent. to U.S. Dollars as of 30 June 2020. In addition, the Group is generally able to terminate a lease by providing one to three months' notice without being subject to early termination penalties. As of 30 June 2020, the Group's weighted average lease term, including leases for stores, warehouses and the leased distribution centre, was 3.8 years.

Historically, most of the Group's leases have been renewed once they expire or have been automatically extended. The Group typically enters into agreements with each tenant using its standard lease agreement,

which provides for, among other things, a fixed lease rate (with no option for further increase), a right to early termination by the Group without penalty, and a right to early termination by the lessee with compensation of the Group for any relevant refurbishment costs and expenses.

In order to optimise the use of the Group's premises, the Group sometimes leases or subleases surplus space to third parties, such as pharmacies, baby goods, industrial goods stores and banks for the installation of automated teller machines.

Stores

As of 30 June 2020, the Group owned 142 stores with a total selling space of 123.4 ths sq. m. and leased 737 stores with a total selling space of 209.0 ths sq. m. As of 30 June 2020, the average selling space of the Group's stores was 378 sq. m. The Group owned 14.7 per cent., 12.1 per cent., 44.2 per cent. and 64.9 per cent. of the selling space in rural convenience stores, urban convenience stores, supermarkets and hypermarkets, respectively, as of 30 June 2020.

The following table indicates the total selling space of the Group's owned and leased grocery stores categorised by retail format as of 30 June 2020:

Owned Stores	**Rural Convenience**	**Urban Convenience**	**Supermarket**	**Hypermarket**	**Total**
Selling space (ths sq. m.)	1.4	16.1	37.4	68.5	**123.4**
% of owned selling space within each format	14.7	12.1	44.2	64.9	**37.1**
Leased Stores					
Selling space (ths sq. m.)	8.1	116.6	47.3	37.1	**209.0**
% of leased selling space within each format	85.3	87.9	55.8	35.1	**62.9**

New Store Roll-Out

The Group has substantial experience opening and operating new stores, having rapidly expanded from 67 grocery stores with selling space of approximately 55.5 ths sq. m. as of 31 December 2011 to 879 stores with total selling space of 332.4 ths sq. m as of 30 June 2020. Such expansion has been implemented through a combination of the acquisition, construction and lease of real estate for such new stores. See "*—Strategy—Sustainable capex-light expansion of the grocery store network*". For the years ended 31 December 2017, 2018 and 2019) the Group's overall Capital Expenditures amounted to BYN 48,226 thousand, BYN 88,472 thousand and BYN 89,330 thousand (1.2 per cent., 2.0 per cent. and 1.9 per cent. of revenues), respectively. In six months ended 30 June 2020, Capital Expenditure remained low and amounted to BYN 27,567 thousand, or 1.1 per cent. of revenue, in line with the Company's capex-light growth strategy.

The Group's grocery stores are constructed and/or equipped in a modern format and approximately 67.6 per cent. of the Group's stores have been opened since 1 January 2015. The Company believes that modern format stores support customer loyalty and drive customer traffic by offering customers a more enjoyable and convenient shopping experience than that available in the traditional format stores operated by non-chain retailers and by certain local retail chain competitors. The Group intends to continue to expand its operations, primarily through the roll out of smaller format grocery stores on a leased basis. See "*—Strategy—Sustainable capex-light expansion of the grocery store network*".

The Group has an effective process to evaluate proposed new grocery store openings with a detailed feasibility study carried out before an internal approval is received for each new store. The store opening process lasts

approximately 60 days, depending on the type of store evaluated, beginning with the application process through to the opening of a new store. The application process consists of entering the location in a search database, conducting a site visit and communicating with the site owner. The Group then conducts a detailed due diligence process, which includes analysing the location, the selling and total space, lease rate and projective the initial sales forecast before presenting the potential new store to management. The Company will then review and filter out locations based on key criteria. The key criteria in the approval process for a new store include, among others: (i) the level of pedestrian and automobile traffic in the area, (ii) estimated level of disposable income of the population in the area, and (iii) proximity and performance of local competitors. The preferred average size of rented or newly acquired grocery stores is 250 sq. m. of selling space. The next phase comprises of analysing opinions from the construction and architecture departments, capital expenditure analysis and modelling analysis, after which a second review meeting is held where one of the key decision-making criterion is the payback period (which is typically 1 to 1.5 years). If a new location is selected, upon negotiating a contract with a site owner, certain site preparation measures are carried out, such as the installation of equipment and refitting and refurbishment as well as recruitment of personnel.

In addition, the Group continually monitors and seeks to improve its in-store customer experience though various initiatives such as decorating shop floors to imitate small farm markets, providing customers with own production products that are typically associated with home cooking and introducing design elements to provide customers with a logical approach to navigation.

To improve the efficiency of the Group's operations, the Group closes stores from time to time if they fail to meet key performance indicators or benchmarks or if a better location becomes available in the same area. In the fourth quarter of 2019, the Group launched a store-network optimisation process that resulted in the shuttering of a number of under-performing stores. As a result, from 1 October 2019 to 30 June 2020, the Company closed 57 stores that had not met their efficiency targets.

Construction and Acquisition of New Stores

The construction process of each new grocery store is highly regulated and expertise in the relevant local market is required to ensure timely and cost-efficient project execution. Construction of new stores generally takes at least twelve months depending on the format. As most land plots in Belarus are owned by the state, the Group obtains rights to use land plots for construction purposes either through a public tender or by entering into investment contracts with the Republic of Belarus. See "*Regulation of Food Retail in Belarus—Regulation of Real Estate*".

In 2017, 2018 and 2019, the Group constructed or acquired seven stores with total selling area of approximately 3.4 ths sq. m., 14 stores with total selling area of approximately 3.4 ths sq. m. and 26 stores with total selling area of approximately 2.8 ths sq. m., respectively. One new store with a total selling space of 0.1 ths sq. m. was acquired in the six months ended 30 June 2020.

In the first half of 2019, Eurotorg took important steps to optimise its real estate portfolio in line with its asset-light retail development strategy. The Company sold one of its owned shopping centres in Minsk, including the hypermarket space therein. The Company decided to sell the real estate as managing large shopping centres is a non-core business for the Company with weaker returns on invested capital. This sale allowed the Company to reduce the complexity of its business operations, focus on core activities and improve returns on capital.

Refurbishment of Stores

Once the leasehold or ownership rights to a store are acquired, the Group begins the process of refurbishing and fitting out such leased or acquired store. The Group applies uniform standards in the refurbishment of its stores, which enables it to decrease the time required for refurbishment and lowers costs through its purchase of equipment, materials and services in bulk. These uniform standards are subject to periodic review, which

involves identifying and analysing the potential benefits of using new equipment, technologies and materials. The Group generally conducts refurbishment using its own resources and engages contractors only for specific types of work, which allows the Group to reduce Capital Expenditures and avoid undue delays in refurbishment. The Group believes that the refurbishment of stores enables it to increase customer's loyalty and brand awareness. The average time to refurbish a store, from acquisition of title or leasehold rights to store opening date, is approximately one to four months depending on the format of the store.

Store Layout

In order to decrease in-store costs whilst maintaining quality levels in its stores, the Group employs uniform standards for store layout (with modifications, for leased premises, if necessary), equipment, quality of construction and the composition of construction and finishing materials. The Group believes that employing uniform standards helps it to limit construction and refurbishment costs as well as to improve customer convenience. The Group's merchandising team oversees store layout and ensures that each store confirms to the Group's standards.

Distribution Centres and Warehouses

As of 30 June 2020, the Group owned three distribution centres with a total storage space of approximately 74.2 ths sq. m. and leased one distribution centre with a storage space of 14.5 ths sq. m. The Group's owned distribution centres, which are located in Minsk, Baranovichi and Obchak. The Group's leased distribution centre, located in the Great Stone industrial park in the Minsk region, supplies all of the non-food products for the Group's grocery stores.

In addition, as of 30 June 2020, the Group leased three warehouses with a total storage space of 16.8 ths sq. m., including a warehouse which caters for grocery stores in the rural areas of the Orsha region.

Approximately 70.3 per cent. of the Group's storage space is owned.

Sales, Products and Pricing

Product Assortment

The Group follows a focused assortment store business model which involves offering a relatively limited assortment of high demand products. The product mix for each of the Group's stores across its grocery stores is centrally controlled to ensure that the inventories across all stores are relatively standardised. The product mix is monitored and adjusted using a series of product mix matrices, depending on the banner (Euroopt, Hit! or Groshyk), size of the stores and other factors such as the level of disposable income of consumers and the overall demand. The Group has also developed a structured approach to adapting its assortment matrix to non-standard store layouts and diverging regional customer preferences. With an objective of maximising sales and gross profit at each store by offering customers the best value assortment at the lowest prices, the Group develops planograms with a view to cover the needs of all customers in a given store format while considering store layout, local assortment requirements and local customer preferences as well as competition in the catchment area. Space between various categories and SKUs is allocated based on the share in sales for those products. As a result, the Group provides a uniform assortment while operating with a high sales density.

In the six months ended 30 June 2020, food and non-food products accounted for 94.5 and 5.5 per cent. of the Group's sales revenue. In 2019, 2018 and 2017 food and non-food products accounted for 93.5 and 6.5 per cent., 92.0 and 8.0 per cent. and 91.9 and 8.1 per cent. of the Group's sales revenue, respectively.

Food Products

Within food product categories, dry food, own production, alcohol, tobacco and dairy were the top contributors to the Group's sales revenue, representing 56.4 per cent. of the Group's sales revenue in the six months ended

30 June 2020. In 2019, 2018 and 2017, these categories in aggregate accounted for 56.3 per cent., 56.1 per cent. and 54.9 per cent. of the Group's sales revenue, respectively.

Non-Food Products

Household products, seasonal products and pets supplies was the top selling category of non-food products, representing in aggregate 5.4 per cent. of the Group's sales revenue in the six months ended 30 June 2020. In 2019, 2018 and 2017, this category accounted for 5.7, 6.3 and 6.5 per cent. of the Group's sales revenue, respectively.

Private Label and Own-Produced Products

In addition to brand-name products, the Group offers private label and own-produced products in all of its store formats. Private label goods, originally launched in 2010, are produced by selected suppliers and sold under the Group's own brand, for example "Khmelnov", "Babushkina Kukhnya", "GUSTO" (*"Хмельнов", "Бабушкина Кухня", "Густо"* in Cyrillic characters, respectively). As of 30 June 2020, the Group had over 200 SKUs of private label food and non-food products.

The following table sets out examples of selected categories with the largest shares of the Group's private label sales in the year ended 31 December 2019.

Category and private label	**Ranking**[(1)]	**Share**[(2)]
		(%)
Beer		
Khmelnov	1	23
Cereals		
Babushkina Kukhnya	1	30
GUSTO	2	27
Canned vegetables		
GUSTO	1	36
Grande Oliva	5	5
Paper products		
DONA	1	20
Opti	2	13
ZENO	3	13

Notes:

(1) Private label's ranking in category sales.

(2) Private label's share in category sales.

The average price of private label products is lower than that of equivalent brand-name products. However, due to the absence of marketing and advertising expenses incurred on private-label products and significant sales volumes of such products, the Group can purchase them at a significantly lower price than brand-name products and, accordingly, the Group's margins on such products typically are, on average, higher than on other similar products. In 2019, the Group's gross margin on private label products was approximately 5 to 6 percentage

points higher than that of non-private label goods. In the six months ended 30 June 2020, private label products accounted for 11.9 per cent. of the Group's sales revenue, with alcohol and tobacco, dry food and household products, seasonal products and pet supplies being the most significant contributors. In 2019, 2018 and 2017, private label products composed 12.6 per cent., 11.9 per cent. and 10.0 per cent. of the Group's sales revenue, respectively.

In terms of own-production, the Group has developed a multi-layered production infrastructure, from selecting suppliers and producing its own-production offering to establishing a supply chain through to implementation. The Group's own produced products include four key categories: semi-finished meat products, bakery, ready-to-eat products and confectionary.

In the six months ended 30 June 2020, own-produced products accounted for 10.5 per cent. of the Group's sales revenue. In 2019, 2018 and 2017, own-produced products composed 10.8 per cent., 11.8 per cent. and 11.3 per cent. of the Group's sales revenue, respectively.

The Company sees opportunities to increase the penetration own-produced products in high-margin categories such as bakery, ready-to-eat food and confectionary in the Group's convenience grocery stores and supermarkets. The gross margin of own-produced products was 4 to 5 percentage points higher than the Group's average gross profit margin for non-own-produced products in 2019. The Group intends to focus on maintaining sales of its higher margin products, namely, private label products, and its own-produced products. See "*Strategy—Continue to focus on maintaining the significant share of higher margin private label and own-produced products in the Group's sales*".

Quality Control

The Group has established strict quality control procedures at all of its distribution centres, warehouses and stores and regularly monitors the quality of its merchandise. Merchandise is delivered to stores only after the quality control process is completed, which includes the requisite certificates of conformity being provided by the supplier and selective inspections of food products on arrival at distribution centres and warehouses being undertaken by the Group. As Belarus' largest grocery retail chain, the Group seeks to improve its safety and quality procedures across all retail formats on an ongoing basis. To facilitate this, it implements recommendations on best practices from the leading inspection, verification, testing and certification companies.

Environment

The Company is increasingly paying more attention to limiting the negative impact of its operations on the environment. The Company tries to maximise the use of modern technologies and means, which decrease the environment pollution. Regular landscaping works, including the planting trees and bushes take place around the Company's stores.

The Company monitors retailers' global best practises for environmental protection and uses modern practices, including vehicles that meet environmental standards, more effective and "clean" cooling systems, modern treatment facilities and modern heating equipment with minimum greenhouse gases emissions.

Since 2017 the Company has started construction of its own network of charging stations for electric vehicles by installing Mode 3 type charging stations produced in Belarus in the hypermarkets' parking lots. In 2018 Eurotorg supported the Government's program on setting up a state network of charging stations for electric vehicles. Currently, charging stations are installed in every regional centre of Belarus and the city of Minsk

Pricing

The Group has a market-leading price operating model which is applied across all grocery stores. See "*—Key Strengths—Unique customer proposition makes Eurotorg the leading shopping destination in the hearts and*

minds of consumers in Belarus—Market-leading price operating model". Grocery stores under the Hit! and Groshyk banners have more aggressive price positioning due to their soft and hard discount models. The Group seeks to be the leading low-price food retailer in Belarus and its management believes that it maintains the lowest prices amongst its main competitors. According to the BCG Report, as of April 2018, the average price of a basket containing 20 randomly selected basic products covering different categories in the Group's grocery stores was 17 to 21 per cent. lower than the average price in the equivalent stores of its main competitors, and 30 and 40 per cent. lower than the average price of traditional food retail in Belarus.

The Group prices product items according to the store banner pricing strategy. Pricing decisions are made by the Group based on the regular monitoring of prices at the Group's competitors. The Group has dedicated in-house personnel which carry out structured price comparisons against six to seven of its competitors twice a month with respect to approximately 5,000 SKUs of food and non-food products. Price comparisons for all product categories, amounting to approximately 25,000 SKUs, are made against three of the Group's competitors once a month. The Group collects pricing information products such as fruits, vegetables, and own production on a bi-weekly basis, reviews competitors' promotions on a weekly basis and decides on its own promotions every week. The price monitoring department conducts price monitoring by regularly visiting competitors' stores and by comparing identical SKUs (for branded goods) or comparable branded goods (for private labels and direct imports). The results of such comparisons serve as a benchmark for the Group in determining its own prices. Managers review the pricing reports, which are updated daily and a category manager then prepares a daily price adjustment for any SKUs that warrant a lower price, which is followed by a price change approval. The Group believes that the regular monitoring of prices of its competitors enables it to promptly react and adjust its pricing model accordingly.

Marketing

The objective of the Group's marketing and advertising activities is to attract and retain customers, to improve brand awareness, to build customer trust in the quality of the Group's products and to promote the Group's private-label goods. The Group's marketing campaigns are structured around price promotions and non-price promotions, are supported by Eurotorg's loyalty programme and are communicated across direct marketing, advertising via in-store communication, television, radio and the internet, outdoor advertising, social media marketing, point-of-sales materials, products tastings and targeted promotions for loyal customers. The Group's marketing activities are supplemented by analytics software, such as QlikView, which enable Eurotorg to support decision-making on further initiatives.

Price promotions

The Group's marketing campaigns include ongoing, periodic and seasonal price promotions and offer price reductions. The principal ongoing promotion is "Krasnaya Tsena" ("*Красная цена*") offers weekly discounts on a large selection of items across the Group's product range. Eurotorg's seasonal promotions include, among others, "Shkol'nyj bazar" ("*Школьный базар*"), which offers large discounts on a broad selection of school items, "8 marta" ("*8 марта*"), which offers exclusive price on flowers, and the principal category specific promotions comprises of "Rybnye nedeli" ("*Рыбные недели*") which offers discounts on fish and fish products.

Non-price campaigns

The Group's largest marketing activity is a nationwide lottery "Udacha v pridachu" ("*Удача в придачу*") launched in February 2016. The Group consider this campaign strategically important as over 70 per cent. of Belarusians participate in promotional games according to the BCG Report. "Udacha v pridachu" is funded by the suppliers who participate in the promotion.

Currently, the "Udacha v pridachu" lottery provides customers with an opportunity to participate in a cash prize draw held every four days, as well as a prize draw held every four weeks with grand prizes, including apartments. Customers are eligible to receive one lottery ticket for every two Belarusian Roubles spent on

designated "lucky goods" which comprise goods of promotional suppliers' brands, after presenting their loyalty card upon checkout in a grocery store or online. With "Udacha v pridachu", the Group aims to increase traffic, promote growth in the sales of sponsored goods and strengthen customer loyalty. Since the launch of "Udacha v pridachu" in February 2016 to 30 June 2020, there have been over 2.4 million unique participants in the "Udacha v pridachu" lottery, making it the most popular lottery in Belarus. Since the beginning of the campaign, "Udacha v pridachu" has given away prizes with a value in excess of U.S.$33.2 million. "Udacha v pridachu" is subject to registration with the MART as an advertising game. Each tour of "Udacha v pridachu" held to date has been duly registered with MART. See "*Regulation of Food Retail in Belarus—Regulation of Marketing Activity*".

In the six months ended 30 June 2020, the Group's marketing and advertising expenses amounted to BYN 9,332 thousand, which was equal to 0.4 per cent. of the Group's revenue, interest and commission income for the same period. In 2019, 2018 and 2017, the Group's annual marketing and advertising expenses amounted to BYN 38,994 thousand, BYN 49,220 thousand and BYN 37,645 thousand, respectively. The Group's marketing and advertising expenses accounted for 0.8 per cent., 1.1 per cent. and 1.0 per cent. of the Group's revenue during 2019, 2018 and 2017, respectively. The management of the Group believes that the Group's marketing and advertising efforts have helped make its retail brands become some of the most recognisable in Belarus.

Loyalty Programmes

The Group launched its initial loyalty programme in 2010 to support its marketing activities, reward customer loyalty and maintain sales volumes. The Group's current loyalty programmes provide customers with discounts on most product categories ranging from one per cent. to five per cent. in Euroopt stores. In addition, customers with a loyalty card are eligible to participate in the Group's marketing campaigns, such as "Udacha v pridachu", in Euroopt and Hit! stores.

The Group offers four types of loyalty programmes, with each depending on the customer, including:

- "*E-plus*" offers up to five per cent. discount on all products in Euroopt stores, depending on the aggregate volume of purchases made by a customer in the preceding month. If a customer's purchases exceeded BYN 700 in the preceding month, they will be eligible to receive a five per cent. discount on their next month's purchases;
- "*E-plus. Pensionnaya*" is intended for pensioners and the handicapped and offers a three per cent. discount on all products in Euroopt stores during daylight hours irrespective of the customer's previous purchases;
- "*E-plus. Dobryi Protsent*" is intended for veterans and participants of the Second World War and large families and offers a five per cent. discount on all products in Euroopt stores at any working hours irrespective of the customer's previous purchases; and
- "*E-plus. Sotrudnik*" is intended for employees of some of the Group's subsidiaries and offers a five per cent. discount on all products in Euroopt stores irrespective of the employee's previous purchases.

As of 31 December 2019, the Group had over 2.5 million active cardholders, and 62 per cent. of the Group's sales (in money terms) were made using loyalty cards. The number of active cardholders increased by 1.7 million from 2012, when the Group had 0.8 million active cardholders.

Suppliers

As the largest grocery retail chain in Belarus, the Group is one of the most significant clients of many of its suppliers, which usually allows it to increase its purchasing power and negotiate favourable terms with its suppliers. See "*—Key Strengths—Unique customer proposition makes Eurotorg the leading shopping destination in the hearts and minds of consumers in Belarus—Market-leading price operating model*".

The Group has a diversified supplier base, built over 25 years, with over 1,700 suppliers as of 30 June 2020. As of 30 June 2020, its largest ten, 20 and 50 suppliers accounted for 19.7 per cent., 31.4 per cent. and 48.4 per cent. of the Group's purchase volume, respectively. The Group purchases most of its products from suppliers based in Belarus, which include, amongst others, Savushkin Product, Minsk Wine Plant, Alidi-West and Mostra-Group. According to management estimates based on National Statistical Committee data, the Group sells a substantial volume of certain major food categories in Belarus, such as an approximate 35.4 per cent. share in the sales of all fruits and nuts sold in Belarus during the year ended 31 December 2019.

The table below sets out Eurotorg's share in the sales of selected food categories in Belarus during the year ended 31 December 2019 according to management estimates based on National Statistical Committee data.

Category	**Share**
	(%)
Fruits and nuts	35.4
Pasta	33.0
Oil	36.7
Cereals	34.5
Vegetables	27.0

The Group typically selects three to four suppliers for each product category in order to be able to negotiate competitive prices. When selecting a supplier, the Group generally prefers suppliers that, *inter alia*, have their own production, have internationally recognised quality certificates, have registered trademarks, have the capacity to supply seven days a week and have relevant experience of more than one year. The Group typically enters into supply contracts on a post-payment basis. Certain payment terms dependent on the best before date are specified by the Trade Law. See "*Regulation of Food Retail in Belarus—Trade Law*".

As the volume of its purchases increases, the Group expects to be able to negotiate more favourable pricing terms, discounts and other commercial concessions with its suppliers. It also expects to benefit from additional economies of scale. Further, the Group may elect, on a case-by-case basis, to agree shorter payment terms with its suppliers in return for more advantageous pricing terms, to the extent the reduced payment periods are compatible with its operating model and logistics.

Logistics and Distribution

The Company believes that the Group is the only Belarusian food retailer to operate a fully integrated, nation-wide logistics system. As of 30 June 2020, the Group's logistics system included:

- ***Distribution centres***: four distribution centres with a total storage space of approximately 105.5 ths sq. m, comprising of three large and one medium distribution centre. The three large distribution centres are located in Minsk, Baranovichi and Obchak., and cater for the full range of the Group's grocery store products. The medium distribution centre is located in the Great Stone industrial park in the Minsk region, and it supplies all of the non-food products for the Group's grocery stores.
- ***Warehouses***: three warehouses, including a medium size warehouse, a railway transit warehouse and a small warehouse. The medium size warehouse is located in Zaslavl, and it processes fruits and vegetables for the Group's grocery stores in urban areas. The railway transit warehouse is located in Gatovo in the Minsk region. The small warehouse is located in the Orsha region, and it caters to the Group's rural grocery stores.

- ***Transportation vehicles***: The Group owns a fleet of approximately 230 transportation vehicles which carry out more than 45 per cent. of the total deliveries of products to and from the Group's distribution bases and grocery stores, with the remaining deliveries being carried out by third party contractors. The Group's transportation fleet gives it additional control over its supply chain and reduces dependence on third party suppliers and transportation service providers.

The Group's distribution centres and warehouses operate as centralised bases for deliveries to the Group's grocery stores located throughout Belarus and employ modern automated warehousing management systems. In addition, some of the Group's stores have contracts for direct supplies with producers of certain food products, including dairy and meat.

Competition

The Group is the largest player in Belarusian grocery retail market with market share in 2019 of approximately 19 per cent. in the overall food retail market according to the Group's estimates based on the National Statistical Committee data. In the modern format grocery retail market, the Group's 2019 market share was approximately 38 per cent., which was around five times that of the second largest competitor and equivalent to the combined market share of the next five competitors, according to the Group's estimates based on the National Statistical Committee data. In the same period, the Group's next largest modern format competitors, Gippo/Belmarket, Santa/Rublevsky, Korona, Sosedi and Dobronom, had market shares of 7 per cent., 7 per cent., 6 per cent., 6 per cent. and 6 per cent., respectively, according to the Group's estimates based on the National Statistical Committee data. See "*—Key Strengths—Undisputed leadership in the Belarus grocery retail market far ahead of the second player*".

The top ten modern Belarusian food retailers had an aggregate market share of 86 per cent. by revenue for the year ended 31 December 2019, according to the Group's estimates based on the National Statistical Committee data. Modern format grocery retailers are generally characterised by:

- a network of stores operating under a single brand or banner;
- most of the items are selected and purchased directly by the customer, without the assistance of a store employee at a counter; and
- a uniform assortment of products, corresponding to the format and requirements of the customer.

In 2019, in Belarus, there were 21 networks of grocery stores (after taking into account the effects of the acquisition of Belmarket by Gippo in the first quarter of 2018 and Rublevsky by Santa in the third quarter of 2018) and six grocery store chains located at petrol stations that were in the modern format. No major international grocery retail chains currently have a significant presence in the Belarusian grocery retail market. In 2017 and 2019, two Russian discounter chains Svetofor and Dobrocen entered the market, but they have not reached a significant business scale to date. See "*—Key Strengths—The Group operates in a sizeable Belarus grocery retail market with strong fundamental upside potential and structural barriers to entry—The Belarus grocery retail market has structural barriers to entry*".

The majority of the top 10 players are regional chains with stores concentrated in Minsk (Korona, Sosedi, Vitalur, and Green). Dobronom has a limited presence in Minsk. Santa/Rublevsky, Gippo/Belmarket and Almi have a presence in several regions and in the capital. However, only Eurotorg has a relatively even distribution of shopping space among regions. Generally, many of the top competitors tend to focus on supermarkets and hypermarkets, and out of the top 10 players, Eurotorg is the only multi-format retailer with a significant share of selling space represented by smaller convenience stores. Generally, many of the top competitors tend to focus on supermarkets and hypermarkets, and out of the top 10 players, Eurotorg is the only multi-format retailer.

In addition to the modern format retail chains, the Belarusian market has traditional format retail store operators. Traditional format stores in Belarus include, among others, older Soviet-era shop formats with a reduced assortment, where sales are carried out through over-the-counter service. Such formats are also characterised by a lack of centralised governance, management or corporate strategy and often have a limited supply chain. The largest traditional format operator in Belarus is Belkoopsoyuz, a co-operative union which encompasses manufacturers and retailers across Belarus, which mainly sells Belarusian domestic products and operates small low-profit stores with an average selling area of approximately 50 sq. m. in small and rural areas. In the year ended 31 December 2019, Belkoopsoyuz had a market share of 8 per cent. in grocery retail, according to the Group's estimates based on the National Statistical Committee data.

For further information on Group's competitors, see "*Belarusian Food Retail Industry—Modern Retail Formats*".

Subsidiaries

The table below describes each entity within the Group.

Name	Country of operation	Type of operations	Ownership interest as of 30 June 2020
Bonitron Designated Activity Company	Ireland	Special purpose entity designed to list bonds on Irish Stock Exchange	Special purpose entity[(1)]
"Retail Bel Finance" LLC	Russian Federation	Special purpose entity designed to list bonds on Moscow Stock Exchange	Special purpose entity[(1)]
"BRKompani" LLC	Russian Federation	Construction	100.00%
"PakHaus" Unitary enterprise	Belarus	Packaging	100.00%
"Yulain" ALC	Belarus	Production of meat products	100.00%
"Eurooptavto" LLC	Belarus	Transportation services	100.00%
"Dzerzhinskii myasokombinat" CJSC	Belarus	Production of meat products	100.00%
"Barentsevo" LLC	Belarus	Production of seafood	100.00%
"UniStor Trading" LLC	Belarus	Wholesale	100.00%
"ElitPartner" LLC	Belarus	Production of bakery products	100.00%
"EurooptAgro" LLC	Belarus	Poultry	100.00%
"UyutCity" LLC	Belarus	Wholesale	100.00%
"Klondike Retail" LLC	Belarus	Retail sales	100.00%
"E-Market" LLC	Belarus	Wholesale	100.00%
"Statusbank" OJSC (hereinafter - "the Bank")	Belarus	Banking	99.52%
"Tekhno Media Treid" LLC	Belarus	Retail sales	96.50%

Note:

(1) The entity is controlled by the Group.

Information technology

Advanced analytical and IT systems are key to the Group's operations and to meeting customer demand. The Company believes that the Group's operations are supported by sophisticated internal IT systems that provide it with a wide range of reliable data management tools. The Group is able to monitor and analyse much of the information collected across its stores on a daily basis, which allows it to manage the business in a timely and effective manner. The Group's IT systems support most aspects of its business, including its logistics systems, cash and inventory management, centralised purchasing and pricing, in-store systems, loyalty programmes, human resources and other administrative and reporting functions. The Group believes that its IT systems enable it to quickly identify and react to changes in customer preferences by changing its product mix and pricing, including between regions or stores, and to effectively monitor and manage store performance. These systems also allow the Group to improve the timeliness and quality of its reporting. The Group benefits from its in-house enterprise resource planning solution complemented by a strong and experienced in-house team of developers and IT administrators, which the Company believes is highly scalable for potential growth in the number of customers and information volume and fully compatible with the operating model and development strategy in that it is designed to accommodate the Company's specific requirements and initiatives (such as "Udacha v pridachu") and can be easily integrated with other elements of the Group's IT platform. The Company believes that its existing IT infrastructure is sufficient to support its plans for new store openings.

IP rights and key trademarks

Under Belarusian law, the right to use a trademark is obtained upon the registration of such trademark with the National Centre of Intellectual Property. The "Eurotorg" trademark (Latin characters) is registered with the National Centre of Intellectual Property under No. 58637 with an expiration date of 12 May 2025, "Евроторг" (Cyrillic characters) – under No. 19037 with an expiration date of 11 January 2022. The Group's trademark "Euroopt" (Latin characters), which is used by all of the Group's stores, is registered with the National Centre of Intellectual Property under No. 58590 with an expiration date of 12 May 2025, "Евроопт" (in Cyrillic characters) – under No. 62218 with an expiration date of 14 February 2027. The Group also holds the "ТЕХНОПлюс" trademark (combinatory, in Latin and Cyrillic characters), which is used by some of the Group's stores, since 2 May 2013, under No. 44213 with an expiration date of 13 April 2022, "ХИТ НІТ" (in a combination of Latin and Cyrillic characters) trademark registered under No. 66946 with an expiration date of 21 November 2028, "СТАТУСБАНК STATUSBANK" (in a combination of Latin and Cyrillic characters) trademark registered under No. 62765 with an expiration date of 9 March 2027 and "РыбаХит" (Cyrillic characters) trademark registered under No. 35942 with an expiration date of 19 February 2028. The application for registration of the "ГРОШЫК" (Cyrillic characters) trademark was filed by Klondike Retail LLC (part of the Group) on 12 February 2020 and has yet to be obtained (trademark applications are normally reviewed by registering authorities within 11-13 months).

As of 30 June 2020, the Group also had over 200 active trademarks in respect of its private label products, including the following: "GUSTO" (in Latin characters), "ХМЕЛЬНОВ"/"HMELNOFF" (in Latin and Cyrillic characters), "Бабушкина Кухня" (in Cyrillic characters).

The Group has also registered the domain names www.evroopt.by, www.stbank.by and www.e-auto.by.

Insurance

The Group's insurance policies cover real estate, inventory, equipment, goods in stores and warehouses, vehicles and partial insurance of some leased assets. Most of the Group's insurance policies are currently issued

by Belgosstrakh, the largest insurance company in Belarus. The Group does not maintain insurance coverage for business interruption, product liability or loss of key management personnel as this is not industry practice in Belarus. See "*Risk Factors—Risks Related to the Group's Business and Industry—The Group's insurance policies may be insufficient to cover losses arising as a result of business interruption, damage to its property or third party liabilities*".

Employees

Eurotorg is the largest private employer in Belarus. The following table sets out the average full-time equivalent ("**FTE**") count by function for the six months ended 30 June 2020 and the years ended 31 December 2019, 2018 and 2017, and certain personnel efficiency metrics:

	Six months ended 30 June	**Year ended 31 December[1]**		
	2020	**2019**	**2018**	**2017**
		(ths, except as specified)		
Retail store personnel	20.4	21.7	23.4	21.8
Logistics	1.7	1.7	2.2	1.8
Management and other administrative personnel	2.9	3.3	3.6	3.1
Subsidiaries' personnel	2.0	2.3	2.2	1.8
Total	**27.0**	**29.0**	**31.4**	**28.4**
Revenue per FTE *('000 BYN)*[2]	183	164	140	138
Personnel expenses as % of revenue, interest and commission income[3] *(%)*	8.8	9.3	9.0	8.7

Notes:

(1) The number of employees as of 30 June 2020 and 31 December 2019, 2018 and 2017 was 32.9 ths, 35.1 ths, 37.6 ths and 34.2 ths, respectively.

(2) Annualised for the six months ended 30 June 2020 by multiplying the revenue for the period by two.

(3) Includes employee benefits and social security contributions.

The Group is an attractive employer in Belarus, paying above-industry-average salaries: based on the Group's and National Statistical Committee data, the Eurotorg's average monthly salaries were BYN 783, BYN 888, BYN 963 and BYN 1032 during 2017, 2018, 2019 and the first half of 2020, compared to average monthly salaries for the retail market in Belarus for the same periods of BYN 688, BYN 758, BYN 834 and BYN 862.

Eurotorg's employee salaries generally feature both a fixed component, which on average accounts for 36 per cent. of total compensation, and a variable component (including seniority pay). While there is no statutory or corporate obligation to index salaries to account for inflation, Eurotorg monitors wages across the market on a monthly basis to ensure it maintains a competitive level of pay. In November 2019, the Group and its employees, represented by the United Trade Union Committee of United Trade Union "Euroopt", entered into a new collective bargaining agreement, aimed at maintaining economic stability, fair salary and safe working conditions within the Group.

The Group also offers its store employees career advancement opportunities, with approximately 70 per cent. of store directors appointed from among Eurotorg's employees in 2019. The Group is committed to creating a

strong corporate culture and encourages all employees to contribute to the improvement of the business. For example, the Group holds regular meetings between mid-level managers to facilitate the exchange of best practices. The Group also regularly conducts specially developed job-specific training programmes, engages external professional coaches, organises business simulation games and offers its employees a range of distance learning courses. In 2019, over 5,000 employees underwent professional education trainings and over 750 employees upgraded their qualifications. See "*—Key Strengths—Experienced management team and shareholder support*".

Legal proceedings and investigations

There are no governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of these Listing Particulars, which may have, or have had in the recent past, a significant effect on the Company's and/or the Group's financial position or profitability.

MANAGEMENT

The current structure of corporate governance at the Company is described below.

Governance Bodies

In accordance with the Company's charter (the "Charter"), the principal governance bodies of the Company are the following:

- the General Shareholders' Meeting;
- the Board of Directors; and
- the Chief Executive Officer.

General Shareholders' Meeting

The General Shareholders' Meeting is the highest governance body of the Company. The General Shareholders' Meeting decides on the most significant matters of the Company's activities. An annual General Shareholders' Meeting must be held every year. Extraordinary General Shareholders' Meetings can be convened upon the request of the Board of Directors, the Chief Executive Officer, the Internal Audit Commission or a shareholder or a group of shareholders owning in the aggregate at least 10 per cent. of the issued voting shares as at the date of the request. Decisions at the Shareholders' Meetings are adopted by a three-quarters majority of votes unless a unanimous vote is specified by law or the Charter.

The following matters, *among others,* are referred to the competence of the General Shareholders' Meeting:

- alteration of the Charter;
- increase and reduction of the charter capital;
- liquidation and reorganisation;
- formation and early termination of the Board of Directors, the Chief Executive Officer, and the Internal Audit Commission;
- decision on payment of compensation to members of the Board of Directors and the Internal Audit Commission and/or disbursement of their expenses;
- approval of distribution of dividends;
- approval of annual statutory accounts and reports; and
- other issues, as provided for by law and the Charter.

The Law No. 2020-XII "On Commercial Companies" dated 9 December 1992 (the "**Law on Commercial Companies**") provides for requirements with respect to approvals of transactions with affiliated persons. The "affiliated persons" are defined as (i) individuals and legal entities that can define or influence (directly or indirectly) the company's decisions, and (ii) legal entities, whose decisions may be influenced by the company, including without limitation:

- members of the company's governing bodies;
- legal entities included in the same holding together with the company;
- individuals who solely or jointly with their close relatives own or have a right to dispose of at least 20 per cent. of the company's shares;

- legal entity owning or having a right to dispose of at least 20 per cent. of the company's shares or which may determine the company's decisions based on the agreement;
- legal entities in which the company holds or has a right to dispose 20 per cent. of shares or decisions of which may be determined by the company based on an agreement;
- unitary enterprises established by the company;
- members of collective managing bodies, as well as legal entities or individuals performing functions of the sole executive body of the affiliated person;
- close relatives of the affiliated individuals.

Special requirements to transactions with the company's affiliated persons apply in case such affiliated persons:

- are parties to the transaction or act on behalf of third parties in their relations with the company;
- own (jointly or separately) at least 20 per cent. of shares or property of a legal entity which is a party to the transaction or which acts on behalf of third parties in their relations with the company;
- are members of or hold offices in managing bodies of the legal person which is a party to the transaction or acts on behalf of third parties in their relations with the company;
- in other cases as provided by the company's charter.

The Law on Commercial Companies defines a "major transaction" as a transaction (including loans, pledges and guarantees) or a series of interrelated transactions entered into beyond the ordinary course of business and connected with the direct or indirect acquisition, disposal, or the possibility of disposal of monetary funds or property with a value comprising at least 20 per cent. of the balance sheet value of the company's assets as determined based on its financial statements for latest reporting period.

Major transactions may be entered into upon decision of the general shareholders' meeting, unless the charter provides that such decisions are referred to the competence of the board of directors. According to the Company's Charter, decisions on major transactions are included into exclusive competence of the General Shareholders' Meeting. According to the Law on Commercial Companies, major transactions related to property with total value comprising 20 – 50 per cent. of balance sheet value of the company's assets shall be approved by at least two-thirds majority vote of the general shareholders' meeting; if a major transaction is related to property with total value comprising 50 per cent. or more of balance sheet value of the company's assets, the decision shall be taken by at least three-quarters majority vote of the general shareholders' meeting. Any major transaction entered into in breach of the provided requirements may be invalidated by a court following an action by the company, its shareholder or a member of its board of directors.

Board of Directors

The Board of Directors carries out general management (except for matters referred by law and the Charter to the exclusive competence of the General Shareholders' Meeting) including determination of priorities.

Members of the Board of Directors are elected by the General Shareholders' Meeting until the following annual General Shareholders' Meeting. The Board of Directors is headed by the Chairman who is elected by the Directors. The Board of Directors adopts decisions by a simple majority unless otherwise specified by law or the Charter. The Chairman has the right of a casting vote in the event of a tie during voting by the Board of Directors. The Board of Directors is authorised to decide on matters within its competence if either at least half of its members participate in the meeting or absent members provide the Board of Directors with their written opinions on agenda and present members and those members who sent written opinions constitute at least half of its members.

The Board of Directors of the Company currently has three members. The current members of the Board of Directors were elected on 22 September 2015 – Mr. Vasilko, Mr. Litvin and on 6 November 2013 – Mr. Litvin. The name, position and certain other information for each member of the Board of Directors are set out below:

Name	Date of Birth	Title	Member of the Board Since
Uladzimir Vasilko.....	9 May 1966	Director and Founding Shareholder	22 September 2015
Sergey Litvin	17 May 1966	Director and Founding Shareholder	22 September 2015
Aleksandr Litvin.....	25 October 1967	Director	6 November 2013

No member of the Board of Directors carried on any significant activities outside the Group.

The business address for the directors is 2 Montazhnikov Street, Minsk, 220019, Belarus.

Biographies of the directors are set out below.

Uladzimir Vasilko

Uladzimir Vasilko together with Sergey Litvin founded the Company in 1993. Mr. Vasilko served on the supervisory board of Eurotorg LLC from 6 November 2012 and subsequently on the board of directors of Eurotorg LLC. Mr. Vasilko has served as a member of the Board since 30 August 2018. Mr. Vasilko graduated from the Polotsk High Forest School in 1985 and studied at Belarus National Technical University. He has over 25 years of entrepreneurial experience in retail and consumer goods trade and in manufacturing. Jointly with Sergey Litvin, Mr. Vasilko also controls Minsk Wine Plant.

Sergey Litvin

Sergey Litvin, brother of Aleksandr Litvin, together with Mr. Vasilko founded the Company in 1993. Mr. Litvin served on the supervisory board of Eurotorg LLC from 6 November 2012 and subsequently on the board of directors of Eurotorg LLC. Mr. Litvin has served as a member of the Board since 30 August 2018. Mr. Litvin graduated from the Polotsk High Forest School in 1985. He has over 25 years of entrepreneurial experience in retail and consumer goods trade and in manufacturing. Jointly with Uladzimir Vasilko, Mr. Litvin also controls Minsk Wine Plant.

Aleksandr Litvin

Aleksandr Litvin, brother of Sergey Litvin, joined the Company in 2007 and has served as a member of the Board since 30 August 2018 and as a member of the board of directors of Eurotorg LLC since his appointment in September 2015. Mr. Litvin graduated from the Belarusian Institute of Law with a specialisation in law in 1998. From 1997 to 2004 he held various positions in law-enforcement authorities in the Republic of Belarus. From May 2007, Aleksandr Litvin is a Deputy of a Director-At-Large of the CJSC “Euroopt”.

Senior Management

As of the date of these Listing Particulars, the senior management, by function, of the Group is set out below.

Name	Date of Birth	Title	Member of the Group Since
Andrei Zubkou.....	2 April 1966	Chief Executive Officer	1 March 2007
Alesia Sapunova	24 October 1977	Chief Financial Officer	23 April 2002
Yauhen Zhyhimont	12 May 1990	First Deputy Chief Executive Officer	27 June 2007

Pilip Artsemenka	30 October 1977	Chief Retail Officer	22 August 2019
Yulia Vasilko.....	11 May 1995	Chief Corporate Development Officer	5 June 2015
Andrei Belkavets	25 August 1980	Chief Investment Officer	24 September 2020
Aliaksandr Shuliak	13 December 1982	Chief Commercial Officer	13 May 2008
Vladimir Kukuruzin.....	3 August 1982	Chief Legal Officer	17 January 2018
Igor Vorobyov	30 November 1976	Marketing Director	8 July 2013
Dzianis Zelianukha	22 May 1982	Human Resources Director	21 May 2012
Andrei Shkadzinski.....	22 August 1976	Logistics Director	13 May 2011

The business address for the senior management is 2 Montazhnikov Street, Minsk, 220019, Belarus. The biographies of the senior management of the Group, as of the date of these Listing Particulars, are set out below to the extent that they are not members of the Board and set out above.

Andrei Zubkou

Andrei Zubkou joined the Company in 2007 and serves as the CEO. Mr. Zubkou graduated from Belarusian State University of Physical Culture with a major in physical culture and sports. In 1994 Mr. Zubkou completed his PhD studies in sports psychology, and in 2010 he received an Executive MBA from IPM Business school. He has more than 20 years of industry experience.

Alesia Sapunova

Alesia Sapunova, the Company's Chief Financial Officer, joined the Company in 2002. In 1998, Ms. Sapunova graduated from the Belarusian State Economic University with a major in finance and credit in international business activity. In 2004, Ms. Sapunova completed a degree in commercial law. She has 18 years of industry experience.

Yauhen Zhyhimont

Yauhen Zhyhimont joined the Company in 2007 and has served as the First Deputy Chief Executive Officer since 2017. Mr. Zhyhimont has 13 years of industry experience.

Pilip Artsemenka

Pilip Artsemenka joined the Group for the first time in 2009 and worked in the Company for 9 years. In 2018 he left Eurotorg for a short time, and in 2019 returned as Chief Retail Officer. Mr. Artsemenka has 17 years of industry experience. Mr. Artsemenka graduated in 1999 with a degree in Economics and Enterprise Management from the Belarusian National Technical University.

Yulia Vasilko

Yulia Vasilko joined the Company in 2015 and has served as the Chief Corporate Development Officer since 2019. Ms. Vasilko has five years of industry experience. Ms. Vasilko graduated in 2014 from the College du Leman in Geneva and is currently pursuing a degree in commercial law from the Belarusian State University.

Andrei Belkavets

Andrei Belkavets, the Company's Chief Investment Officer, joined the Company in 2020. Mr. Belkavets has over 18 years of experience in finance and investment. Mr. Belkavets has worked at the Ministry of Finance for more than 15 years and held the position of Deputy Minister for the last two years. Mr. Belkavets graduated from Belarus State Economic University in 2002 with a major in finance.

Vladimir Kukuruzin

Vladimir Kukuruzin, the Company's Chief Legal Officer joined the Company in 2018. Mr. Kukuruzin has over 15 years of legal work experience. Mr. Kukuruzin graduated in 2004 with a degree in Law from the Academy of Public Administration under the President of the Republic of Belarus.

Aliaksandr Shuliak

Aliaksandr Shuliak joined the Company in 2008 and has served as the Chief Commercial Officer since 2014. Mr. Shuliak graduated from Belarusian State Economic University with a major in commerce in 2006. In 2014, Mr. Shuliak received an Executive MBA from the IPM Business School and an Executive MBA from Akademia Leona Kozminskiego. He has 14 years of industry experience.

Igor Vorobyov

Igor Vorobyov joined the Company in 2013 and has served as the Marketing Director since 2015. Mr. Vorobyov graduated from Belarusian State Economic University with a major in finance and credit in 1997, and received an Executive MBA from IPM Business School and from Akademia Leona Kozminskiego in 2015. He has 10 years of industry experience.

Dzianis Zelianukha

Dzianis Zelianukha joined the Company in 2012 and served as the Head of Human Resources Department until August 2014. Mr. Zelianukha was appointed as the Human Resources Director in April 2015. Mr. Zelianukha graduated from the Belarusian Agricultural Academy with a major in law in 2004. He has eight years of industry experience.

Andrei Shkadzinski

Andrei Shkadzinski joined the Company in 2011 and has served as the Logistics Director since 2016. Mr. Shkadzinski graduated from the Minsk Automotive College with a major in automatic lines management in 1995. He has 15 years of industry experience.

Chief Executive Officer

The Chief Executive Officer is responsible for the day-to-day operations of the Company. The Chief Executive Officer is authorised to decide on matters other than those referred to the competence of the other governance bodies of the Company. In particular, the Chief Executive Officer is charged, among other things, with the following functions:

- representing the Company before third parties;
- entering into any transactions on behalf of the Company, unless otherwise provided by law of the Charter;
- representing the Company in legal or arbitration proceedings;
- exercising other functions necessary for managing the Company's business;
- disposing of the assets and funds of the Company in its interests and on its behalf.

On 16 May 2017, the General Shareholders' Meeting appointed Mr. Andrei Zubkou as Chief Executive Officer of the Company.

Litigation Statement Concerning Management

At the date of these Listing Particulars, none of the members of the Board has in the previous five years:

- has had any convictions in relation to fraudulent offences;

- has been a member of the administrative, management or supervisory bodies of any company, or been a partner in any partnership, at the time of or preceding any bankruptcy, receivership or liquidation; or
- has been subject to official public incrimination or sanction by a statutory or regulatory authority (including a professional body) nor has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of a company.

Other Interests

No actual or potential conflicts of interest exist between the duties that any member of the Board of Directors owes to the Group and such member's private interests or other duties.

SHAREHOLDER

As of the date of these Listing Particulars, the Company's authorised and issued share capital was BYN 132,242 thousand.

The only shareholder of the Company is Eurotorg Holding PLC which was incorporated as Curgil Ventures Limited in Cyprus on 19 February 2009 as a private limited liability company under the Cyprus Companies Law, Cap. 113 with registration number 246155. On 10 September 2018 Curgil Ventures Limited changed its status to a public company (PLC) and registered a change of its legal name to Eurotorg Holding PLC.

The ultimate beneficial owners of the Company through their shareholdings in Eurotorg Holding PLC via investment vehicles are Mr. Uladzimir Vasilko (49.75 per cent.), Mr. Sergey Litvin (48.75 per cent.), Mr. Alexander Litvin (1.00 per cent.) and Mr. Andrey Zubkou (0.50 per cent.), all being citizens of the Republic of Belarus.

Save as disclosed above, there are no other persons who could exercise control over the Company and no person has any right or option to acquire shares or any other securities of the Company. The rights of Eurotorg Holding PLC as a shareholder in the Borrower are contained in the charter of the Borrower and the Borrower will be managed in accordance with the charter and/or with the provisions of Belarusian law.

In accordance with the Belarusian legislation the Group distributes its profits in the form of dividends or transfers profits to reserves in the manner provided for by the Belarusian accounting standards. During the year ended 31 December 2017 the Company declared dividends in the amount BYN 20,277 thousand and paid in the amount BYN 19,256 thousand. In 2018 the Company declared dividends in the amount BYN 23,996 thousand and paid in the amount BYN 25,017 thousand. In 2019 the Company declared and paid dividends in the amount BYN 40,724 thousand. In the six months ended 30 June 2020, the Company declared dividends in the amount BYN 41,950 thousand.

Rights of the Company's Shareholders

Under the Charter and Belarusian legislation, the Company's shareholders have the right to:

- participate and vote in the general shareholders' meeting on all matters which fall under the competence of the meeting;
- approve and receive dividends;
- receive a liquidation quota upon any liquidation of the Company;
- have access to information and documents relating to the Company's activities in particular in respect of its financial condition;
- pre-emptive purchase of shares in the event of a share sale by a shareholder of the Company to a third party;
- additional benefits that are approved by the General Shareholders' Meeting and stated in its resolution;
- withdraw from the Company;
- demand a financial audit in respect of the Company;
- elect and be elected into the Company's management bodies;
- exercise other rights provided by the Belarusian legislation and the Charter.

None of the shareholders has voting rights different from other shareholders.

RELATED PARTY TRANSACTIONS

Note 28 “Transactions with Related Parties” of the Group’s Annual Consolidated Financial Statements and Note 24 “Transactions with Related Parties” of the Group’s Interim Consolidated Financial Information contain a definition of related parties. In particular, parties are considered to be related if one party has the ability to control the other party or exercise significant influence on the other party when making financial and operational decisions. Related parties comprise the shareholders of the Group, companies which are owned by the ultimate beneficial owners of the Company, key management personnel of the Group and the companies under their control, their close family members and companies that are controlled or significantly influenced by the shareholders.

The following table sets forth the balances with related parties under common control and the Company as of 30 June 2020, 31 December 2019, 2018 and 2017:

	30 June	31 December		
	2020	2019	2018	2017
		(BYN thousands)		
Entities under common control with the Group				
Trade and other receivables	83,337	88,166	78,725	51,871
Loans granted	457	429	5,000	2,317
Prepayments for non-current assets	4,186	4,184	8,461	—
Prepayments	859	1,515	—	4,293
Financial investments in securities	—	—	—	274
Other investments	(9,551)	—	274	—
Trade and other payables	(3,341)	(16,174)	(29,651)	(25,943)
Other current liabilities	—	(2,735)	—	—
Lease liabilities	(12,374)	(13,302)	—	—

The following table sets forth information on transactions with related parties for the six months ended 30 June 2020 and the years ended 2019, 2018 and 2017:

	30 June		31 December		
	2020	2019	2019	2018	2017
			(BYN thousands)		
Entities under common control with the Group					
Purchase of goods	43,109	54,005	126,467	107,954	92,885
Revenue	121,193	66,121	161,789	108,418	52,929
Other income from property, plant and equipment sale	140	462	877	3,416	3,083
Administrative and selling expenses	2,809	4,976	8,978	14,253	7,227

Acquisition of property and equipment	694	1,215	1,271	1,216	265
Key management personnel					
Remuneration to key management personnel	5,783	3,187	7,396	6,289	6,411

In the past three years, most of the Group's related party transactions have been made for product procurement purposes. Such transactions have been performed on market terms. In addition, the Group sells goods to the companies owned by the Shareholders of the Company, which, in turn, sells the goods to the ultimate customers through an online grocery service and drogerie retail chain. These companies were established in 2014-2017 and are still in the development stages. Agreements on sale of goods with these companies stipulate a delay of payment up to 365 days. These companies are generating profit and has had no overdue debts payable to the Group. Management analysed budgets of these companies and concluded that receivables from them as of 31 December 2019 in the amount of BYN 84,079 thousand (2018: BYN 71,127 thousand) will be fully repaid. The Group assesses the exposure to credit risk and expected credit losses for trade receivables under the agreements with these companies on the individual basis.

During the year ended 31 December 2017 the Company declared dividends in the amount BYN 20,277 thousand and paid in the amount BYN 19,256 thousand. In 2018 the Company declared dividends in the amount BYN 23,996 thousand and paid in the amount BYN 25,017 thousand. In 2019 the Company declared and paid dividends in the amount BYN 40,724 thousand. In the six months ended 30 June 2020, the Company declared and paid dividends in the amount BYN 41,950 thousand.

REGULATION OF FOOD RETAIL IN BELARUS

Set out below is a summary of material information concerning the regulation of the Group's business. This description does not purport to be a complete description of all applicable laws and regulations and should not be read as such.

Regulation of Food Retail

The food retail industry in Belarus is regulated by general legislation and specialised legislation that includes legislation covering quality standards, health and safety, sanitary rules and consumer protection. A number of permits and consents, including those relating to health and safety and fire protection, are required in order to open a new store. Regulatory authorities exercise considerable discretion in matters of enforcement and interpretation of applicable laws, regulations and rules and the issuance and renewal of permits and in monitoring compliance with the terms thereof.

State Authorities Involved

In addition to the state bodies and their subdivisions having authority over general matters, there is a number of state bodies regulating and supervising the food retail industry. Among the most relevant for the industry state authorities are:

- The MART, which, among other things, is the principal Government authority entrusted with the functions of developing the governmental policy for, and the regulatory regime of, trade. MART's competence and functions are outlined in the Law of the Republic of Belarus "On State Regulation of the Trade and Public Catering in the Republic of Belarus" dated 8 January 2014 No. 128-Z and the Resolution of the Council of Ministers of the Republic of Belarus "Issues of the Ministry of Antimonopoly Regulation and Trade of the Republic of Belarus" dated 6 September 2016 No. 702;

- Committee of State Control of the Republic of Belarus and its divisions, which implement general control over any sphere of commercial activity, including trade. Committee's competences are set by the Law of the Republic of Belarus "On Committee of State Control of the Republic of Belarus and its Territorial Divisions" dated 1 July 2010 No. 142-Z;

- State Committee on Standardisation of the Republic of Belarus (the "**Gosstandart**"), which is a republican state administration authority with respect to performing unified state policy in the sphere of technical rate setting, standardisation, ensuring uniformity of measurements, conformity assessment. Gosstandart's key functions in the sphere of trade are prescribed by the Resolution of the Council of Ministers of the Republic of Belarus "Issues of State Committee on Standardisation of the Republic of Belarus" dated 31 July 2006 No. 981 and embrace protection of state and consumers' interests, enhancement of safety, quality, competitiveness of products, rational use of fuel and power resources, elimination of technical barriers in trade based on efficient use of technical rate setting, standardisation;

- Regional executive committees, which implement control over compliance with trade activity requirements of companies operating in their respective regions with various local rules, including those relating to waste management, competition;

- State Customs Committee of the Republic of Belarus, which among other things, is the republican authority that controls compliance with Belarusian and Eurasian Economic Union's customs and import of goods rules;

- Ministry of Healthcare of the Republic of Belarus, Ministry of Agriculture and Food of the Republic of Belarus, Ministry of Emergency Situations of the Republic of Belarus, and their divisions, which compose the system of state authorities controlling (supervising) over compliance with the requirements

of technical regulations of the Republic of Belarus, the Customs Union, the Eurasian Economic Union in the sphere of consumer market.

Applicable Legislation

The key pieces of Belarusian legislation regulating the food retail market are set out below:

- Law of the Republic of Belarus "On State Regulation of Trade and Public Catering in the Republic of Belarus" No. 128-Z dated 8 January 2014 (the "**Trade Law**"), which entered into force on 22 July 2014, establishes a general legal framework for regulation of, with certain exceptions, trade and retail activity carried out in the Republic of Belarus. It contains certain requirements regarding the trading activities in Belarus, including regulation of rights and obligations of companies engaged in trade activities, control over trade activities, antitrust provisions, measures for improving trade. Violations of the Trade Law may result in civil and administrative sanctions for non-complying companies and/or civil, administrative and criminal sanctions for their non-complying officials;

- Law of the Republic of Belarus "On Protection of the Rights of Consumers" dated 9 January 2002 No. 90-Z (the "**Law on Consumer Protection**") establishes a general legal framework for regulation of the relationship between retailers, manufacturers and service providers, on the one hand, and customers, on the other hand, in the course of the sale of goods, performance of works or rendering of services. It establishes the rights of customers to purchase goods of proper quality and to receive information on goods and their manufacturers. The Law on Consumer Protection provides for liability for violation of consumer rights. The Law on Consumer Protection also invalidates any term in a consumer contract purporting to limit the rights granted pursuant to this law. Violations of the Law on Consumer Protection may result in civil and administrative sanctions for non-complying companies and/or civil, administrative and criminal sanctions for their non-complying officials;

- Law of the Republic of Belarus "On Quality and Safety of Alimentary Raw Materials and Food Products for Human Life and Health" dated 29 June 2003 No. 217-Z (the "**Law on Quality and Safety**") establishes a general framework for ensuring the quality and safety of food products. It sets out general requirements for the information on quality and safety of food, requirements to ensuring quality and safety of food, rights and obligations of entities engaged in food trade activities. Violations of the Law on Quality and Safety may result in civil and administrative sanctions for non-complying companies and/or civil, administrative and criminal sanctions for their non-complying officials;

- Law of the Republic of Belarus "On Sanitary-Epidemiological Welfare of Population" dated 7 January 2012 No. 340-Z (the "**Law on Sanitary and Epidemiological Welfare**") requires food products and premises where they are being sold to meet certain sanitary standards. According to this law, food products that do not conform to the established sanitary standards and represent a danger to customers must be withdrawn immediately from production and sale. The Law on Sanitary and Epidemiological Welfare also establishes the framework for supervision by the authorised state bodies over compliance by legal entities with sanitary and epidemiological regulations. Violations of the Law on Sanitary and Epidemiological Welfare may result in civil and administrative sanctions for non-complying companies and/or their officials and criminal sanctions for non-complying officials;

- Law of the Republic of Belarus "On Technical Rate Setting and Standardisation" dated 5 January 2004 No. 262-Z (the "**Law on Technical Regulation**") establishes the legal framework for enactment of state standards related to use, storage, transportation, sale and utilisation of goods and services and compliance with such standards, including certification procedures. Violations of the Law on Technical Regulation may result in civil and administrative sanctions for non-complying companies and/or their officials and criminal sanctions for non-complying officials;

- Law of the Republic of Belarus "On State Regulation over Production and Turnover of Alcohol, Inedible Alcohol-Containing Products and Inedible Ethanol" dated 27 August 2008 No. 429-Z (the "**Law on Alcoholic Products**"), which establishes a general legal framework and requirements for the production and turnover of (including import/export, storage and sale), ethanol, alcohol and alcohol-containing products in Belarus. According to the Law on Alcoholic Products, licences are required for activities in connection with production and/or turnover of ethanol, alcohol and alcohol-containing products, including a licence for the retail sale of alcoholic beverages. Violations of the Law on Alcoholic Products may result in administrative sanctions for non-complying companies and/or their officials and criminal sanctions for non-complying officials;

- Decree of the President of the Republic of Belarus "On Certain Aspects of State Regulation of Production, Turnover and Advertisement of Beer, Alcoholic Products and Tobacco Goods" dated 29 February 2008 No. 3 (the "**Decree on Beer, Alcoholic Products and Tobacco Goods**"), which establishes a general legal framework and restrictions on production, turnover and advertisement of beer, alcoholic products and tobacco products. Violations of the Decree on Beer, Alcoholic Products and Tobacco Goods may result in administrative sanctions for non-complying companies and/or their officials and criminal sanctions for non-complying officials;

- Decree of the President of the Republic of Belarus "On State Regulation of Production, Turnover and Consumption of Tobacco Raw Materials and Tobacco Products" dated 17 December 2002 No. 28 (the "**Decree on Tobacco Products**"), which sets requirements to production of tobacco products (equipment used, production volumes, labelling of tobacco products) and defines state policy in the sphere of turnover of tobacco products, sets state regulation of prices for tobacco products, wholesale and retail sale of tobacco products. Violations of the Decree on Tobacco Products may result in administrative sanctions for non-complying companies and/or their officials and criminal sanctions for non-complying officials;

- Law of the Republic of Belarus "On Advertising" dated 10 May 2007 No. 225-Z (the "**Law on Advertising**"), which establishes a general legal framework and restrictions on advertising activities in the Republic of Belarus. The Law on Advertising prohibits, among other things, the false advertising and advertising of certain products and services (e.g., tobacco and tobacco products). Violations of the Law on Advertising may result in civil and administrative sanctions for non-complying companies and/or their officials;

- Law of the Republic of Belarus "On Fire Safety" dated 15 June 1993 No. 2403-XII (the "**Law on Fire Safety**"), which establishes a general legal framework of measures to secure fire safety in Belarus. The Law on Fire Safety establishes obligations of legal entities with respect to securing fire safety and provides for the general powers of state authorities to conduct inspections and check compliance by organisations with fire safety regulations. Violations of the Law on Fire Safety may result in civil and administrative sanctions for non-complying companies and/or their officials and criminal sanctions for non-complying officials;

- Law of the Republic of Belarus "On Waste Management" dated 20 July 2007 No. 271-Z (the "**Law on Waste**"), which sets general rules for handling waste resulting from business operations of legal entities. Violations of the Law on Waste may result in administrative sanctions for non-complying companies and/or their officials.

Licensing

The list of activities that are subject to licensing is approved by the Edict of the President of the Republic of Belarus "On Licensing of Certain Types of Activities" dated 1 September 2010 No. 450 (the "**Edict on**

Licensing"). Trade operations in the grocery industry in general are not subject to licensing in Belarus. However, the following specific types of activities with alcohol and tobacco products are subject to licensing:

- Activity connected with production of alcohol, inedible alcohol-containing products and inedible ethanol and tobacco products is subject to licensing by Gosstandart;
- Wholesale and storage of alcohol, inedible alcohol-containing products and inedible ethanol and tobacco products is subject to licensing by regional and Minsk executive committees; and
- Retail sales of spirits and (or) tobacco products is subject to licensing by regional and Minsk executive committees.

Authorities entrusted with issuing licences are entitled to suspend the relevant licence for a period of up to six months in certain circumstances, including operations with alcohol and tobacco products in violation of the Law on Alcoholic Products and the Decree on Beer, Alcoholic Products and Tobacco Goods. Such licences may be prematurely revoked by the licensing authority for a number of grounds, such as, for instance, operations with alcohol products without labels or with fake labels, or submission of inaccurate reporting data relating to the amount of operations with alcohol or tobacco products. Currently, almost all of the Group's stores have licences for retail sale of spirits and tobacco products.

Regulation of Storage and Sales of Alcohol and Tobacco Products

General requirements to storage and sales of alcohol and tobacco products are set out by the Decree on Tobacco Products, the Decree on Beer, Alcoholic Products and Tobacco Goods and the Edict on Licensing.

Business entities that possess a licence connected to the production, wholesale and retail of alcohol and tobacco products are included in the electronic unified register of licences maintained by the Ministry of Economy in accordance with the Edict of the President of the Republic of Belarus dated 2 September 2019 No. 326. Business entities that produce, store or sell alcohol products are included into the respective registry maintained by the Ministry of Taxes and Duties of the Republic of Belarus in accordance with Law on Alcoholic Products.

Particular bans and restrictions applied to storage and sale of alcohol and tobacco products are set by the Resolution of the Council of Ministers "On Approval of Rules on Sale of Certain Types of Goods and Performing Catering and Regulation on Procedures for Developing Assortment List of Goods, Assortment List of Catering Products" dated 22 July 2014 No. 703. For instance, the sale of alcohol, low-alcohol beverages, beer and tobacco products, including the liquids used in electronic smoking devices and non-tobacco nicotine-containing products to under-aged persons (under 18) is prohibited; the sale of tobacco products, electronic smoking devices and liquids used in electronic smoking devices, systems for tobacco consuming, non-tobacco nicotine-containing products via self-servicing method is prohibited; the placing of alcohol in shop-windows is prohibited; and the exhibiting of tobacco products, liquids used in electronic smoking devices, non-tobacco nicotine-containing products in trade equipment is prohibited.

The advertisement of alcoholic products is restricted through prohibiting the placing of advertisements on radio, television, in certain buildings (including for example those occupied by educational institutions and healthcare organisations) on vehicles, lighting panels and posters, among others. The advertisement of tobacco products is prohibited in any form.

Storage and Sales of Alcohol

The Law on Alcoholic Products defines special measures of state regulation of turnover of alcohol (including storage and sale):

- Licensing of activities related to turnover of alcohol;

- Setting up quotas for the production of alcohol, inedible alcohol-containing products and inedible ethanol;
- Setting up requirements to quality and safety of alcohol, inedible alcohol-containing products and inedible ethanol;
- State registration and mandatory assessment of conformity of alcohol, inedible alcohol-containing products and inedible ethanol to the requirements of technical normative legal acts;
- State registration of the main technological equipment for the production of alcohol, inedible alcohol-containing products and inedible ethanol;
- Regulating prices for alcoholic products;
- Setting up excise duties for alcohol, inedible alcohol-containing products and inedible ethanol;
- Marking of alcoholic products with excises labels, special marks;
- Marking of accompanying documents for the import (export) of alcohol, inedible alcohol-containing products and inedible ethanol with control signs;
- Securing the state's exclusive right to import alcoholic beverages;
- Setting up procedures for declaring the volumes of used, sold, exported/imported alcoholic products; and
- Setting up control over statutory compliance in the sphere of alcohol turnover etc.

Particular restrictions on sale and storage of alcohol are set by the Law on Alcoholic Products. For instance, sale and storage of alcohol containing over 80 per cent. of ethanol is prohibited; import, transportation and (or) storage of spirits that are subject to marking with excise labels without such labels is prohibited; sale of spirits in vending retail chains is prohibited (with some exceptions); sale of spirits with application of Internet technologies is prohibited. In addition to the above, the Law on Alcoholic Products also prohibits free distribution of alcohol products (including, among others, if distributed as remuneration for work or instead of bonuses, as the object of contests, campaigns or sales), delivery services with respect to spirits are also prohibited. Local executive authorities are entitled to decide on restricting the time of selling spirits on particular occasions (such as at times of graduation from schools and health days).

As to regulating prices for alcoholic products: the price floor for alcoholic products stronger than 28 per cent. is set by the resolution of the MART dated 2 October 2017 No. 52.

Storage and Sales of Tobacco Products

General requirements to storage and sales of tobacco products are set by the Decree on Tobacco Products. Tobacco products' turnover volumes are subject to declaring and regulation (for producers, wholesalers and importers of tobacco products). Imported tobacco products are subject to excise labelling (even if imported from another member-state of the Eurasian Economic Union). Retail prices for tobacco products are set in accordance with the procedure stipulated by law, namely manufacturers of tobacco products or importers declare to the tax authorities the maximum retail prices for each package of cigarettes of a certain brand and the retailers may not exceed the maximum retail prices declared by the manufacturers or importers. A minimum price is established in the amount of 85 per cent. of such maximum price. Retail price may not be lower than the minimum price.

Retail trade of tobacco products is subject to certain restrictions. In particular, it is prohibited to sell tobacco products without excise labels and/or special marks or tobacco products with insufficient information on the

packaging/labelling; from open consumer packaging (piece by piece or by the weight) (except for cigars); through the Internet or electronic applications and by self-service or in other ways when the buyer has direct access to these products. It is forbidden to place tobacco products (specimen thereof) in shop windows and on/in other shop fittings and retail equipment. Information about selling tobacco products may be placed in the form of a list of tobacco products with identification of their names in the alphabetical order and prices.

Trade Law

The Trade Law applies to retail activity carried out in the Republic of Belarus. The Trade Law does not apply to activities that are specifically regulated by separate regimes such as foreign trade transactions (import or export); trade by individuals that are not registered as commercial entities; trade at commodity exchanges; and trade of securities, real estate and production assets, including electric and heat power and other energy resources; transfer of property rights for intellectual property; conclusion of contractual agreements.

Under the Trade Law information on all stores has to be recorded in the Trade Register of the Republic of Belarus, the respective procedure is established by the Resolution of the Council of Ministers of the Republic of Belarus dated 23 December 2014 No. 1227. If a store's working hours include night hours (from 11 p.m. to 7.00 a.m.), simultaneously with registration in the Trade Register of the Republic of Belarus stores should approve their working hours with the Regional and Minsk Executive Committees, and district executive committees (the "**Local Executive Committees**"). In addition, stores should develop and approve the assortment list of goods to be sold in the stores and ensure their constant availability in the stores. The list, number and types of goods that should be constantly present in stores depends on the size and specialisation of stores.

A retail chain with more than 20 per cent. market share in the aggregate value of food retails within the boundaries of a territorial unit (ATU) (within the boundaries of the city of Minsk, cities of regional subordination, districts) for the immediately preceding financial year is prohibited from opening or acquiring additional trading premises in urban areas within that ATU. ATUs include either urban areas alone (10 ATUs) or urban and rural areas combines (118 ATUs). ATUs can consist of one or more townships/settlements. Urban areas include townships with a population of over 2,000 people. No restrictions apply to new openings in certain rural areas, the list of which must be approved by regional councils of deputies. Rural areas are settlements with a population of less than 2,000 people. Such metering of market shares is usually performed with substantial time lag and are usually released around July of the year, following the year which is being monitored. Transactions leading to increase of trading premises in the respective ATU after declared by the authority excess of the 20 per cent., threshold should be considered as void.

Certain rural areas (as approved by regional councils of deputies), non-food, drogerie and online are not subject to the 20 per cent. market share restriction.

The Trade Law contains a set of general requirements applying to conclusion and performance of contracts, envisaging supplies of groceries between a trade entity and a supplier of groceries. For example, the Trade Law stipulates that:

- a company engaged in retail chain trade activities or operating via a supermarket is obliged to ensure that all suppliers get access to information on tender conditions and other information aimed at protection of competition and required for contracting by placing such information on its web-site or by providing such information within 14 days from receiving a relevant inquiry;
- prices for groceries supplied under contracts between a company engaged in retail chain trade activities or operating via a supermarket and a supplier are defined in accordance with legislative requirements on price formation;

- the supply agreement must not contain the following provisions:
    - prohibition of substitution of parties in the obligations under this agreement, liability for breaching the prohibition;
    - requiring a supplier to pay for the right to supply groceries to the existing or created trade facilities, for changing the assortment of these goods;
    - obligation of a supplier of groceries to reimburse damages resulted from loss or damage of groceries upon transfer of title onto the retailer (spare for the cases when loss or damage are caused by the supplier), expenses not connected with performance of the groceries' supply agreements;
    - obligation of the company engaged in retail chain trade activities or operating via a supermarket to render advertisement, marketing and other alike services (spare for cases when such services are paid for by the supplier on the basis of separate agreement). Coercion to conclude such a separate servicing agreement is prohibited; and
    - setting up remuneration for operations attributed to trade and technological process, including unloading the goods from the vehicles, acceptance of groceries in terms of quality and quantity, relocating them to storage facilities, preparing groceries for sale and so on.

Certain payment terms dependent on the "best before" date are specified by the Trade Law. For example, groceries with a "best before" date of fewer than 10 days must be paid for within 10 calendar days following receipt from the supplier; groceries with a "best before" date of between 10 and 30 days must be paid for within 30 calendar days following receipt from the supplier; and groceries with longer shelf lives must be paid for within 45 calendar days following receipt from the supplier.

Certification and State Hygiene Registration of Groceries

Certain types of products are subject to state registration with State Hygiene and Epidemiology Centres in accordance with the Resolution of the Ministry of Healthcare of the Republic of Belarus "On Certain Issues of State Registration of Products which are Potentially Dangerous for Life and Health of Population" dated 17 July 2012 No. 101. The list of such products is established by the Resolution of the Ministry of Healthcare dated 5 June 2012 No. 57 and includes, for instance, food supplements, flavourants, products produced with the use of genetically modified organisms, etc. Technical requirements to food supplements, flavourants and technological supplemental means are set by Technical Regulations of the Customs Union 029/2012 "Requirements to Safety of Food Supplements, Flavourants and Technological Supplemental Means" (TR CU 029/2012). Food products sold at the territory of the Republic of Belarus shall also meet the requirements, stated in Technical Regulations of the Customs Union 021/2011 "On Food Safety" (TR CU 021/2011).

Additionally, there are several national technical regulations which are in effect at the moment and which establish requirements to groceries. These technical requirements include, without limitation:

- STB 1100-2016 "Food products. Information for consumers. General requirements";
- STB 539-2006 "Soft beverages. General requirements" (starting from 1 July, 2021 STB 539-2019 "Soft beverages. General requirements" will replace STB 539-2006 "Soft beverages. General requirements");
- GOST 28188-89 "Soft beverages. General requirements";
- STB 1122-2010 "Low-alcohol beverages. General requirements";
- STB 395-2017 "Beer. General technical requirements".

Control of compliance with the requirements is performed by the Ministry of Healthcare, Ministry of Emergency Situations, Ministry of Agriculture and Gosstandart. Sales of groceries which have not passed procedures of obligatory compliance assessment are forbidden by laws.

Regulation of Competition

The regulation of competition in Belarus is based upon a relatively short list of legislative acts as they have not yet reached a high degree of development. The main legal acts in the sphere of competition are the Law of the Republic of Belarus "On Counterfeiting Monopoly Activity and Development of Competition" dated 12 December 2013 No. 94-Z (the "**Competition Law**") and, as applicable to retail trade, the Trade Law.

The Competition Law defines institutional and legal framework for prevention, restriction and suppression of monopolistic activity and unfair competition in order to ensure the necessary conditions for establishment and effective functioning of commodity markets, promotion and development of fair competition, protection of the rights and legitimate interests of consumers.

Belarusian antimonopoly legislation governs the following fundamental aspects:

- definition of a dominant position of business entities at Belarusian commodity markets;
- procedure of formation and maintenance of the State Register of Business Entities Occupying the Dominant Position at Commodity Markets and the State Register of Natural Monopolies;
- the rules of state antimonopoly control over transactions with shares, property share contributions to the co-operative property (shares), shares in charter capital of commercial legal entities, as well as other transactions with property of commercial legal entities;
- regulation of reorganisation of companies which are dominant at commodity markets into joint stock companies;
- procedure of organisation and conducting of inspections on compliance with competition law by entities, which dominate at Belarusian commodity markets;
- procedure of implementation of state antimonopoly control over reorganisation of commercial legal entities, which occupy dominant position at Belarusian commodity markets;
- procedure of identification and prevention of anticompetitive price agreements (concerted practices) and monopoly prices;
- procedure for clearance of provisions of agreements, restricting competition;
- procedure for considering claims on violation of antimonopoly legislation in terms of unfair competition; and
- procedure for taking measures, aimed at the elimination of violations of antitrust laws.

State antitrust policy is aimed at restricting monopolistic activity and creation of healthy competition. The Competition Law promotes reduction and elimination of administrative, economic, legal, informational and institutional barriers to the entry of new businesses at the markets, achievement of effective protection of proprietaries' rights and fair competition for enterprises of all the forms of ownership.

Dominant position in the market

The Competition Law determines a dominant position pursuant to certain criteria, including, among other things:

- where a company has a market share in a particular commodity market equal to or in excess of 35 per cent.;
- where a company's market share is below 35 per cent., but the antimonopoly authority ascertained the dominance of the business entity based on other indicators. In particular, the Competition Law assumes that a company has a dominant position if, among other things, it has a substantial influence on the circulation of goods in a particular commodity market or may restrict the access (withdrawal) of other companies to such market;
- where an aggregate share of no more than three business entities exceeds 50 per cent., and each of such business entities has the share in a particular commodity market more than shares of other business entities, and for at least one year, or if such period is less than one year during the period of the commodity market existence, the amounts of the shares of business entities are unchanged or subject to minor changes, and access to the commodity market for new competitors is encumbered;
- where an aggregate share of no more than five business entities exceeds 75 per cent., and the share of each of such business entities is more than shares of other business entities in a particular commodity market, and for at least one year, or if such period is less than one year during the period of the commodity market existence, the amounts of the shares of business entities are unchanged or subject to minor changes, and access to the commodity market for new competitors is encumbered.

As a general rule, a company may not be deemed to be in a dominant position if its market share is less than 15 per cent.

Forms of abuse of dominant market position include, *inter alia*:

- creating restrictions to market access by other entities;
- monopolistic price-fixing or price-setting;
- withdrawal of goods from circulation, if the result of such withdrawal was an increase in the price (tariff);
- economically or technologically unjustified reduction or termination of the manufacture (production) of the goods, if there is a demand for this product or orders for its delivery are placed, if there is a possibility of its cost-effective manufacturing (production);
- economically or technologically unjustified refusal or evasion from concluding an agreement with individual consumers if there is a possibility of manufacturing (manufacturing) and (or) supplying the relevant product;
- economically, technologically or otherwise unreasonable setting of different prices (tariffs) for the same product;
- entering into pricing agreements limiting counterparty's ability to freely set prices;
- tied-in arrangements;
- entering into discriminating agreements and agreements limiting counterparty's ability to freely choose its contractors, etc.

Control over Economic Concentration

One of the major components of Belarusian competitive policy is ensuring control over economic concentration. The basis of state control over this issue is made up by such principles as the common economic space, free movement of goods, services and cash, competition support, exclusion of activities aimed at monopolisation and unfair competition.

The present stage of economic development puts the problem of economic concentration in the field of creation of holding companies and other associations of commercial entities, in a new way. The Belarusian antitrust policy encourages the trends in the sphere of economic concentration, which will have a positive impact on the competitiveness of domestic producers.

Interested persons should apply to the antimonopoly authority for approval of an intended transaction with shares (participation interest) for:

- acquisition of more than 25 per cent. of the voting shares (participation interest) of a business entity where the acquirer and the target operate in the same commodity market and the acquirer is a business entity holding a dominant position in that market or one of the subject included in the one group with the acquirer;
- acquisition of at least 25 per cent. of the voting shares (participation interest) of a target holding a dominant position;
- acquisition of the ability to influence decisions of a target holding a dominant position;
- acquisition of the right to dispose of more than 25 per cent. or more than 50 per cent. of the voting shares (participation interest) in the target;
- acquisition of the rights allowing to give instructions binding to another business entity (to individual entrepreneur or commercial organisation) or to perform the functions of an executive body of a commercial organisation; and
- acquisition of the right to participate in the executive bodies, supervisory board, and other managing bodies of two or more targets by the same acquirer if the targets operate in the market for interchangeable (similar) goods and the acquirer has an opportunity to set conditions for the targets' business activities,

(altogether referred to as the "**Triggering events A**") when:

- the book value of the target's or acquirer's assets as of the latest reporting date exceeds 200,000 basic units (BYN 5,400,000); or
- the amount of total proceeds of target of acquirer from sales for the previous financial year exceeds 400,000 basic units (BYN 10,800,000); or
- the target or the acquirer is a legal entity included in the State Register of Business Entities Occupying the Dominant Position at Commodity Markets and the State Register of Natural Monopolies.

Furthermore, approval of a transaction resulting in economic concentration by the antimonopoly authority is required for:

- establishment of commercial company if its charter capital is formed by shares (participation interest) or other main assets and (or) non-material assets, using in business activity, of another commercial company or if such commercial company acquires such shares (participation interest) or other main assets and (or) non-material assets, using in business activity, of other commercial company on the basis of transfer act/separation balance sheet and:
    - in relation to activities with such shares (participation interest) control is carried out in accordance with Triggering events A;
    - the book value of main assets located in the territory of the Republic of Belarus and non-material assets exceeds 20 per cent. of the book value of main assets and non-material assets of a commercial organisation whose property is acquired;

- reorganisation of business entities holding a dominant position in the form of transformation into joint-stock company;
- reorganisation of business entities in the form of merger or accession;
- establishment of integrations of business entities in the form of holdings, unions, state associations, inclusion of a legal entity into the holding;
- conclusion between business entities that are competitors, simple partnership agreement (joint activity agreement) on the territory of the Republic of Belarus; or
- acquisition of commercial organisation's property to the ownership, use or enjoyment by a business entity located in the territory of the Republic of Belarus, if such property is main assets and (or) non-material assets, using in business activity, and if the book value of such property exceeds 20 per cent. of the book value of main assets and non-material assets of a commercial organisation,

(altogether referred to as the "**Triggering events B**") when:

- the book value of assets of one of the entities being reorganised as of the latest reporting date exceeds 200,000 basic units (BYN 5,400,000), or the amount of their total proceeds from sales for the previous financial year exceeds 400,000 basic units (BYN 10,800,000), or one of the entities being reorganised is included in the State Register of Business Entities Occupying the Dominant Position at Commodity Markets or the State Register of Natural Monopolies;
- the total book value of assets of the business entities (the founders of holdings, unions, state associations) as of the latest reporting date exceeds 200,000 basic units (BYN 5,400,000), or the amount of their total proceeds from sales for the previous financial year exceeds 400,000 basic units (BYN 10,800,000), or one of the entities is included in the State Register of Business Entities Occupying the Dominant Position at Commodity Markets or the State Register of Natural Monopolies;
- the total book value of assets of the business entities, that are the founders of newly establishment commercial organisation, and commercial organisation the shares (participation interest), property of which are the contribution to share capital of newly establishment commercial organisation or the subject of acquisition, as of the latest reporting date exceeds 200,000 basic units (BYN 5,400,000), or the amount of their total proceeds from sales for the previous financial year exceeds 400,000 basic units (BYN 10,800,000), or one of the entities is included in the State Register of Business Entities Occupying the Dominant Position at Commodity Markets or the State Register of Natural Monopolies;
- the total book value of assets of the business entities, concluded simple partnership agreement (joint activity agreement) on the territory of the Republic of Belarus, as of the latest reporting date exceeds 200,000 basic units (BYN 5,400,000), or the amount of their total proceeds from sales for the previous financial year exceeds 400,000 basic units (BYN 10,800,000), or one of the entities is included in the State Register of Business Entities Occupying the Dominant Position at Commodity Markets or the State Register of Natural Monopolies.

Notification requirements for mergers include the following:

- The transaction subject to merger clearance is to be approved by MART before closing;
- Post-notification is required in cases where the transaction is committed between the following subjects:
    - if one of the subjects holds more than 50 per cent. of votes in another subject; or

- subjects are controlled by the same persons which hold more than 50 per cent. of votes in such subjects.

Specific Trade-Related Competition Regulations

In addition to the general requirements of antimonopoly regulations outlined above, the Law on Trade sets specific requirements aimed at protection of competition in the sphere of trade. In particular, companies engaged in retail chain trade activities or operating via a supermarket are prohibited to:

- Create discriminatory conditions, including establishment of barriers to entry to a product market or exit from it to its competitors;
- Coerce counterparties to enter into contracts containing the following provisions:
  - Prohibition to enter into contracts on supply of goods with other entities performing similar activity or on similar or different conditions;
  - Sharing information on contracts the counterparty conclude with other entities, performing similar activity;
  - Lowering prices for the goods to the level when (following the setting of a trade mark-up (margin) onto the price of the goods) the price would not exceed the minimum price for such goods to be sold to a retailer performing similar activity.
- Coerce counterparties to enter into other contracts when they contain similar conditions or contradict the requirements of antimonopoly legislation;
- Enter into agent, commission or any other similar agreement for supply of groceries with each other, apart for situations when contracting parties are forming one network;
- Conduct activities aimed at coercing suppliers of groceries to enter into contracts obliging the supplier to purchase back food products supplied by it earlier when the "best before" date expired as well as to include into contracts for supply of food products provision on return of goods that were not sold within a defined period of time.

Regulation of Marketing Activity

Belarusian legislation provides for a special regulatory regime for advertising games. Under the Edict of the President of the Republic of Belarus "On Conducting Advertising Games" No. 51 dated 30 January 2003, an advertising game is defined as an activity of legal entities and/or individual entrepreneurs, carried out by them in order to stimulate the sale of goods (works, services), and provide prize drawing among the advertising game participants. Advertising games must be registered with MART. Advertising games aiming to stimulate gambling, the sale of alcoholic or low-alcohol beverages, beer or tobacco products are prohibited. Other types of marketing activities, including advertising campaigns (when all participants who have fulfilled the conditions of the campaign receive the same gifts) may be conducted within the general framework of the Law on Advertising. See *"—Applicable Legislation"*. Activities related to loyalty programmes, including the issuance of loyalty cards, are currently unregulated in Belarus.

Regulation of Intellectual Property

State Authorities Involved

The National Centre for Intellectual Property of the Republic of Belarus (the "**NCIP**") is a national patent authority which is authorised to register intellectual property rights, including trademarks, and the transfer of

intellectual property rights, pursuant to, among others, licensing agreements for the use of a trademark or agreements for the transfer (assignment) of the right to a trademark as well as franchising agreements.

Regulation of Trademarks

The Civil Code of the Republic of Belarus dated 7 December 1998 No. 218-Z (the "**Civil Code**") and the Law of the Republic of Belarus "On Trademarks and Services Marks" dated 5 February 1993 No. 2181-XII (the "**Law on Trademarks**") are the main laws concerning intellectual property applicable to the Group in connection with its trademark rights. According to the Civil Code and the Law on Trademarks, the trademark and rights thereto in Belarus are subject to state registration with the NCIP. Upon the registration of a trademark in the State Register for Trademarks and Service Marks of the Republic of Belarus, the NCIP issues a certificate of registration of the trademark, which is valid for 10 years from the date on which the application for registration was filed. This term may be extended for an unlimited number of times, each time for another 10 years, upon an application by the owner of the trademark filed with the NCIP during the last year of the validity of the certificate. The certificate of registration of a trademark is issued with respect to certain classes of goods or services of the International Classification of Goods and Services, which means that the trademark is not protected if it is used for other types of goods or services that are not covered by the certificate of registration.

In addition, in accordance with the Agreement concerning the International Registration of Marks (Madrid, 1891) and protocols thereto, Belarus protects trademarks registered with the World Intellectual Property Organization if international registration of such trademarks extends to Belarus.

In the absence of registration, the entity using the designation may not be able to protect its trademark against unauthorised use by a third party. If a third party has previously registered a trademark similar to the designation in question, such third party may claim that the entity is held liable for unauthorised use of such trademark.

A registered owner of a trademark may assign its right to the trademark or grant a temporary right to use a trademark to another entity under an agreement. The transfer of intellectual property rights pursuant to agreements for the assignment of a trademark, pledges, franchising (commercial concession) and licensing agreements granting a temporary right to use a trademark is also subject to registration with the NCIP. The same applies to changes to and termination of these agreements. If such registration is not obtained, the respective transfer of rights shall not be deemed valid.

Regulation of Real Estate

State Authorities Involved

The key state authorities regulating real estate in Belarus are:

- The State Committee on Property of the Republic of Belarus, which provides a unified state policy with regard to land relations, geodesy and mapping activities, naming of geographical objects, state registration of real estate, real estate rights and deals, property relations.
- State Research and Development Unitary Enterprise "National Cadastral Agency" and its local subsidiary agencies for state registration and land cadastre (the "**Registry Agencies**") which are responsible for creation and maintenance of Unified State Register of Real Estate, Rights Thereto and Transactions Therewith (the "**Real Estate Register**") and for state registration of real estate, transactions with respect to real estate, and title to real estate.
- The Ministry of Architecture and Construction of the Republic of Belarus, which is responsible, *inter alia*, for state regulation of construction and urban development.
- The Local Executive Committees, which are, *inter alia*, authorised to allocate land plots to persons and legal entities from the state-owned land.

Applicable Legislation

Belarusian legislation regulating real estate transactions, real estate construction and allocation of land plots includes the following:

- The Civil Code;
- The Land Code of the Republic of Belarus dated 23 July 2008 No. 425-Z (the "**Land Code**");
- Law of the Republic of Belarus "On State Registration of Real Estate, Rights Thereto, and Transactions Therewith" dated 22 July 2002 No. 133-Z (the "**Law on Registration of Real Estate**");
- Law of the Republic of Belarus "On Architectural, Urban Development and Construction Activity in the Republic of Belarus" dated 5 July 2004 No.300-Z; and
- Edict of the President of the Republic of Belarus "On Withdrawal and Allocation of Land Plots" dated 27 December 2007 No 667.

Regulation of Land Use

At present, most of the land in Belarus is owned by the state. However, the proportion of privately owned land plots, as well as buildings and other real estate located on land plots leased from the state, is increasing, particularly in urban areas, due to the expansion of private enterprises in Belarus and a less restrictive regulatory regime with respect to private ownership of land and other real estate in the country.

Use of land in accordance with its designated purpose is one of the basic principle of the Land Code. Designated purpose of the land plot is defined by the decision of the Local Executive Committees on allocation of such land plot. Use of the land plot not in accordance to its designated purpose can lead to withdrawal of the land plot.

Several titles to land plots are stipulated by the legislation for legal entities: ownership, lease, permanent use and temporary use. Only citizens of the Republic of Belarus, companies registered in Belarus, foreign states and international organisations can own land plots. Foreign companies are not allowed to own land plots. Foreign citizens may own land plots only in certain cases established by the Land Code. Lands of certain categories may not be transferred to private ownership or ownership of foreign states and international organisations (agricultural land, forestry land, recreational land, land occupied by roads and other transport communications, etc.). Provision of land plots on the rights of permanent and temporary use is also limited at present: land plots may be allocated into permanent or temporary use only on the basis of several grounds stipulated by the Land Code.

In respect of legal entities, a lease is the most widespread title to land plots in Belarus, at present. Land plots may be leased by citizens of the Republic of Belarus, companies registered in Belarus, foreign states and international organisations, as well as by foreign companies and foreign citizens. Both state-owned and private land plots can be leased assuming that tenant will use the land plot according to its designated purpose. Terms and other conditions of the lease are defined by the parties in the lease contract. At the same time the term of the lease in respect of agricultural lands cannot be less than 10 years. The term of the lease of state-owned land plots allocated for construction or maintenance of a building cannot be less than the normative term of construction or exploitation of such building, as appropriate, unless the tenant agrees for a shorter period of lease and cannot exceed 99 years. Model form of a lease contract for state-owned land plots was approved by the Government (Resolution of the Council of Ministers of the Republic of Belarus No. 427 dated 20 March 2008), therefore in practice most lease contracts are concluded on the basis of this template.

Under Belarusian law, it is not possible for different persons or entities to hold title to a plot of land and own the building or other real estate assets placed on the same land plot. Inseparable destiny of land plots and

buildings or other real estate assets located on a land plot is one of the main principles of the Land Code. Therefore, transfer of ownership to real estate assets leads to transfer of title to the respective land plot to the buyer of real estate. Land plots occupied by real estate assets cannot be the subject of a transaction separate to that of the real estate asset in question.

Public tender is a general rule for obtaining lease or ownership rights to land plots. List of exceptions when allocation of land plots is allowed without public tender includes such grounds as allocation of land plots to the state authorities, allocation of land plots for the purpose of construction of transport infrastructure, allocation of land plots to the investor according to the investment agreement concluded between the state and such investor, to the residents of free economic zones and in certain other cases.

Generally, a land plot, agreements related to land plots (including lease agreements) and titles to land plots must be registered in the Real Estate Register. At the same time, land plots provided into lease or temporary use for a period of less than one year as well as rights thereto shall not be registered with the Real Estate Register. Such land plots and rights thereto are considered as created and accrued from the date of issuing of the respective decision by the Local Executive Committees.

If a land plot is subject to registration in the Real Estate Register, a land plot cannot be a subject of a transaction prior to such registration. Besides, agreements related to such land plots are void if they are not registered.

Regulation of Real Estate Construction

The main stages of the building construction process typically include the following:

- allocation of the land plot(s) for construction purposes as well as general permission of the Local Executive Committees to design and to construct building of defined purpose on the allocated land plot;
- preparation of project documentation and obtaining infrastructure/utilities documentation;
- state examination of the project documentation which is held by the Republic Unitary Enterprise "Glavgosstroyexpertisa" and its local subsidiaries in each region of Belarus. In order to obtain positive conclusion of state examination the project must comply with various state technical and construction standards, environmental and sanitary and epidemiological laws, regulations and rules as well as fire safety and other types of safety requirements;
- notification to the local Inspection for Construction Supervision responsible for relevant territory where the construction site is located on commencement of construction works;
- construction works;
- receiving a commissioning permit. The permit is issued by acceptance commission appointed by the developer from the representatives of the developer itself, designer, contractor and Local Executive Committees. Prior to commissioning written conclusions from state authorities must be received to confirm that building complies with the permission and design documentation developed and approved in accordance with legislation, including safety requirements and operational reliability;
- registration of a new building as real estate asset and the rights thereto in the Real Estate Register.

Regulation of Real Estate Sale and Lease

The Civil Code requires that agreements for sale or lease of non-residential buildings/premises expressly set out the following:

- description of building/premises allowing to identify it and distinguish the subject of the transaction from the other buildings/premises. Such description is usually provided by stipulating in the agreement

name, designated purpose, inventory number, address and total area of the building/premises based on the relevant data from the Real Estate Register;

- purchase price or lease rate. In relation to state owned real estate, lease rate is defined in accordance with legislation and is obligatory for the parties. Private real estate may be sold or leased at a price agreed by the parties.

In relation to sale, both sale-purchase agreement itself and transfer of title effected by the relevant sale are subject to registration in the Real Estate Register. Sale-purchase agreement of real estate that is not registered is void.

Neither lease agreement in relation to building/premises nor rights granted by the lease agreement require registration. Only land plot lease agreement and lease title to land plots (both for a term of exceeding one year) must be registered in the Real Estate Register.

State Registration

The Real Estate Register is maintained by the Registry Agencies pursuant to the Law on Registration of Real Estate. According to the Law on Registration of Real Estate obligatory state registration is required for:

- Real estate, including creation of real estate, amending or disestablishment of real estate. The following real estate objects must be registered: land plots (except those provided into lease or temporary use for a period of less than one year), buildings, unfinished construction sites, isolated premises, parking spaces;

- Title to real estate, including its emergence, transfer, termination as well as encumbrances over real estate. The following titles to real estate must be registered: ownership, permanent or temporary use of land plots, lease of land plots, trust, mortgage, servitude, etc. Temporary use of land plots and lease of land plots of a period that is less than one year are not subject to registration;

- Agreements with respect to real estate, including sale, donation, lease (only in respect of land plots for a period exceeding one year), mortgage agreements, etc.

If the right is subject to state registration, a person or legal entity acquires the rights to the relevant real estate object only upon state registration of this right. Failure to register a transaction which requires state registration generally results in the transaction being rendered void.

General term for registration procedure is five business days, but in most cases it takes less time to register real estate object, title or agreement. The regulations also provide the option of expedited procedure of registration that takes two business days or the urgent procedure that shall be completed within one business day.

Information contained in the Real Estate Register is public: everyone upon request and payment of the respective fee can receive information on the current status of particular real estate object, including information about the designated purpose of the real estate object, inventory number, total area of the building, premise or land plot as well as information about the owner of real state object and registered encumbrances. Summarised information concerning the total list of real estate belonging to a certain person or legal entity may be provided only to the owner or in specific cases where stipulated by the law to state authorities, courts, notaries, attorneys.

Liability of Land Plot Owners and Leaseholders

The owner of a building usually bears all liabilities that may arise in connection with the building, for example, any tort obligation deriving from accidents that led to injury. Real estate owners and leaseholders are required to comply with effective laws and regulations, to use the land plot and the building in accordance with its designated purpose and not to cause harm to the environment.

Regulation of Employment and Labour

Employment and labour matters in Belarus are regulated by the Labour Code of the Republic of Belarus dated 26 July 1999 No. 296-Z (the "**Labour Code**"), and certain other laws and regulations.

Employment Agreements

Employment relations in Belarus should be formalised by a written employment agreement. It must contain information about employer and employee, place of work, employment function (profession, speciality, position in accordance with the Unified Tariff-Qualification Reference Books), main rights and obligations of employee and employer, salary, work and recreation regime (if it is not established for the whole company or differs from it) and term (for fixed-term agreements).

Other conditions are optional, but the principle of *in favorem* shall be considered and an employee's status cannot be reduced in comparison with the legislative provisions. For example, all grounds for termination of employment relations are set by the law. The parties cannot set additional grounds for termination in the employment agreement.

As a general rule, employers must conclude employment agreements for an indefinite term with all employees. Belarusian labour legislation expressly limits the possibility of entering into fixed term employment agreements. However, employers and employees may enter into employment agreements for a fixed term in certain cases where it is not possible to establish labour relations for an indefinite term due to the nature of the duties or the conditions of the performance of such duties, as well as in other cases expressly identified by the Labour Code.

Although Belarusian labour laws limit the possibility of entering into fixed term employment agreements, the main peculiarity of the employment system in Belarus is a dual agreement system, which in practice almost excludes usage of employment agreements for an indefinite term. The most common type of employment agreement in Belarus is the employment contract. An employment contract is a specific type of employment agreement which may be concluded for a minimum of one year and a maximum of five years. It is widely used in Belarus for several reasons, including the following:

- while on contract an employee is guaranteed a salary increment of up to 50 per cent. and additional labour vacation of up to five days;
- the contract cannot be terminated solely upon the employee's initiative, except for material breach by the employer or a good reason (e.g. relocation to a different city).

Termination

An employer may terminate an employment agreement only on the basis of the specific grounds listed in the Labour Code, including, among others:

- liquidation of the enterprise or reduction of the number of employees or job positions;
- an employee cannot perform work due to his / her health problems (according to the medical report);
- an employee does not have sufficient qualification / education to perform job duties;
- an employee systematically fails to perform job duties without good reasons, if the employee was earlier subject to disciplinary penalties;
- an employee has been absent from work for more than three hours during the working day without a reasonable excuse;

- an employee is at the work place under influence of alcoholic, narcotic or toxic substances, or consuming such substances at the work place and during the working time;
- an employee committed theft at the work place;
- single violation by an employee of work safety rules resulting in injury or death of other employees;
- an employee does not show up for work for four months in a row due to temporary disability, unless a longer term is established by law.

Work Time and Leaves

Belarusian law sets the regular working week at 40 hours, but exceptions for certain categories of employees exist and different regimes are allowed (e.g. irregular working hours). Overtime work is limited to maximum 180 hours per year and 10 hours per work week (in case of normal regime). In general, an employer must compensate an employee for the overtime work at a higher rate. Employees are entitled for two days weekly rest in case of eight hours work day and for days off officially established as non-working by the respective legislative act.

The minimum guaranteed paid labour leave is 24 calendar days. Unpaid social leave could also be provided upon consent of the employer to any employee for employee's personal purposes (so-called leave for "family-household reasons") for 30 days total within one calendar year. In addition to labour leave Belarusian laws provide for several kinds of social leave, e.g. maternity leave (generally up to 126 calendar days), child care leave (up to three years).

The retirement age in Belarus is among the lowest in the region: currently 57 years for females and 62 years for males. The retirement age is set to increase until it reaches 58 years for women and 63 years for men in 2022.

Salary

In general, income of an employee consists of the salary itself, bonuses, salary increases, and other extra payments. The minimum salary to be paid to a full-time (40 hours per week) employee is established by the Government and currently amounts to BYN 375.

Social security and other contributions

Employers are obliged to pay social security contribution (the "**SSC**") to the Social Security Fund (the "**SSF**")of the Ministry of Labour and Social Security of Population. The base for SSC is payroll in cash or in other forms. The general aggregate rate of SSC is 35 per cent. of gross income of the employee. The main part (34 per cent.) is paid to the SSF by the employer, while 1 per cent. is paid by the employee. The maximum income of the employee subject to SSC is five-times amount of the average national salary for the month previous to the month when the income is paid to the employee.

Moreover, employers pay obligatory insurance contributions for cases of accidents at work or work-related diseases to state-owned insurance company Belgosstrakh. The base is the same as for SSC. The basic insurance tariff is 0.6 per cent. Increase or decrease coefficients to the basic tariff may be applied by Belgosstrakh depending on the type of the employer's activity.

Strikes

The Labour Code defines a strike as the temporary and voluntary refusal of employees to fulfil their work duties with the intention of settling a collective labour dispute. Belarusian legislation contains several requirements which must be met for strikes to be legal. An employer may not use an employee's participation in a legal strike as grounds for terminating an employment, although Belarusian law generally does not require employers to pay wages to striking employees for the duration of the strike. Conversely, an employee's participation in an

illegal strike may lead to disciplinary and other liability provided by laws and even may provide adequate grounds for termination of his or her employment.

DESCRIPTION OF THE ISSUER

The Issuer was incorporated in Ireland as a designated activity company on 21 August 2017, registered number 610155, under the Companies Act 2014 (as amended) of Ireland (the "**Companies Act 2014**"). The registered office of the Issuer is 2nd Floor, Palmerston House, Fenian Street, Dublin 2, Ireland and phone number +353 1 905 8020. The Issuer has elected to be disregarded as an entity separate from its owner for US federal income tax purposes.

The authorised share capital of the Issuer is EUR 100 divided into 100 ordinary shares of par value EUR 1 each (the "**Shares**"). The Issuer has issued one Share, which is fully paid and is held on trust by Cafico Trust Company Limited (the "**Share Trustee**") under the terms of a declaration of trust (the "**Declaration of Trust**") dated 21 September 2017, under which the Share Trustee holds the Shares on trust for charity. The Share Trustee has no beneficial interest in and derives no benefit (other than any fees for acting as Share Trustee) from its holding of the Shares. The Share Trustee will apply any income derived from the Issuer solely for the above purposes.

Cafico Corporate Services Limited (the "**Corporate Services Provider**"), an Irish company, acts as the corporate services provider for the Issuer. The office of the Corporate Services Provider serves as the general business office of the Issuer. Through the office and pursuant to the terms of the corporate services agreement entered into on 19 October 2017 between the Issuer and the Corporate Services Provider (the "**Corporate Services Agreement**"), the Corporate Services Provider performs various management functions on behalf of the Issuer, including the provision of certain clerical, reporting, accounting, administrative and other services until termination of the Corporate Services Agreement. In consideration of the foregoing, the Corporate Services Provider receives various fees and other charges payable by the Issuer at rates agreed upon from time to time plus expenses. The terms of the Corporate Services Agreement provide that either party may terminate the Corporate Services Agreement upon the occurrence of certain stated events, including any material breach by the other party of its obligations under the Corporate Services Agreement which is either incapable of remedy or which is not cured within 30 days from the date on which it was notified of such breach. In addition, either party may terminate the Corporate Services Agreement at any time by giving at least 90 days' written notice to the other party.

The Corporate Services Provider's principal office is Palmerston House, Denzille Lane, Dublin 2, Ireland.

Business

The principal objects of the Issuer are set forth in clause 3 of its Constitution (as currently in effect) and permit the Issuer, inter alia, to lend money and give credit, secured or unsecured, to issue debentures, loan participation notes, enter into derivatives and otherwise to borrow or raise money and to grant security over its property for the performance of its obligations or the payment of money. The Issuer is organised as a special purpose company. The Issuer was established to raise capital by the issue of debt securities and to use an amount equal to the proceeds of each such issuance to advance a loan to the Borrower.

Since its incorporation the Issuer has not engaged in material activities other than those incidental to its registration as a designated activity company under the Companies Act 2014 and the issue of the 2022 Notes and the Notes. The Issuer has no employees.

Directors and Company Secretary

The Issuer's Constitution provide that the Board of Directors of the Issuer will consist of at least two Directors.

The Directors of the Issuer and their business addresses are as follows:

- Stuart Maher - 2nd Floor, Palmerston House, Denzille Lane, Dublin 2, Ireland

- Rolando Ebuna - 2nd Floor, Palmerston House, Denzille Lane, Dublin 2, Ireland

The Company Secretary is Cafico Secretaries Limited of Palmerston House, Denzille Lane, Dublin 2, Ireland.

Financial Statements

The financial year of the Issuer ends on 31 December in each year. The Issuer does not prepare interim financial statements. The Issuer's financial statements can be obtained free of charge from the registered office of the Issuer.

The auditors of the Issuer are KPMG, 1 Harbourmaster Place, IFSC, Dublin 1, who are chartered accountants and are members of the Institute of Chartered Accountants and registered auditors qualified in practice in Ireland.

The Issuer is fully consolidated into the Group's consolidated financial statements prepared in accordance with IFRS.

LOAN AGREEMENT

This Loan Agreement is made on 20 October 2020 **between**:

(1) **LLC EUROTORG**, a limited liability company established under the laws of Belarus whose registered office is at 52A-22, Kazintsa str., Minsk 220099, Republic of Belarus, registered in the Unified State Register of Entities and Individual Entrepreneurs under No. 101168731 (the "**Borrower**" or the "**Parent**"); and

(2) **BONITRON DESIGNATED ACTIVITY COMPANY**, a Designated Activity Company limited by shares whose registered office is at 2nd Floor, Palmerston House, Fenian Street, Dublin 2, Ireland (the "**Lender**" or the "**Issuer**").

Whereas:

The Lender has at the request of the Borrower agreed to make available to the Borrower a loan facility in the amount of U.S.$300,000,000 on the terms and subject to the conditions of this Agreement.

It is agreed as follows:

1 Definitions and Interpretation

1.1 Definitions

"**Account**" means the account in the name of the Lender with the Principal Paying Agent, account number 4884068400 (or such other account as may from time to time be agreed between the Lender and the Trustee pursuant to the Trust Deed and notified to the Parent in writing at least five Business Days in advance of such change).

"**Acquired Debt**" means, with respect to any specified Person, Indebtedness of any other Person existing at the time such other Person is merged, consolidated, amalgamated or otherwise combined with or into or became a Restricted Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging, consolidating, amalgamating or otherwise combining with or into, or becoming a Restricted Subsidiary of, such specified Person.

"**Additional Assets**" means:

(a) any property, plant or equipment used or useful in a Permitted Business;

(b) the Share Capital of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Share Capital by the Parent Company or another Restricted Subsidiary; or

(c) Share Capital constituting a minority interest in any Person that at such time is a Restricted Subsidiary and a majority of whose Share Capital is owned by the Parent Company or a Restricted Subsidiary.

"**Advance**" means the advance to be made under Clause 3 of the sum equal to the amount of the Facility.

"**Agency**" means any agency, authority, central bank, department, committee, government, legislature, minister, ministry, official or public or statutory person (whether autonomous or not) of, or of the government of, any state or supra-national body.

"**Affiliate**" of any specified Person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control", as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the

ownership of voting securities, by agreement or otherwise, provided that for purposes of the Clause 7.5 only, "Affiliate" shall also be deemed to include any beneficial owner of 10 per cent. or more of the Voting Stock of a Person. For purposes of this definition: (i) the terms "controlling", "controlled by" and "under common control with" have correlative meanings; and (ii) "Affiliate" shall include funds advised by the specified Person.

"**Affiliate Transaction**" has the meaning assigned to that term in Clause 7.5.

"**Approved Jurisdiction**" means any member state of the European Union as of 1 January 2004 (including Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom), Norway, Switzerland, Cyprus, Belarus, the United States of America, any state thereof, the District of Columbia and Russia.

"**Asset Sale**" means:

(a) the sale, lease, conveyance or other disposition of any tangible or intangible assets or rights of the Parent or a Restricted Subsidiary; provided that the sale, conveyance or other disposition of all or substantially all of the assets of the Parent and its Restricted Subsidiaries taken as a whole will be governed by the provisions of Clause 7.9 and not by the provisions of Clause 7.4; and

(b) the issuance of Equity Interests in any Restricted Subsidiary or the sale of Equity Interests in any of its Subsidiaries (other than directors' qualifying shares or shares referred by applicable law to be held by a Person other than the Parent or a Restricted Subsidiary).

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(a) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than U.S.$10 million;

(b) a transfer or other disposition of real estate, infrastructure objects, rights of use or other assets in any single transaction or series of related transactions in connection with construction of properties, having a Fair Market Value of less than U.S.$10 million to any state and/or municipal Agency, and/or any state-owned and/or municipal-owned entity in the Republic of Belarus;

(c) a transfer or other disposition of real estate in any single transaction or series of related transactions having a Fair Market Value of less than U.S.$10 million upon completion of construction projects in accordance with the terms of any joint construction agreement, co-investment agreement or any other similar agreement;

(d) a transfer of assets between or among the Parent and its Restricted Subsidiaries;

(e) an issuance of Equity Interests by a Restricted Subsidiary to the Parent or to a Restricted Subsidiary;

(f) the sale, lease, conveyance or disposition of assets or rights (including, for the avoidance of doubt, products, services or accounts receivable or licensing of rights) in the ordinary course of business and any sale or other disposition of damaged, worn-out or obsolete assets in the ordinary course of business;

(g) the sale or other disposition of cash or Cash Equivalents;

(h) the creation of a Lien;

(i) a Restricted Payment that does not violate the provisions of Clause 7.1 or a Permitted Investment;

(j) the waiver, compromise, settlement, release or surrender of any right or claim in the ordinary course of business; and

(k) the sale or other disposition or assets received by the Parent or any of its Restricted Subsidiaries in compromise or settlement of claims of the Parent or any of its Restricted Subsidiaries; provided, however, that the net cash proceeds of such sale or disposition are applied in accordance with Clause 7.4.

"**Asset Sale Offer**" has the meaning assigned to that term in Clause 7.4(c).

"**Attributable Debt**" in respect of a sale and leaseback transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction (including any period for which such lease has been extended or may, at the option of the lessor, be extended) or the earliest date on which the lessee may terminate such lease without penalty or upon payment of a penalty (in which case the rental payments shall include such penalty). Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with IFRS; provided, however, that if such sale and leaseback transaction results in a Capital Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of "Capital Lease Obligation".

"**Bank**" means JSC StatusBank, a Subsidiary of the Parent.

"**Bankruptcy Law**" means any law relating to bankruptcy, insolvency, receivership, winding-up, liquidation, dissolution, reorganization or relief of debtors or any amendment to, succession to or change in any such law.

"**Belarus**" means the Republic of Belarus.

"**Board of Directors**" means:

(a) with respect to a joint stock company or a limited liability company, the board of directors (supervisory board) of the joint stock company or the limited liability company;

(b) with respect to a partnership, the board of directors of the general partner of the partnership; and

(c) with respect to any other Person, the board or committee of such Person serving a similar function.

Unless otherwise stated, all references to the "Board of Directors" in this Agreement shall be to the Board of Directors of the Parent or Eurotorg Holding plc, whichever body is competent to make the relevant decision.

"**Business Day**" means a day other than a Saturday, Sunday or other day on which banking institutions in London, New York, Minsk or a place of payment under this Agreement are authorised or required by law to close.

"**Capital Lease Obligation**" means, at the time any determination is to be made, the amount of the liability in respect of a capital or finance lease that would at that time be required to be capitalised on a balance sheet in accordance with IFRS, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty; provided, however, that any liability in respect of a lease, concession or license of property (or guarantee thereof), which would have been considered an operating lease under IFRS prior to the mandatory application of IFRS 16, will not be

treated as a Capital Lease Obligation for purposes of the definition of "Indebtedness" and for the calculation of the Consolidated Leverage Ratio, unless the Borrower has otherwise made an irrevocable election by written notice to the Lender to re-designate operating leases in accordance with IFRS 16 for purposes of the definition of "Indebtedness" and for calculating the Consolidated Leverage Ratio.

"**Capital Markets Debt**" means any Indebtedness permitted to be incurred hereunder consisting of bonds, debentures, notes or other similar debt securities (or any guarantees or intercompany loans in respect thereof) or preferred stock issued in (a) a public offering registered under the U.S. Securities Act, (b) listed on a recognised stock exchange or (c) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the U.S. Securities Act, whether or not it includes registration rights entitling the holders of such debt securities or preferred stock to registration thereof under the U.S. Securities Act for public resale.

"**Cash and Cash Equivalent Amounts**" means with respect to any specified Person and as at any date of determination, the total amount of cash and cash equivalents that would have been included in a balance sheet of such person prepared in accordance with IFRS if prepared as at such date.

"**Cash Equivalents**" means:

(a) securities (i) issued by, or directly and fully guaranteed or insured by, the U.S. government or any agency or instrumentality of the U.S. government (provided that the full faith and credit of the United States is pledged in support of those securities), or (ii) which are denominated in U.S. dollars, euro, British pound, Belarusian rouble, Russian rouble, Chinese Renminbi or the currency of a member state of the European Union and are issued by, or directly and fully guaranteed or insured by, a member of the European Union, United Kingdom, Belarus or China on the Issue Date, or any agency or instrumentality thereof, in each case having maturities of not more than 12 months from the date of acquisition;

(b) certificates of deposit, time deposits and other bank deposits in U.S. dollars, Belarusian roubles or euro with maturities of 12 months or less from the date of acquisition, bankers' acceptances with maturities not exceeding 12 months and overnight bank deposits, in each case, with any commercial bank (i) having capital and surplus in excess of U.S.$500.0 million (or the foreign currency equivalent thereof) and a rating of A 1/P 1 (or such similar equivalent rating) or better from at least one internationally recognised statistical rating organization, or (ii) (x) licensed or organised in Belarus or Russia and (y) having a rating from at least one internationally recognised statistical rating organisation that is either no less than one rating notch below the lower of the ratings for Belarus' sovereign bonds or one of the two highest rating categories obtainable by Belarusian banks from the internationally recognised statistical rating organisations or (iii) licensed or organised in Belarus and controlled by another bank that meets the requirements of (a) (i) or (a)(ii)(y) above or (iv) in respect of the Bank, licensed or organised in Belarus and not otherwise falling under (i), (ii) or (iii) above, in an aggregate amount not exceeding U.S.$5 million at any time;

(c) in respect of the Bank, repurchase obligations with a term of not more than seven days for underlying securities of the types described in (a) above entered into with any financial institution meeting the qualifications specified in (a) above;

(d) in respect of the Bank, bank deposits with any Agency in Belarus to the extent required by Belarusian law;

"**Change of Control**" means any of the following events or circumstances:

(a) any person or group of persons, other than the Permitted Holders, acting in concert or under an express or implied agreement or understanding, directly or through one or more intermediaries, shall (x) acquire ultimate beneficial or legal ownership of, or control over, more than 50 per cent. of the issued Share Capital of the Parent; (y) acquire ownership of or control over more than 50 per cent. of the voting interests in the Share Capital of the Parent; or (z) obtain the power (whether or not exercised) to elect not less than half of the directors of the Parent; or

(b) there is a direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Parent and its Subsidiaries taken as a whole, to any Person other than the Permitted Holders.

"**Change of Control Put Event**" means the occurrence of a Change of Control.

"**Change of Control Put Option**" has the meaning given to it in the Conditions.

"**Change of Control Put Period**" has the meaning given to it in the Conditions.

"**Change of Control Put Settlement Date**" has the meaning given to it in the Conditions.

"**Comparable Treasury Issue**" means the United States Treasury security selected by the Determination Agent as having a maturity comparable to the remaining term of the Loan from the Make Whole Optional Prepayment Date to the Repayment Date, that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity most nearly equal to the Repayment Date.

"**Comparable Treasury Price**" means, with respect to any Make Whole Optional Prepayment Date, the average of three, or such lesser number as is obtained by the Determination Agent, Reference Treasury Dealer Quotations for the Make Whole Optional Prepayment Date.

"**Conditions**" means the terms and conditions of the Notes.

"**Consolidated EBITDA**" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period plus, without duplication:

(a) all expense or provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such expense or provision for taxes was deducted in computing such Consolidated Net Income; plus

(b) the Consolidated Interest Expense of such Person and its Restricted Subsidiaries for such period, to the extent that such Consolidated Interest Expense was deducted in computing such Consolidated Net Income; plus

(c) depreciation, amortization and any other non-cash items for such period to the extent deducted in determining Consolidated Net Income for such period (other than any non-cash item which requires the accrual of, or a reserve for, cash charges for any future period) of the Parent and the Restricted Subsidiaries (including amortization of capitalised debt issuance costs for such period and any non-cash compensation expense, realised for grants of stock options or other rights to officers, directors and employees); plus

(d) to the extent they decrease Consolidated Net Income, non-cash foreign exchange losses; minus

(e) to the extent they increase Consolidated Net Income, non-cash foreign exchange gains; plus

(f) minority interests to the extent that such minority interests were deducted in computing Consolidated Net Income; minus

(g) to the extent they increase Consolidated Net Income, net after-tax exceptional or non-recurring gains; plus

(h) to the extent they decrease Consolidated Net Income, net after-tax exceptional or non-recurring losses; minus

(i) to the extent they increase Consolidated Net Income, non-cash items (including the partial or entire reversal of reserves taken in prior periods, but excluding reversals of accruals or reserves for cash charges taken in prior periods and excluding the accrual of revenue in the ordinary course of business) for such period;

in each case, on a consolidated basis and determined in accordance with IFRS for such period.

Notwithstanding the preceding, the provision for taxes based on the income or profits of, and the depreciation and amortization and other non-cash expenses of, a Restricted Subsidiary will be added to Consolidated Net Income to compute Consolidated EBITDA of the Parent only in the same proportion as the relevant Person's Net Income was included in Consolidated Net Income.

"**Consolidated Interest Expense**" means, in respect of any period, all underlying net finance costs of the Parent and its Subsidiaries for such period (including, for the avoidance of doubt, capitalised and accrued interest) determined on a consolidated basis in accordance with IFRS.

"**Consolidated Leverage Ratio**" means with respect to any specified Person and as at any date of determination, the ratio of (x) the total Net Indebtedness of such Person at such date less any outstanding Permitted Subordinated Indebtedness to (y) the Consolidated EBITDA of such Person for the most recent two consecutive fiscal semi-annual periods for which financial statements are publicly available (or are made available), calculated in accordance with IFRS. In the event that the specified Person or any of its Subsidiaries incurs, assumes, guarantees, repays, repurchases or redeems any Indebtedness or issues, repurchases or redeems preferred shares subsequent to the commencement of the period for which Consolidated EBITDA is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Leverage Ratio is made (the "**Consolidated Leverage Ratio Calculation Date**"), then the Consolidated Leverage Ratio will be calculated giving pro forma effect to such incurrence, assumption, guarantee, repayment, repurchase or redemption of Indebtedness, or such issuance, repurchase or redemption of preference shares, and the use of the proceeds therefrom as if the same had occurred at the beginning of the two applicable semi-annual reference periods.

In addition, for purposes of calculating the Consolidated Leverage Ratio:

(a) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers; consolidations, amalgamations or other business combinations and including any related financing transactions, during the two semi-annual reference periods or subsequent to such reference period and on or prior to the Consolidated Leverage Ratio Calculation Date will be given pro forma effect as if they had occurred on the first day of the semi-annual reference periods and Consolidated EBITDA and total Net Indebtedness for such reference period will be calculated on a pro forma basis in accordance with IFRS;

(b) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses disposed of prior to the Consolidated Leverage Ratio Calculation Date, will be excluded;

(c) the Indebtedness attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses disposed of prior to the Consolidated Leverage Ratio Calculation Date, will be excluded, but only to the extent that such Indebtedness will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Consolidated Leverage Ratio Calculation Date; and

(d) Consolidated EBITDA and Net Indebtedness shall be calculated as if any lease that would have been treated as an operating lease under IFRS prior to the mandatory application of IFRS 16, is treated as an operating lease for purposes of this calculation unless an irrevocable election has been made by the Borrower by written notice to the Lender to redesignate operating leases in accordance with IFRS 16 for the purposes of calculating the Consolidated Leverage Ratio.

For purposes of this definition, pro forma calculations shall be determined in good faith by a responsible financial or accounting officer of the Parent.

For purposes of calculating the Consolidated Leverage Ratio, any amount denominated in a currency other than U.S. Dollars shall be calculated as follows for each reference period:

(a) any such amount comprising Net Indebtedness will be the U.S. Dollar Equivalent determined as of the last reporting date of such reference period;

(b) any such amount comprising Consolidated EBITDA (the "**Corresponding Amount**") will be the U.S. Dollar Equivalent determined by applying the average official exchange rate calculated as an average geometric value published by the National Bank of the Republic of Belarus (the "**average U.S. Dollar rate**") as follows:

(i) with respect to the IFRS financial statements for the first half of a fiscal year, as A + B – C, where:

"A" is the Corresponding Amount for the first half of the fiscal year converted into a U.S. Dollar Equivalent at the average U.S. Dollar rate for the period from January 1 to June 30 of the fiscal year;

"B" is the Corresponding Amount for the calendar year preceding the fiscal year converted into a U.S. Dollar Equivalent at the average U.S. Dollar rate for the period from January 1 to December 31 of the calendar year preceding the fiscal year;

"C" is the Corresponding Amount for the first half of the calendar year preceding the fiscal year converted into a U.S. Dollar Equivalent at the average U.S. Dollar rate for the period from January 1 to June 30 of the calendar year preceding the fiscal year,

(ii) with respect to the IFRS financial statements for a fiscal year, the Corresponding Amount converted into a U.S. Dollar Equivalent at the average U.S. Dollar rate for the period from January 1 to December 31 of the fiscal year.

"**Consolidated Net Income**" means, with respect to any Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with IFRS; provided that:

(a) the Net Income (but not loss) of any other Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary of the specified Person;

(b) the Net Income of any Restricted Subsidiary will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its shareholders, provided that such Net Income shall be included up to the amount of cash actually distributed to the Person or a Restricted Subsidiary of the Person during such period as a dividend or distribution;

(c) solely for purposes of Clause 7.1(b)(iii)(A) and for the period specified therein, Unrealised FX Differences and Unrealised FX Hedging Revaluation will be excluded;

(d) the cumulative effect of a change in accounting principles after the Issue Date will be excluded; and

(e) any expenses, charges or other costs related to the Transactions and other debt issuances (including amortization of any such expenses, charges or other costs that have been capitalised) will be excluded.

"**Consolidated Total Assets**" means, at any time to be determined, the consolidated total assets of the Parent and its consolidated Subsidiaries calculated by reference to the then most recent consolidated accounts prepared in accordance with IFRS and published by the Parent; provided however, that any asset in respect of a lease, concession or license of property (or guarantee thereof), which would have been considered an operating lease under IFRS 16 prior to the mandatory application of IFRS 16, will not be treated as an asset for the purposes of determining Consolidated Total Assets, unless the Borrower has otherwise made an irrevocable election by written notice to the Lender to re-designate operating leases in accordance with IFRS 16.

"**Credit Facilities**" means, one or more borrowing facilities or commercial paper facilities, in each case, with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time.

"**Default**" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"**Determination Agent**" means a financial adviser or bank being a reputable financial institution operating in the United States Treasury Securities market in New York which is independent of the Parent appointed by the Parent and at the Parent's expense for the purpose of determining the Make Whole Prepayment Amount.

"**Disqualified Shares**" means any Equity Interests that, by their terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder of the Equity Interests), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder of the Equity Interests, in whole or in part, in each case on or prior to the date that is 91 days after the date on which the Notes mature. Notwithstanding the preceding sentence, any Equity Interests that would constitute Disqualified Shares solely because the holders of the Share Capital have the right to require the Parent to repurchase such Equity Interests upon the occurrence of a change of control or an asset sale will not constitute Disqualified Shares if the terms of such Equity Interests provide that the Parent may

not repurchase or redeem any such Equity Interests pursuant to such provisions unless such repurchase or redemption complies with Clause 7.1.

"**Equity Interests**" of any Person means Share Capital and all warrants, options or other rights to acquire Share Capital (but excluding any Indebtedness that is convertible into, or exchangeable for, Share Capital) of any Person.

"**Equity Offering**" means an underwritten primary public offering or marketed private sale to institutional investors of ordinary Share Capital (or preferred stock provided the net proceeds of such offering or sale of preferred stock are not less than U.S.$50 million) of the Parent or a direct or indirect parent company of the Parent to the extent the proceeds of such offering or sale are received by and contributed to the equity capital of the Parent.

"**Event of Default**" has the meaning assigned to the term in Clause 11.1.

"**Event of Illegality**" has the meaning assigned to the term in Clause 5.4.

"**Excess Proceeds**" has the meaning assigned to the term in Clause 7.4(c).

"**Existing Indebtedness**" means Indebtedness of the Parent and its Subsidiaries in existence on the Issue Date (other than Indebtedness under the Loan), until such amounts are repaid.

"**Facility**" means the U.S.$300,000,000 term loan facility granted by the Lender to the Parent, as borrower, as specified in Clause 2.

"**Fair Market Value**" means the value that would be paid by a willing buyer to a willing seller that is not an Affiliate of the buyer in a transaction not involving distress or necessity of either party, determined in good faith by a Shareholder Resolution (unless otherwise provided in this Agreement), whose determination will be conclusive.;

"**Global Certificates**" has the meaning given to it in the Trust Deed.

"**Government Securities**" means direct obligations of, obligations fully guaranteed by, or participations in pools consisting solely of obligations of or obligations guaranteed by the United States of America, the United Kingdom or any country of the European Union for the payment of which guarantee or obligations the full faith and credit of the United States of America, the United Kingdom or any country of the European Union is pledged and which are not callable or redeemable at the option of the issuer.

"**Group**" means the Borrower and its Subsidiaries taken as a whole.

"**guarantee**" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of surety or a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

"**Guarantee**" means any guarantee of the Parent's obligations under the Loan or a guarantee of the Notes by any Restricted Subsidiary or any other Person.

"**Guarantor**" means any Restricted Subsidiary that executes and delivers to the Lender a Guarantee pursuant to which such Restricted Subsidiary unconditionally and irrevocably guarantees Parent's obligations hereunder.

"**Hedging Obligations**" means, with respect to any specified Person, the rights and obligations of such Person under:

(a) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(b) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(c) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices.

"**Holder**" means the Person in whose name a Note is registered on the Registrar's books.

"**IFRS**" means International Financial Reporting Standards as in effect from time to time.

"**Incur**" has the meaning assigned to the term in Clause 7.2(a).

"**Indebtedness**" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables), without duplication, whether or not contingent:

(a) in respect of borrowed money;

(b) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof) that have been drawn down, except to the extent the payment or reimbursement obligation under a letter of credit relates to trade payables and the amount drawn down has been reimbursed within 90 days following receipt of a demand for reimbursement;

(c) in respect of banker's acceptances;

(d) representing Capital Lease Obligations or Attributable Debt in respect of sale and leaseback transactions;

(e) representing the balance deferred and unpaid of the purchase price of any property or services, which purchase price is due more than 180 days after the date of placing such property in service or taking final delivery and title thereto; or

(f) representing any Hedging Obligations, provided, however, that the amount of any such Hedging Obligations for the purposes of this paragraph (f) shall be equal at any time to the net payments or receipts under such agreement or arrangement giving rise to such Hedging Obligation that would be payable or receivable by such Person at the termination of such agreement or arrangement;

if and to the extent any of the preceding items would appear as a liability upon a balance sheet of the specified Person prepared in accordance with IFRS. In addition, the term "Indebtedness" includes (i) all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person), the amount of such obligation being deemed to be the lesser of the Fair Market Value of such assets and the amount of the obligation secured, and (ii) to the extent not otherwise included, the guarantee by the specified Person of any Indebtedness of any other Person.

Notwithstanding the foregoing, in connection with the purchase by the Parent or any of its Restricted Subsidiaries of any business, the term "Indebtedness" will exclude post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing.

The term "Indebtedness" shall not include (i) non-interest bearing instalment obligations and accrued liabilities incurred in the ordinary course of business that are not more than 90 days past due or that are being contested in good faith by appropriate proceedings instituted within a reasonable period of time and diligently pursued, provided that any reserve or other appropriate provision as is required in conformity with IFRS has been made therefor, (ii) any pension obligation of the Parent or any of its Restricted Subsidiaries; (iii) any obligations in respect of debt securities issued by, with a guarantee of, or otherwise with recourse to, the Parent or any of its Subsidiaries, which securities are repurchased by the Parent or any Subsidiary, provided that any such obligations or recourse shall be subject to the requirements of sub-paragraph (vi) of Clause 7.2 except that this proviso shall not apply to the Notes.

"**Interest Payment Date**" means 22 April and 22 October of each year, commencing on 22 April 2021.

"**Interest Period**" has the meaning given to it in Clause 4.2.

"**Investment**" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including guarantees or other obligations), advances or capital contributions (excluding advances to customers and commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisition for consideration of Indebtedness, Equity Interests or other securities, cash payments for the purposes of any sponsorship payments or charitable contributions, donations or financial aid, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS. If the Parent or any Subsidiary of the Parent sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of the Parent such that, after giving effect to any such sale or disposition, such Subsidiary is no longer a Restricted Subsidiary, the Parent will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Parent's Investments in such Subsidiary that were not sold or disposed of in an amount determined as provided in Clause 7.1(d). The acquisition by the Parent or any Subsidiary of the Parent of a Person that holds an Investment in a third person will be deemed to be an Investment by the Parent or such Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in Clause 7.1(d). Except as otherwise provided in this Agreement, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value.

"**Issue Date**" means 22 October 2020, the date of original issuance of the Notes.

"**Lien**" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell give a security interest in and any filing of or agreement to give any financing statement under the applicable law of any jurisdiction,

"**Loan**", at any time, means an amount equal to the aggregate principal amount of the Facility advanced by the Lender pursuant to this Agreement and outstanding at such time,

"**Make Whole Optional Prepayment Date**" has the meaning assigned to such term in Clause 5.6 hereof.

"**Make Whole Prepayment Amount**" means the higher of (a) the portion of the Loan that is to be prepaid pursuant to Clause 5.6 and (b) the amount equal to the sum of the present value of the portion of the Loan that is to be prepaid pursuant to Clause 5.6, together with the present values of the scheduled interest payments on such portion of the Loan from the Make Whole Optional Prepayment Date to the Repayment Date, in each case, discounted to the Make Whole Optional Prepayment Date on a semi-

annual compounded basis at the adjusted U.S. Treasury Rate plus 50 basis points, all as determined by the Determination Agent.

"**Material Subsidiary**" means any Subsidiary of the Parent:

(a) whose total consolidated assets represent not less than ten per cent. of the consolidated total assets of the Parent and its Subsidiaries taken as whole or whose consolidated revenues represent not less than ten per cent. of the consolidated revenues of the Parent and its Subsidiaries taken as whole all as calculated by reference to the then latest audited IFRS financial statements of the Parent and its Subsidiaries taken as whole; or

(b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Parent which immediately before the transfer was a Material Subsidiary;

provided however, that an Officers' Certificate that a Subsidiary of the Parent is or is not at any particular time a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

"**maximum fixed repurchase price**" has the meaning assigned to the term in Clause 7.2.

"**Net Income**" means, with respect to any specified person, the net income (loss) of such Person, determined in accordance with IFRS and before any reduction in respect of preference shares dividends.

"**Net Indebtedness**" means, with respect to any specified Person and as at any date of determination, the total Indebtedness of such Person less any Cash and Cash Equivalent Amounts, in each case, as at the date of such determination.

"**Net Proceeds**" means the aggregate cash proceeds received by the Parent or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale, but only as and when received), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, sales commissions and any relocation expenses incurred as a result of the Asset Sale and taxes paid or payable as a result of the Asset Sale, in each case, after taking into account any available tax credits or deductions, any tax sharing arrangements, and any amounts required to be applied to the repayment of Indebtedness secured by a Lien on the asset or assets that were the subject of such Asset Sale and any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with IFRS.

"**Notes**" means the Issuer's 9.000 per cent. loan participation notes due 2025.

"**Obligations**" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"**Officer's Certificate**" means a certificate signed by an officer of the Parent, a Guarantor or, for purposes of Clause 7.9, a surviving corporation.

"**Opinion of Counsel**" means a written opinion from legal counsel. The counsel may be an employee of or counsel to the Parent.

"**Paying Agency Agreement**" means the agency agreement relating to the Notes dated on or around the date hereof between the Lender, the Parent, the Trustee, the Paying Agent and the other agents named therein, as the same may be from time to time modified.

"**Paying Agent**" has the meaning given to it in the Paying Agency Agreement.

"**Permitted Business**" means (i) a business in the food and non-food retail or wholesale trade, including, without limitation, the purchase, production, processing, storage, distribution and retailing of food and non-food products and the construction, acquisition, rental and operation of hypermarkets, supermarkets and convenience stores (the "**Retail Business**"), (ii) in respect of the Bank only, a business in the banking sector (the "**Banking Business**") and (iii) any activity or business that is a reasonable extension or expansion of, or reasonably related, ancillary, incidental, similar or complementary to, a business described in the preceding clauses (i) and (ii).

"**Permitted Debt**" has the meaning set forth in Clause 7.2(b).

"**Permitted Holders**" means Mr. Sergey Litvin and Mr. Uladzimir Vasilko and any of their Related Parties.

"**Permitted Investments**" means:

(a) any Investment by the Parent or any Restricted Subsidiary in a person, if as a result of such Investment:

(i) such person becomes a Restricted Subsidiary; or

(ii) such person is merged, consolidated, amalgamated or otherwise combined with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Parent or a Restricted Subsidiary;

(b) any acquisition of assets or Share Capital solely in exchange for the issuance of Equity Interests (other than Disqualified Shares) of the Parent;

(c) any Investments received in compromise or resolution of:

(i) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Parent or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer or pursuant to foreclosure of Liens; or

(ii) litigation, arbitration or other disputes with Persons who are not Affiliates;

(d) repurchases or redemptions of the Notes;

(e) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(f) any acquisition of the Share Capital of any Person from the Parent or any Restricted Subsidiary;

(g) advances, loans or the extension of credit by the Bank in the ordinary course of business;

(h) deposits, advances or prepayments made to suppliers, lessors or construction or other contractors in the ordinary course of business;

(i) guarantees permitted to be incurred by Clause 7.15;

(j) Investments existing on the Issue Date and any amendment, modification, restatement, supplement, extension, renewal, refunding, replacement or refinancing, in whole or in part, thereof; and

(k) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this paragraph (k) that are at the time outstanding of no more than U.S.$50 million.

"**Permitted Liens**" means:

(a) Liens to secure Indebtedness incurred under Credit Facilities permitted under Clause 7.2(b)(i);

(b) Liens in favour of the Parent or any Guarantors to secure obligations which are not pledged to secure Indebtedness owing to third parties;

(c) Liens on property of a person existing at the time such person is merged, consolidated, amalgamated or otherwise combined with or into the Parent or any Subsidiary of the Parent; provided that such Liens were in existence prior to the contemplation of such merger, consolidation, amalgamation or other combination and do not extend to any assets other than those of the person merged, consolidated, amalgamated or combined with the Parent or the Subsidiary;

(d) Liens on property (including Share Capital) existing at the time of acquisition of the property or of the Restricted Subsidiary which owns the property by the Parent or any Subsidiary of the Parent, provided that such Liens were in existence prior to, such acquisition, and not incurred in contemplation of, such acquisition;

(e) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by Clause 7.2(b)(iv) covering only the assets acquired with or financed by such Indebtedness;

(f) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings instituted within a reasonable period of time and diligently pursued, provided that any reserve or other appropriate provision as is required in conformity with IFRS has been made therefor;

(g) Liens imposed by law, such as carriers', warehousemen's, landlord's and mechanics' Liens or other similar Liens, in each case, incurred in the ordinary course of business;

(h) Liens created for the benefit of (or to secure) the Loan (or any Guarantees);

(i) Liens securing Hedging Obligations permitted by Clause 7.2(b)(vii) and any Lien the principle purpose of which is to allow the setting off or netting of obligations under or in connection with any Hedging Obligation, in either case, so long as such Lien is over only (a) the assets that secure the Indebtedness that is the subject of the relevant Hedging Obligations or (b) cash or Cash Equivalents securing such □edging Obligations;

(j) Liens incurred or deposits made in connection with workers' compensation, unemployment insurance, other types of social security and other types of related statutory obligations;

(k) Liens in favour of customs or revenue authorities to secure payment of customs duties in connection with the importation of goods in the ordinary course of business;

(l) any retention of title reserved by any seller of goods or any Lien imposed, reserved or granted over goods supplied by such seller;

(m) Liens arising out of or in connection with pre-judgment legal process or a judgement or a judicial awarded relating to security for costs;

(n) Liens to secure any Permitted Refinancing Indebtedness as a whole, or in part, in respect of any Indebtedness secured by any Lien prior to the incurrence of such Refinancing Indebtedness; provided, however, that:

(i) such new Lien shall be limited to (A) all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof) or (B) property and/or assets the market value of which does not in aggregate exceed the market value of the property and/or assets that secured the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and

(ii) the Indebtedness secured by such Lien at such time is not increased to any amount greater than the sum of (1) the outstanding principal amount or, if greater, committed amount of the Indebtedness at the time the original Lien became a Permitted Lien and (2) an amount necessary to pay any fees and expenses, including premiums, related to such refinancing, refunding, extension, renewal or replacement;

(o) Liens to secure (A) the performance of statutory obligations surety or appeal bonds, performance bonds or other obligations of a like nature and (B) liabilities under letters of credit, guarantees and other financial instruments issued in connection with the acquisition and disposal of inventory, stock in trade, goods, services and other current assets (and the proceeds thereof), in each case incurred in the ordinary course of business;

(p) Liens existing on the Issue Date (other than any Liens released or discharged upon repayment of Indebtedness with the proceeds of the Loan);

(q) Liens to secure Indebtedness the proceeds of which are, within 30 days of incurrence, applied to replace, discharge, redeem or repay (i) the Loan in full or (ii) the outstanding principal amount of the Loan in part in accordance with the terms of this Loan Agreement;

(r) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(s) rights of set-off under contracts that do not relate to Indebtedness for borrowed money;

(t) Liens resulting from escrow arrangements unrelated to Indebtedness for borrowed money entered into in connection with a disposition of assets;

(u) Liens on pledges of Equity Interests of any Unrestricted Subsidiary securing any Indebtedness of such Unrestricted Subsidiary;

(v) leases and subleases of property which do not materially interfere with the ordinary conduct of the business of the Parent or any of its Restricted Subsidiaries;

(w) any right of refusal, right of first offer, option or other agreement to sell or otherwise dispose of an asset of the Parent or any Restricted Subsidiary;

(x) Liens on the deposit accounts of the Parent or any Restricted Subsidiary (other than the Bank) arising by reason of any right of netting or set-off as such accounts in the ordinary course of the Group’s banking operations;

(y) Liens on property or assets under construction (and related rights) in favour of a contractor or developer or arising from progress or partial payment by a third party relating to such property or assets;

(z) Liens over any asset of the Bank to secure Indebtedness permitted to be incurred under (xv) of paragraph (b) of Clause 7.2;

(aa) Liens required to be created in accordance with the terms of binding documentation existing on the Issue Date;

(bb) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses (a) through (aa); provided that any such extension, renewal or replacement shall be no more restrictive in any material respect than the Lien so extended, renewed or replaced and shall be limited to the same property and/or assets or property and/or assets the market value of which does not in aggregate exceed the market value of the property and/or assets that secured the Lien so extended, renewed or replaced and that to the extent such Lien secures Indebtedness, the principal amount of the Indebtedness so secured is not increased;

(cc) any lease incurred in the ordinary course of business of the Parent or any of its Restricted Subsidiaries; and

(dd) Liens incurred in the ordinary course of business of the Parent or any of its Restricted Subsidiaries with respect to obligations that do not exceed 20 per cent. of Consolidated Total Assets at any one time outstanding.

"**Permitted Proceeds Loans**" means the loans made by the Issuer, as lender, to the Parent, as borrower, in the amount of the gross proceeds received by the Issuer from the issuance of Capital Markets Debt (other than the Notes), provided that the Incurrence of Indebtedness by the Parent pursuant to such Permitted Proceeds Loan is not prohibited by Clause 7.2.

"**Permitted Refinancing Indebtedness**" means any Indebtedness of the Parent or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to refund, refinance, replace, defease or discharge other Indebtedness of the Parent or any of its Restricted Subsidiaries (other than intercompany Indebtedness), including Indebtedness that refinances Permitted Refinancing Indebtedness; provided that:

(a) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness extended, refinanced, renewed, replaced, defeased or refunded (plus all accrued interest on the Indebtedness and the amount of all expenses and premiums incurred in connection therewith);

(b) in relation to any Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded that has a Weighted Average Life to Maturity that is (i) equal to or greater than the Weighted Average Life to Maturity of the Loan, such Permitted Refinancing Indebtedness has a Weighted Average Life to Maturity at least equal to the Weighted Average Life to Maturity of the Loan; and (ii) less than the Weighted Average Life to Maturity of the Loan, such Permitted Refinancing Indebtedness has a Weighted Average Life to Maturity that is no more than six months shorter than the Weighted Average Life to Maturity of such Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded;

(c) if the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded is subordinated in right of payment to the Loan or the Guarantees, such Permitted Refinancing

Indebtedness has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, and is subordinated in right of payment to, the Loan and the Guarantees on terms at least as favourable to the Lender as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; and

(d) to the extent such Indebtedness is incurred by a Restricted Subsidiary that is not a Guarantor, such Restricted Subsidiary was the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded.

"**Permitted Subordinated Indebtedness**" means indebtedness that is (1) expressly subordinated in right of payment to the Notes or the Loan, (2) does not provide for any repayment of principal prior the Stated Maturity of the Notes or such date as the Notes are repaid in full, whichever is earlier, and (3) is not secured by any Lien on the assets of the Parent or any of its Restricted Subsidiaries.

"**Person**" means any individual, corporation, company, partnership, joint venture, association, joint stock company, trust, unincorporated organization, limited liability company or government or other entity.

"**Principal Paying Agent**" means The Bank of New York Mellon, London Branch.

"**QIB**" means a "Qualified Institutional Buyer" as defined under Rule 144A.

"**Qualified Expert**" means an accounting, appraisal, investment bank or other firm, in each case, of international standing, or another firm with specialist knowledge in valuing the property, assets or rights that are the subject of the relevant transaction.

"**Redemption Date**", when used with respect to any Note to be redeemed, in whole or in part, means the date fixed for such redemption by or pursuant to the Trust Deed.

"**Reference Treasury Dealer**" means each of the three nationally recognised firms selected by the Determination Agent that are primary U.S. Government securities dealers.

"**Reference Treasury Dealer Quotations**" means with respect to each Reference Treasury Dealer and any Make Whole Optional Prepayment Date, the average, as determined by the Determination Agent, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Determination Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time on the third business day (in New York City) immediately preceding such Make Whole Optional Prepayment Date.

"**Registrar**" has the meaning given to it in the Trust Deed.

"**Regulation S**" means Regulation S under the U.S. Securities Act.

"**Related Party**" means, with respect to any person, the spouse of or immediate family member of such person or any trust, corporation, partnership or other entity, the only beneficiaries, stockholders, partners or owners of which consist of such person, his/her spouse, and/or immediate family members of such person.

"**Repayment Date**" means 22 October 2025.

"**Restricted Payments**" has the meaning assigned to the term in 7.1(a).

"**Restricted Subsidiary**" means any Subsidiary of the Parent that is not an Unrestricted Subsidiary.

"**Rule 144**" means Rule 144 under the U.S. Securities Act.

"**Rule 144A**" means Rule 144A under the U.S. Securities Act.

"**Same-Day Funds**" means same day, freely transferable, clearly identifiable cleared U.S. Dollar-funds or such other funds for payment in U.S. Dollars as the Lender may at any time reasonably determine to be customary for the settlement of international transactions in London of the type contemplated hereby.

"**Share Capital**" means:

(a) in the case of a corporation, corporate stock;

(b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(c) in the case of a partnership or limited liability company, partnership interests (whether general or limited), participatory interests or membership interests; and

(d) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Share Capital, whether or not such debt securities include any right of participation with Share Capital.

"**Shareholder Resolution**" means a resolution of the shareholder (shareholders) of the Parent made at a general meeting of such shareholders or in writing, in each case in accordance with applicable laws and the constitutive documents of the Parent.

"**Significant Subsidiary**" means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the U.S. Securities Act, as such Regulation is in effect on the date hereof.

"**Stated Maturity**" means, with respect to any instalment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Issue Date, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"**Subsidiary**" means, with respect to any specified Person:

(a) any corporation, association or other business entity of which more than 50 per cent. of the total voting power of Share Capital entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(b) any partnership (i) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (ii) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

"**Subscription Agreement**" means the subscription agreement between the Parent, the Lender and the Joint Lead Managers (as defined therein) dated on or about 20 October 2020 providing for the issuance of the Notes.

"**Successor Company**" has the meaning assigned to the term in Clause 7.9(a).

"**Taxes**" means any present or future taxes, duties, assessments, fees or other governmental charges imposed or levied by or on behalf of Belarus, Ireland or any jurisdiction from or through which a payment is made or any political subdivision or taxing authority thereof or therein, provided, however, that for the purposes of this definition the references to Ireland shall, upon the occurrence of a Relevant Event (as defined in the Trust Deed), be deemed to be references to the jurisdiction in which the Trustee is domiciled for tax purposes; and the term "**Taxation**" shall be construed accordingly.

"**Taxing Jurisdiction**" has the meaning assigned to the term in Clause 5.2.

"**Transactions**" means (i) the Offering; (ii) the making of the Loan hereunder; and (iii) the payment of costs, fees and expenses, in each case, related thereto.

"**Trust Deed**" means the Trust Deed between the Trustee and the Issuer dated as of the Issue Date, setting forth the terms of the Notes.

"**Trustee**" means the party named as such in the Trust Deed until a successor replaces it in accordance with the provisions of the Trust Deed and, thereafter, means the successor serving hereunder.

"**Unrealised FX Differences**" means with respect to any specified Person, any non-cash foreign currency gains or losses increasing or reducing Net Income of such Person for any period, arising with respect to any items of Indebtedness denominated in a currency other than Belarussian rouble, which Indebtedness is outstanding at the end of the relevant period.

"**Unrealised FX Hedging Revaluations**" means with respect to any specified Person any non-cash gains or losses increasing or reducing Net Income of such Person for any period, arising due to revaluation of fair value of Hedging Obligations entered into to hedge foreign currency exposures, which Hedging Obligations are outstanding at the end of the relevant period.

"**Unrestricted Subsidiary**" means any Subsidiary of the Parent that is designated by a Shareholder Resolution as an Unrestricted Subsidiary in accordance with the provisions of Clause 7.7 (and any Subsidiary of an Unrestricted Subsidiary), but only to the extent that:

(a) immediately after giving effect to such designation, the Parent could incur U.S.$1.00 of additional Indebtedness under Clause 7.2(a); and

(b) no Default shall have occurred and be occurring.

"**U.S.$" and** "**U.S. Dollars"** denote the lawful currency for the time being of the United States of America.

"**U.S. Dollar Equivalent**" means with respect to any amount denominated in a currency other than U.S. Dollars, at any time for the determination thereof, the amount of U.S. Dollars obtained by converting such other currency involved into U.S. Dollars at the official exchange rate for the purchase of U.S. Dollars with such other currency as published by the National Bank of the Republic of Belarus on its official website.

"**U.S. Exchange Act**" means the United States Securities Exchange Act of 1934.

"**U.S. Securities Act**" means the United States Securities Act of 1933.

"**U.S. Treasury Rate**" means either (i) the rate per annum equal to the yield, under the heading that represents the average for the week immediately preceding the third business day (in New York City) prior to the Make Whole Optional Prepayment Date, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States

Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities" for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the Repayment Date, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the U.S. Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the third business day (in New York City) prior to the relevant date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the Make Whole Optional Prepayment Date, in each case calculated on the third business day (in New York City) immediately preceding the Make Whole Optional Prepayment Date.

"**VAT**" means value added tax chargeable in accordance with (but subject to derogations from) Council Directive 2006/112/EC, any other tax of a similar fiscal nature and any other form of tax levied by reference to added value or sales, and any similar tax charged from time to time in substitution for or in addition to any of the above.

"**Voting Stock**" of any Person as of any date means the Share Capital of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"**Weighted Average Life to Maturity**" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(a) the sum of the products obtained by multiplying (i) the amount of each then remaining instalment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (ii) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(b) the then outstanding principal amount of such Indebtedness.

"**Wholly-Owned Restricted Subsidiary**" of any specified Person means a Restricted Subsidiary of such Person, all of the outstanding Share Capital or other ownership interests of which (other than directors' qualifying shares) or shares required by applicable law to be held by a Person other than the Parent or a Restricted Subsidiary will at the time be owned by such Person or by one or more Wholly-Owned Restricted Subsidiaries of such Person.

1.2 Other Definitions

Unless the context otherwise requires, terms used in this Agreement which are not defined in this Agreement but which are defined in the Trust Deed, the Notes, the Paying Agency Agreement or the Subscription Agreement shall have the meanings assigned to such terms therein, provided that in the case of terms defined or references herein to documents to which the Borrower is not a party, the Borrower has been sent an up-to-date copy of such documents by the Lender as soon as reasonably practicable (including any amendments thereto that may affect the meaning or interpretation of any such term or reference).

1.3 Interpretation

Unless the context or the express provisions of this Agreement otherwise require, the following shall govern the interpretation of this Agreement:

1.3.1 all references to "Clause" or "sub-clause" are references to a Clause or sub-clause of this Agreement.

1.3.2 the terms “hereof”, “herein” and “hereunder” and other words of similar import shall mean this Agreement as a whole and not any particular part hereof.

1.3.3 words importing the singular number include the plural and vice versa.

1.3.4 the table of contents and the headings are for convenience only and shall not affect the construction hereof.

1.3.5 a reference to “this agreement” or to any other agreement or document referred to in this agreement is a reference to this agreement or such other document or agreement as varied, amended, novated, supplemented, extended or restated (in each case, other than in breach of the provisions of this agreement) from time to time.

1.3.6 a reference to a statute or statutory provision shall include all subordinate legislation under that statute or statutory provision, or replacement or substitution of such legislation, made from time to time.

1.3.7 a Default or Event of Default is “continuing” if has not been remedied or waived.

1.3.8 any reference to an amount in U.S. dollars (other than the amount of the Facility itself) shall include its equivalent in other currencies.

2 Facility

2.1 Facility

On the terms and subject to the conditions set forth herein, the Lender hereby agrees to lend to the Borrower, and the Borrower hereby agrees to borrow from the Lender, U.S.$300,000,000.

2.2 Purpose

The proceeds of the Advance will be used for the purposes set out in the Listing Particulars, but the Lender shall not be concerned with the application thereof.

2.3 Facility Fee

The Borrower shall pay a fee to the Lender in consideration of the arrangement of the Facility of U.S.$2,733,502.07 (the “**Facility Fee**”).

3 Drawdown

3.1 Drawdown

On the terms and subject to the conditions set forth herein, on the Issue Date the Lender shall make the Advance to the Borrower and the Borrower shall make a single drawing in the full amount of the Facility.

3.2 Payment of the Facility Fee

The Borrower agrees to pay the Facility Fee to the Lender in Same-Day Funds not later than by 10 a.m. (New York City time) (or such earlier time as the Lender and the Borrower may otherwise agree) one Business Day prior to the Issue Date to such account as the Lender and the Borrower may agree in writing.

3.3 Disbursement

Subject to the conditions set forth herein, on the Issue Date the Lender shall transfer in Same-Day Funds (unless the Lender and the Borrower agree otherwise) the amount of the Advance to the Borrower's account notified to the Lender.

3.4 Ongoing Fees and Expenses

In consideration of the Lender (i) making the Loan available to the Borrower; and (ii) supporting such a continuing facility, the Borrower shall pay in one or more instalments on demand to the Lender each year an additional amount equating to all documented ongoing costs and expenses of the Lender properly incurred in connection with this Agreement or the Notes (including, without limitation, any taxes and any properly incurred corporate service provider fees, legal fees, listing fees, audit fees and any expenses properly incurred in order to maintain the Lender as a validly incorporated company and any expenses required to cover the Lender's anticipated winding-up expenses).

4 Interest

4.1 Rate of Interest

The Borrower will pay interest in U.S. Dollars to the Lender on the outstanding principal amount of the Loan from time to time hereunder at the rate of 9.000 per cent. per annum (the "**Rate of Interest**").

4.2 Payment

Interest at the Rate of Interest shall accrue from day to day, starting from (and including) the Issue Date and shall be paid in respect of each Interest Period one Business Day prior to each Interest Payment Date to the Account. Interest on the Loan will cease to accrue from (and excluding) the due date for repayment thereof unless payment of principal is improperly withheld or refused, in which event interest will continue to accrue (before or after any judgment) at the Rate of Interest to but excluding the date on which payment in full of the principal thereof is made. Interest in respect of the Loan shall be calculated per U.S.$1,000 in principal amount of the Loan (the "**Calculation Amount**"). The amount of interest payable per the Calculation Amount for any Interest Period shall be calculated by applying the Rate of Interest to the Calculation Amount and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). If interest is required to be calculated for any other period, it will be calculated on the basis of a 360 day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of actual days elapsed.

"**Interest Period**" means each period beginning on (and including) any Interest Payment Date and ending on (but excluding) the next Interest Payment Date.

5 Repayment and Prepayment

5.1 Final Repayment

Except as otherwise provided herein, the Parent shall repay the Loan not later than 10 a.m. (New York City time) one Business Day prior to the Repayment Date.

5.2 Prepayment in the Event of Taxes or Increased Costs

If, (i) as a result of any change in, or amendment to the laws or regulations of Belarus or Ireland or of any political sub-division thereof or any authority thereof or therein having power to tax (the "**Taxing Jurisdiction**"), or any change in the application or official interpretation of such laws and regulations, which change or amendment becomes effective on or after the date of this Agreement, the Parent would

thereby be required to make or increase any payment due hereunder as provided in Clauses 6.2 and 6.3 (other than, in each case, where the increase in payment is in respect of any amounts due or paid pursuant to Clause 3.1), or (ii) (for whatever reason) the Parent would have to or has been required to pay additional amounts pursuant to Clause 9, and in any such case such obligation cannot be avoided by the Parent taking reasonable measures available to it, then the Parent may (without premium or penalty), upon not less than 30 calendar days' nor more than 60 calendar days' prior written notice to the Lender (which notice shall be irrevocable), prepay the Loan in whole (but not in part) at any time.

Prior to giving any such notice in the event of an increase in payment pursuant to Clause 6.2, the Parent shall deliver to the Lender (with a copy to the Trustee) an Officers' Certificate confirming that the Parent would be required to increase the amount payable, supported by an opinion of an independent tax adviser of international repute addressed to the Lender.

5.3 Prepayment in the Event of Illegality

If, at any time, by reason of the introduction of any change after the date of this Agreement in any applicable law, regulation, regulatory requirement or directive of any applicable Agency, the Lender reasonably determines (setting out in reasonable detail the nature and extent of the relevant circumstances and such determination being accompanied if so requested by an Opinion of Counsel with the cost of such Opinion of Counsel being borne solely by the Parent) that it is or would be unlawful or contrary to any applicable law, regulation, regulatory requirement or directive of any Agency or otherwise for the Lender to allow all or part of the Loan or the Notes to remain outstanding or for the Lender to maintain or give effect to any of its obligations in connection with this Agreement and/or to charge or receive or to be paid interest at the rate then applicable to the Loan (an "**Event of Illegality**"), then upon notice by the Lender to the Parent in writing, the Parent and the Lender shall consult in good faith as to a basis which eliminates the application of such Event of Illegality; provided, however, that the Lender shall be under no obligation to continue such consultation if a basis has not been determined within 30 days of the date on which it so notified the Parent. If such a basis has not been determined within the 30 days, then upon written notice by the Lender to the Parent and the Trustee, the Parent shall prepay the Loan in whole (but not in part) on the next Interest Payment Date or on such earlier date as the Lender shall (acting reasonably) certify to be necessary to comply with such requirements.

5.4 Prepayment upon Change of Control Put Event

5.4.1 Promptly, and in any event within 30 calendar days after becoming aware of the occurrence of any Change of Control Put Event, the Parent shall deliver to the Lender and the Trustee a written notice in the form of an Officers' Certificate, which notice shall be irrevocable, stating that a Change of Control Put Event has occurred and stating the circumstances and relevant facts giving rise to such Change of Control Put Event.

5.4.2 If, following a Change of Control Put Event, any Holder has exercised its Change of Control Put Option, the Parent shall on the Change of Control Put Settlement Date, prepay 101 per cent. of the principal amount of the Loan in an amount which corresponds to the aggregate principal amount of the Notes (as notified to the Parent by the Paying Agents) in relation to which the Change of Control Put Option has been duly exercised together with interest accrued (if any) to the Change of Control Put Settlement Date in accordance with the Conditions.

5.5 Equity Call Option

At any time, upon not less than 30 nor more than 60 days' notice to the Lender (which notice shall be irrevocable and shall specify the date fixed for prepayment (the "**Equity Call Prepayment Date**"), the Parent may, at its option, on any one or more occasions prepay up to 35 per cent. of the aggregate

principal amount of the Loan in the amount equal to 109.0 per cent. of the Loan that is being prepaid, plus accrued and unpaid interest on the Loan so prepaid to but excluding the Equity Call Prepayment Date, with the net cash proceeds of one or more Equity Offerings; provided that:

(i) at least 65 per cent. of the aggregate principal amount of the Loan remains outstanding immediately after the occurrence of such repayment; and

(ii) the repayment occurs within 90 days of the date of the closing of such Equity Offering.

5.6 Optional Prepayment at Make Whole

The Parent may, at any time, on giving not less than 30 nor more than 60 days' notice to the Lender (which notice shall be irrevocable and shall specify the date fixed for prepayment (the "**Make Whole Optional Prepayment Date**")), prepay the Loan in whole (but not in part) at the Make Whole Prepayment Amount plus accrued and unpaid interest on the Loan so prepaid to but excluding the Make Whole Optional Prepayment Date.

5.7 Reduction of Loan upon Cancellation of Notes

The Lender, the Parent, any member of the Group or any Person acting on behalf of the Parent or any such member of the Group, may from time to time, in accordance with the Conditions, purchase Notes in the open market or by tender or by a private agreement at any price. The Lender, the Parent, any such member of the Group or any such Person may, at its option, hold, reissue, resell or, in the case of the Parent or such member of the Group, from time to time deliver to the Lender Notes together with a request (a "**Request**") for the Lender to present such Notes to the Registrar for cancellation or from time to time procure the delivery to the Registrar of instructions ("**Instructions**") to redeem and thereafter cancel a specified aggregate principal amount of Notes represented by the Global Certificate in each case upon not less than two days' notice. Any Instructions shall be accompanied by evidence reasonably satisfactory to the Lender and Registrar that the Lender, the Parent or any such member of the Group is entitled to give such Instructions or Request (or, in the case of Notes represented by the Global Certificate, request that the account entries in the records of the relevant clearing system reflecting the Lender's, the Parent's or any such member of the Group's beneficial interest in such part of the Global Certificate be updated to reflect such cancellation) on the date specified in the Instructions or Request (as the case may be) whereupon the Register shall be updated accordingly to reflect such cancellation. On and with effect from the date specified in any Request or, as the case may be, Instructions, the Loan shall be deemed to be prepaid for all purposes in an amount as corresponds to the aggregate principal amount of Notes so cancelled and no further interest shall be payable with respect thereto.

5.8 Payment of Other Amounts

If the Loan is to be prepaid by the Parent pursuant to any of the provisions of Clauses 5.2, 5.3, 5.4, 5.5 or 5.6 the Parent shall (i) no later than one Business Day prior to the due date for such payment, deposit in the Account an amount in cash equal to the amount required to be paid on such due date, and (ii) simultaneously with such prepayment, pay to the Lender accrued interest thereon to the date of actual payment and all other sums payable by the Parent pursuant to this Agreement in relation to the prepaid amount. For the avoidance of doubt, if the principal amount of the Loan is reduced pursuant to the provisions of Clause 5.7, then no interest shall accrue or be payable during the Interest Period in which such reduction takes place in respect of the amount by which the Loan is so reduced and the Lender shall not be entitled to any interest in respect of the cancelled Notes.

5.9 Provisions Exclusive

The Parent shall not prepay or repay all or any part of the amount of the Loan except at the times and in the manner expressly provided for in this Agreement. The Parent shall not be permitted to re-borrow any amounts prepaid or repaid.

6 Payment

6.1 Making of Payments

All payments of principal, interest and additional amounts to be made by the Parent under this Agreement shall be made unconditionally by credit transfer to the Lender not later than 10 a.m. (New York City time) one Business Day prior to each Interest Payment Date or the Repayment Date or the date of any payment (as the case may be) in Same-Day Funds to the Account, or as the Trustee may otherwise direct following the occurrence of a Relevant Event (as defined in the Trust Deed).

The Parent shall, before 10 a.m. (New York City time) on the second Business Day prior to each Interest Payment Date or the Repayment Date or such other date (as the case may be), procure that the bank effecting such payments on its behalf confirms the payment instructions relating to such payment to the Principal Paying Agent or to the Parent (who shall immediately provide the same to the Principal Paying Agent) by authenticated SWIFT.

The Lender agrees with the Parent that it will not deposit any other moneys into the Account and that no withdrawals shall be made from the Account other than as provided for and in accordance with the Trust Deed and the Paying Agency Agreement.

The parties to the Trust Deed and the Paying Agency Agreement are intended by the parties to this Agreement to have the right under the Contracts (Rights of Third Parties) Act 1999 to enforce the terms of this Clause 6.1.

6.2 No Set-Off, Counterclaim or Withholding; Gross-Up

All payments to be made by the Parent under this Agreement shall be made in full without set-off or counterclaim and (except to the extent required by law) free and clear of and without deduction for or on account of any Taxes. If the Parent shall be required by applicable law to make any deduction or withholding from any payment under this Agreement for or on account of any such Taxes, it shall, on the due date for such payment, increase the payment of principal or interest or any other payment due hereunder to such amount as may be necessary to ensure that the Lender receives a net amount in U.S. Dollars equal to the full amount which it would have received had payment not been made subject to such Taxes, and shall promptly account to the relevant authorities for the relevant amount of such Taxes so withheld or deducted within the time allowed for such payment under applicable law, and shall deliver to the Lender without undue delay evidence of such deduction or withholding and of the accounting therefor to the relevant taxing authority. If the Lender pays any amount in respect of such Taxes (including penalties or interest) the Parent shall reimburse the Lender in U.S. Dollars for such properly documented payment on demand.

6.3 Withholding on the Notes

Without prejudice to the provisions of Clause 6.2, if the Lender notifies the Parent (setting out in reasonable detail the nature and extent of the obligation) that it has become obliged to make any withholding or deduction for or on account of any Taxes, or would otherwise be obliged to make but for the imposition of any such withholding or deduction for or on account of such Taxes, under or in respect of the Notes, the Parent agrees to pay into the Account in Same-Day Funds, no later than one Business

Day prior to the date on which payment is due to the Holders, such additional amounts as are equal to the additional amounts which the Lender would be required to pay in order that the net amounts received by the Holders, after such withholding or deduction, will equal the respective amounts which would have been received by the □olders in the absence of such withholding or deduction; provided, however, that the Lender shall immediately upon receipt from any Paying Agent of any reimbursement of the sums paid pursuant to this provision, to the extent that any Holders are not entitled to such additional amounts pursuant to the Conditions, pay such additional amounts to the Parent (it being understood that neither the Lender nor any Paying Agent shall have any obligation to determine whether any Holder is entitled to any such additional amounts).

Any notification by the Lender to the Parent in connection with this Clause 6.3 shall be given as soon as reasonably practicable after the Lender becomes aware of any obligation on it to make any such withholding or deduction.

6.4 Reimbursement

To the extent that the Lender subsequently obtains or uses any tax credit or allowance or other reimbursements relating to a deduction or withholding with respect to which the Parent has made a payment pursuant to this Clause 6, the Lender shall promptly pay to the Parent so much of the benefit it received as will leave the Lender in substantially the same position as it would have been had no additional amount been required to be paid by the Parent pursuant to this Clause 6; provided, however, that the question of whether any such benefit has been received, and accordingly, whether any payment should be made to the Parent, the amount of any such payment and the timing of any such payment, shall be determined reasonably by the Lender. Subject to Clause 6.5, the Lender shall have the absolute discretion whether, and in what order and manner, it claims any credits, allowances or refunds available to it, and the Lender shall in no circumstances be obliged to disclose to the Parent any information regarding its tax affairs or its computations.

6.5 Mitigation

If at any time either party hereto becomes aware of circumstances which would or might, then or thereafter, give rise to an obligation on the part of the Parent to make any deduction, withholding or payment as described in Clauses 6.2 and 6.3, then, without in any way limiting, reducing or otherwise qualifying the Lender's rights, or the Parent's obligations, under such Clause, such party shall as soon as reasonably practicable upon becoming aware of such circumstances notify the other party, and, thereupon the parties shall consider and consult with each other in good faith with a view to finding, agreeing upon and implementing a method or methods by which any such obligation may be avoided or mitigated and, to the extent that both parties can do so without taking any action which in the reasonable opinion of such party is prejudicial to its own position, take such reasonable steps as may be available to it to avoid such obligation or mitigate the effect of such circumstances. The Parent agrees to reimburse the Lender upon receipt of an original demand for payment for all properly documented costs and expenses (including but not limited to legal fees) incurred by the Lender in connection with this Clause 6.5.

7 Covenants

7.1 Limitation on Restricted Payments

(a) The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(i) declare or pay any dividend or make any other payment or distribution on account of the Parent's or any of its Restricted Subsidiaries' Equity Interests (including, without

limitation, any payment in connection with any merger, consolidation, amalgamation or other business combination involving the Parent or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Parent's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than (A) dividends or distributions payable in Equity Interests (other than Disqualified Shares) or in options, warrants or other right to acquire Equity Interests (other than Disqualified Shares), (B) dividends or distributions payable solely to the Parent or a Wholly-Owned Restricted Subsidiary and (C) pro rata dividends or other distributions made by a Subsidiary that is not a Wholly-Owned Restricted Subsidiary to minority shareholders (or owners of an equivalent interest in the case of a Subsidiary that is an entity other than a corporation) or such dividends or distributions on a basis that results in the Parent or a Restricted Subsidiary receiving dividends or other distributions of greater value than would result on a pro rata basis);

(ii) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger, consolidation, amalgamation or other business combination involving the Parent) any Equity Interests of the Parent or any direct or indirect parent of the Parent, in each case held by Persons other than the Parent; or

(iii) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of the Parent or any Restricted Subsidiary that is contractually subordinated to the Notes, a Guarantee or the Loan (excluding any intercompany Indebtedness between or among the Parent and any of its Restricted Subsidiaries or between Restricted Subsidiaries), except a payment of interest or a payment of principal no more than 90 days prior to the original Stated Maturity thereof and except the purchase, redemption, defeasance, acquisition or retirement of subordinated obligations purchased in anticipation of satisfying a sinking fund obligation, principal instalment or final maturity of such subordinated obligations, in each case due within 360 days of the date of such purchase, redemption, defeasance, acquisition or retirement;

(all such payments and other actions set forth in these sub-paragraphs (i) through (iii) above being collectively referred to as "**Restricted Payments**").

(b) Notwithstanding paragraph (a) above, the Parent or any other Restricted Subsidiary may make a Restricted Payment if, at the time of and after giving effect to, such Restricted Payment:

(i) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment; and

(ii) the Parent would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable two semi-annual reference periods, have been permitted to incur at least U.S.$1.00 of additional Indebtedness pursuant to Clause 7.2(a); and

(iii) such Restricted Payment, together with the aggregate amount of all other Restricted Payments (excluding Restricted Payments permitted by sub-paragraphs (ii), (iii), (iv), (v), (vi) and (vii) of Clause 7.1(c)) made by the Parent and its Restricted Subsidiaries since the Issue Date does not exceed the sum, without duplication, of:

(A) 50 per cent. of the Consolidated Net Income of the Parent for the period (taken as one accounting period) from the beginning of the first fiscal semi-annual period commencing on 1 July 2020 to the end of the Parent's most recently ended fiscal

semi-annual period for which publicly available financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100 per cent. of such deficit); plus

(B) 100 per cent. of the aggregate gross proceeds received by the Parent since the Issue Date (1) as a contribution to its ordinary Share Capital (including any contribution of the proceeds of any Equity Offering by a direct or indirect parent company of the Parent), (2) from the issue or sale or exercise of Equity Interests of the Parent (other than Disqualified Shares), (3) from the issue or sale of convertible or exchangeable Disqualified Shares or convertible or exchangeable debt securities of the Parent that have been converted into or exchanged for such Equity Interests (other than Equity Interests (or Disqualified Shares or debt securities) sold to a Subsidiary of the Parent) or (4) from the issue of Indebtedness of the Parent or a Restricted Subsidiary for cash since the Issue Date that has been converted into or exchanged for such Equity Interests (other than Disqualified Shares).

(c) Paragraphs (a) and (b) above shall not prohibit:

(i) the payment of any dividend within 180 days after the date of declaration of the dividend, if, at the date of declaration, the dividend payment would have complied with the provisions of this Agreement;

(ii) the making of any Restricted Payment in substantially concurrent exchange (within a calendar month) for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of the Parent) (within a calendar month) of, Equity Interests of the Parent (other than Disqualified Shares) or from or which is used to effect the substantially concurrent contribution (within a calendar month) of ordinary equity capital to the Parent; provided that the amount of any such net cash proceeds that are utilised for any such Restricted Payment will be excluded from sub-paragraph (iii)(B) of paragraph (b) above;

(iii) the defeasance, redemption, repurchase or other acquisition of Indebtedness of the Parent or any Restricted Subsidiary that is contractually subordinated to the Notes, any Guarantee or the Loan with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness;

(iv) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary to the holders of such Restricted Subsidiary's ordinary Equity Interests on a pro rata basis;

(v) the repurchase of Equity Interests deemed to occur upon the exercise of stock options or warrants to the extent such Equity Interests represent a portion of the exercise price of such stock options or warrants;

(vi) the repurchase, redemption, or other acquisition for value of Share Capital of the Parent or any Restricted Subsidiary representing fractional shares of such Share Capital in connection with a share dividend, distribution, share split, reverse share split, merger, consolidation, amalgamation or other business combination of the Parent or such Restricted Subsidiary, in each case, permitted under this Agreement;

(vii) so long as no Event of Default or Default has occurred and is continuing and no Default or Event of Default would be caused thereby, the declaration and payment of regularly

scheduled or accrued dividends to holders of any class or series of Disqualified Shares of the Parent issued on or after the Issue Date in accordance with Clause 7.2(a);

(viii) payments or distributions to dissenting shareholders or holders of participatory interests pursuant to applicable law in connection with or contemplation of a merger, consolidation or transfer of assets;

(ix) the purchase, redemption or other acquisition of Equity Interests of the Parent or any of its Subsidiaries from employees, former employees, directors or former directors of the Parent or any of its Subsidiaries (or any of their respective permitted transferees) pursuant to the terms of the agreements (including employment agreements) or plans (or amendments thereto) approved by a Shareholder Resolution under which such individuals purchase or sell or are granted the option to purchase or sell such Equity Interests in an amount of up to U.S.$15 million in any fiscal year;

(x) so long as no Event of Default or Default has occurred and is continuing and no Default or Event of Default would be caused thereby, the payment of dividends to shareholders or holders of participatory interests of the Parent not exceeding (i) U.S.$25 million in any financial year, or (ii) to the extent the Consolidated Leverage Ratio on the date such dividends are paid, after giving pro forma effect to the payment of such dividends as if such dividends had been paid at the beginning of the applicable two semi-annual reference periods, would be not more than 2.0 to 1, U.S.$40 million in that financial year; and

(xi) so long as no Event of Default or Default has occurred and is continuing and no Default or Event of Default would be caused thereby, other Restricted Payments in an aggregate amount not to exceed U.S.$25 million since the Issue Date.

(d) The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Parent or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The Fair Market Value of any assets or securities that are required to be valued by this Clause 7.1 will be determined in good faith by the Shareholders' whose resolution with respect thereto will be delivered to the Lender (with a copy to the Trustee) along with an Officer's Certificate setting forth the Fair Market Value. The Shareholders' determination must be based upon an opinion or appraisal issued by a Qualified Expert if the estimated Fair Market Value thereof exceeds U.S.$50 million.

7.2 Limitation on Incurrence of Indebtedness and Issuance of Preference Shares.

(a) The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "**incur**") any Indebtedness (including Acquired Debt), and the Parent will not issue any Disqualified Shares and will not permit any of its Restricted Subsidiaries to issue any preference shares; provided, however, that the Parent may incur Indebtedness or issue Disqualified Shares and any Restricted Subsidiary may incur Indebtedness (including Acquired Debt), if the Consolidated Leverage Ratio on the date of such incurrence or issue and after giving pro forma effect to such incurrence or issue (including pro forma application of the net proceeds therefrom) as if it had been incurred at the beginning of the most recent two consecutive fiscal semi-annual periods for which financial statements are publicly available (or are made available) would have been no more than 3.0 to 1.

(b) Paragraph (a) above shall not, however, prohibit the incurrence of any of the following items of Indebtedness (collectively, "**Permitted Debt**"):

(i) the incurrence by the Parent and its Restricted Subsidiaries of Indebtedness for working capital purposes under or in the form of one or more Credit Facilities in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this sub-paragraph (i), at any one time outstanding under this sub-paragraph (i) (with Credit Facilities being deemed to have a principal amount equal to the maximum potential liability of the Parent and its Restricted Subsidiaries thereunder) not to exceed U.S.$200 million;

(ii) the incurrence by the Parent and its Restricted Subsidiaries of Existing Indebtedness (other than Indebtedness described in sub-paragraphs (i) and (iii) of this paragraph);

(iii) the incurrence by the Parent and any Guarantors of Indebtedness represented by the Loan and any Guarantees);

(iv) the incurrence by the Parent or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property, plant or equipment used in the business of the Parent or any of its Restricted Subsidiaries, whether through the direct purchase of assets or the ordinary shares of any Person owning such assets (including any Indebtedness deemed to be incurred in connection with such purchase), in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this sub-paragraph (iv), not to exceed U.S.$50 million at any time outstanding;

(v) the incurrence by the Parent or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used within 60 days of incurrence to refund, refinance, replace, defease or discharge Indebtedness (other than intercompany Indebtedness (provided that the Loan may only be refunded or refinanced to the extent required in connection with any permitted refinancing of the Notes)) that was permitted to be incurred under paragraph (a) above or sub-paragraphs (i), (ii), (iii), (iv), (v) or (xi) of this paragraph (including any Permitted Refinancing Indebtedness incurred in exchange or as a replacement for Indebtedness that was permitted to be incurred under paragraph (a) above or sub-paragraphs (i), (ii), (iii), (iv), (v) or (xi) of this paragraph within seven months from the date such Indebtedness was permanently repaid or discharged by the Parent or any of its Restricted Subsidiaries);

(vi) the incurrence by the Parent or any of its Restricted Subsidiaries of Indebtedness between or among the Parent and any of its Restricted Subsidiaries; provided, however, that: (A) if the Parent or any Guarantor is the obligor on such Indebtedness and the payee is not the Parent or a Guarantor, such Indebtedness must be expressly subordinated in right of payment to the prior payment in full in cash of all Obligations with respect to the Loan, in the case of the Parent, or any Guarantees, in the case of a Guarantor; and (B)(i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Parent or a Restricted Subsidiary and (ii) any sale or other transfer of any such Indebtedness to a Person that is neither the Parent nor a

Restricted Subsidiary will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Parent or such Restricted Subsidiary, as the case may be, that was not permitted by this sub-paragraph (vi);

(vii) the incurrence by the Parent or any of its Restricted Subsidiaries of Hedging Obligations (A) for the purpose of fixing or hedging interest rate risk with respect to or in connection with any Indebtedness that is permitted by the terms of this Agreement to be outstanding or (B) for the purpose of fixing or hedging currency exchange rate risk or changes in the prices of commodities, in each case, in the ordinary course of business of the Parent and its Restricted Subsidiaries and not entered into for speculative purposes and including any such □edging Obligations incurred in connection with the Loan;

(viii) the incurrence by the Parent or any of its Restricted Subsidiaries of Indebtedness under trade credit facilities in the ordinary course of business that is required to be repaid within 12 months of drawdown;

(ix) the guarantee by the Parent or any of its Restricted Subsidiaries (other than the Parent) of Indebtedness of the Parent or a Restricted Subsidiary that was permitted to be incurred by another provision of this Clause 7.2; provided that if the Indebtedness being guaranteed is subordinated in right of payment to the Loan or any Guarantees, then such guarantee shall be subordinated to the same extent as the Indebtedness guaranteed;

(x) the incurrence by the Parent or any of its Restricted Subsidiaries of Indebtedness arising from agreements of the Parent or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case, incurred or assumed in connection with the disposition of any business, assets or Share Capital of a Subsidiary, other than guarantees of Indebtedness of the Subsidiary disposed of, or incurred or assumed by any Person acquiring all or any portion of such business, assets or Share Capital for the purpose of financing such acquisition; provided that the maximum liability of the Parent and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value) actually received by the Parent and its Restricted Subsidiaries in connection with such disposition;

(xi) the incurrence or acquisition by the Parent or any of its Restricted Subsidiaries of Indebtedness, Disqualified Shares or preference shares of Persons that are acquired by the Parent or any of its Restricted Subsidiaries or merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Parent or any of its Restricted Subsidiaries in accordance with the terms of this Agreement; provided that such Indebtedness, Disqualified Shares or preference shares are not incurred or issued in connection with such acquisition, merger, consolidation, amalgamation or other combination, and, after giving effect to such acquisition, merger, consolidation, amalgamation or other combination the Parent or such Restricted Subsidiary would be permitted to incur at least U.S.$1.00 of additional Indebtedness pursuant to paragraph (a) above;

(xii) the incurrence by the Parent or any of its Restricted Subsidiaries of Indebtedness in respect of workers' compensation claims, self-insurance obligations, bankers' acceptances, performance and surety bonds or letters of credit or other similar obligations in the ordinary course of business (including guarantees or indemnities related thereto);

(xiii) the incurrence by the Parent or any of its Restricted Subsidiaries of Indebtedness arising from the honouring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within five Business Days of Incurrence;

(xiv) Indebtedness of the Parent or any of its Restricted Subsidiaries consisting of customer deposits or advances in the ordinary course of the Retail Business;

(xv) the incurrence by the Bank of Indebtedness in the ordinary course of its Banking Business in the aggregate amount at any time outstanding not exceeding 10 per cent. of the Consolidated Total Assets, and provided that none of the Parent or its other Restricted Subsidiaries guarantee or are otherwise obligors in respect of any such Indebtedness; or

(xvi) the incurrence by the Parent and any Guarantor of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this sub-paragraph (xvi), not to exceed U.S.$100 million at any time outstanding.

(c) The Parent will not incur, and will not permit any Guarantor to incur, any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other indebtedness of the Parent or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Loan or the applicable Guarantee on substantially identical terms; provided, however, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Parent or such Guarantor solely by virtue of being unsecured or by virtue of being secured on a junior Lien basis or by virtue of not being guaranteed.

(d) For purposes of determining compliance with this Clause 7.2, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in sub-paragraphs (i) through (xv) of paragraph (b) above, or is entitled to be incurred pursuant to paragraph (a) above, the Parent, in its sole discretion, will be permitted to classify, and from time to time to reclassify, such item of Indebtedness (or any portion thereof) in any manner that complies with this Clause 7.2. The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, and the payment of dividends on Disqualified Shares in the form of additional shares or participatory interests of the same class of Disqualified Shares will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Shares for purposes of this Clause 7.2. Notwithstanding any other provision of this Clause 7.2, the maximum amount of Indebtedness that the Parent or any Restricted Subsidiary may incur pursuant to this Clause 7.2 shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

(e) The amount of any Indebtedness outstanding as of any date will be:

(i) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;

(ii) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of: (A) the Fair Market Value of such asset at the date of determination, and (B) the amount of the Indebtedness of the other Person;

(iii) the greater of the liquidation preference or the maximum fixed redemption or repurchase price of the Disqualified Shares, in the case of Disqualified Shares;

(iv) the Attributable Debt related thereto, in the case of any lease that is part of a sale and leaseback transaction; and

(v) the principal amount of the Indebtedness, in the case of any other Indebtedness.

For purposes of the foregoing, the "maximum fixed repurchase price" of any Disqualified Shares that do not have a fixed redemption or repurchase price shall be calculated in accordance with the terms of such Disqualified Shares as if such Disqualified Shares were redeemed or repurchased on any date of determination.

7.3 Limitation on Liens

(a) The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien (other than Permitted Liens) of any kind on any asset now owned or hereafter acquired; provided, however, that the Parent or any Restricted Subsidiary may, directly or indirectly, create, incur, assume or suffer to exist any Lien:

(i) to secure Indebtedness that is *pari passu* with the Loan or a Guarantor's Guarantee; provided that all Obligations under the Loan or a Guarantee, as the case may be, are secured on an equal and ratable basis with the Indebtedness so secured; and

(ii) to secure Indebtedness that is expressly subordinated to the Notes, the Loan or a Guarantor's Guarantee, provided that all Obligations under the Loan or a Guarantee, as the case may be, are secured on a senior basis to the Indebtedness so secured.

(b) Any such Lien in favour of the Lender will be automatically and unconditionally released and discharged concurrently with (i) the unconditional release of the Lien which gave rise to the Lien in favour of the Lender (other than as a consequence of an enforcement action with respect to the assets subject to such Lien) or (ii) upon the full and final payment of all amounts payable by the Parent and any Guarantors under the Loan and a Guarantee.

7.4 Limitation on Asset Sales

(a) The Parent will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(i) the Parent (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and

(ii) at least 75 per cent. of the consideration received in the Asset Sale by the Parent or such Restricted Subsidiary is in the form of cash, Cash Equivalents or Additional Assets. For purposes of this provision, each of the following will be deemed to be cash: (A) any liabilities, as shown on the most recent consolidated balance sheet, of the Parent or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, any Guarantee or the Loan) that are assumed or released and discharged by the transferee of any such assets pursuant to a customary novation or other agreement that releases the Parent or such Restricted Subsidiary from liability in respect of those liabilities; and (B) any securities, notes or other obligations received by the Parent or any such Restricted Subsidiary from such transferee that are converted by the Parent or

such Restricted Subsidiary into cash or Cash Equivalents within 360 days, to the extent of the cash or Cash Equivalents received in that conversion.

(b) Within 365 days after the receipt of any Net Proceeds from an Asset Sale to be applied as set out in this paragraph, the Parent (or the applicable Restricted Subsidiary, as the case may be) may apply those Net Proceeds, at its option:

(i) to acquire or invest in all or substantially all of the assets of, or any Share Capital of, a Permitted Business if, after giving effect to any such acquisition of Share Capital, the Permitted Business is or becomes a Restricted Subsidiary;

(ii) to permanently reduce Indebtedness under Credit Facilities which Indebtedness ranks senior in right of payment to the Loan and/or any Guarantees or, to the extent that the assets or Share Capital disposed of pursuant to such Asset Sale were subject to a Lien on or prior to such disposal, to prepay, repay, redeem or repurchase Indebtedness of the Parent or a Restricted Subsidiary that (A) is secured by such assets or Share Capital or (B) was incurred and used to procure the release of such Lien in anticipation of such Asset Sale;

(iii) within the first three years from the Issue Date, to permanently redeem, prepay or purchase Indebtedness which ranks pari passu with the Loan and/or any Guarantees, including accrued and unpaid interest and any required redemption or prepayment premium thereon;

(iv) to make an Asset Sale Offer in accordance with the procedures described below (and redeem Indebtedness in accordance with such provisions);

(v) to acquire or invest in other assets that are not classified as current assets under IFRS and that are used or useful in a Permitted Business; or

(vi) a combination of prepayment and investment permitted by the foregoing sub-paragraphs (i) through to (iv),

provided, however, that any such acquisition or investment made pursuant to the foregoing sub-paragraph (i) or (iv) that is made pursuant to a definitive agreement or a commitment approved by the Shareholder Resolution that is executed or approved within such time will satisfy this requirement, so long as such acquisition or investment is consummated within six months of such 365th day.

Pending the final application of any Net Proceeds, the Parent may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by this Agreement.

(c) Any Net Proceeds from Asset Sales that are not applied or invested as provided in the preceding paragraph will constitute "**Excess Proceeds**". On the 366th day after an Asset Sale (or such later date as is contemplated by the provision to the second preceding paragraph), if the aggregate amount of Excess Proceeds exceeds U.S.$25 million, the Parent will make an offer to all Holders of Notes and all holders of other Indebtedness that is *pari passu* with the Loan containing provisions similar to those set forth in this Agreement with respect to offers to purchase or redeem with the proceeds of sales of assets to purchase the maximum principal amount of Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds ("**Asset Sale Offer**"). The offer price in any Asset Sale Offer will be equal to 100 per cent. of principal amount plus accrued and unpaid interest and additional amounts pursuant to the Conditions, if any, to the date of purchase, and will be payable in cash.

(d) If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Parent and its Restricted Subsidiaries may use those Excess Proceeds for any purpose not otherwise prohibited by this Agreement. If the aggregate principal amount of Notes and other *pari passu* Indebtedness

tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Notes and such other *pari passu* Indebtedness to be purchased will be selected on a pro rata basis; provided that Notes of U.S.$200,000 or less may only be purchased in whole and not in part. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

(e) The Parent will comply with the requirements of Clauses 5.8 and 5.9 herein and Clause 2.3 of the Trust Deed (as if such Clause were set out herein and they shall have effect accordingly) and of Rule 14e-1 under the U.S. Exchange Act and any other securities laws and regulations and stock exchange rules, to the extent those laws, regulations and rules are applicable in connection with each repurchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations or securities or investment exchange rules conflict with the provisions of this Clause 7.4, the Parent will comply with the applicable laws, regulations and rules and will not be deemed to have breached its obligations under the Asset Sale provisions of this Agreement by virtue of such conflict.

7.5 Limitation on Transactions with Affiliates

(a) The Parent will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Parent (each, an "**Affiliate Transaction**"), unless:

(i) the Affiliate Transaction is on terms that are no less favourable to the Parent or the relevant Restricted Subsidiary than those that that could be obtained at the time of such transaction in arm's-length dealings in a comparable transaction with a Person that is not such an Affiliate;

(ii) the Parent delivers to the Lender and the Trustee, with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of U.S.$25 million, a resolution of the Board of Directors set forth in an Officer's Certificate certifying that such Affiliate Transaction complies with this Clause 7.5 and that such Affiliate Transaction has been approved by a majority of the Board of Directors; and

(iii) the Parent delivers to the Lender (with a copy to the Trustee), with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of U.S.$50 million an opinion as to the fairness to the Parent or such Subsidiary of such Affiliate Transaction from a financial point of view issued by a Qualified Expert.

(b) The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions set forth in Clause 7.5(a):

(i) any employment agreement, consulting agreement, employee benefit plan, officer and director indemnification agreement or any similar arrangement entered into by the Parent or any of its Restricted Subsidiaries in the ordinary course of business and compensation (including bonuses and equity compensation) paid to and other benefits (including retirement, health and other benefit plans) and indemnification arrangements provided on behalf of directors, officers, consultants and employees of the Parent or any Restricted Subsidiary;

(ii) transactions between or among or solely for the benefit of the Parent and/or its Restricted Subsidiaries;

(iii) transactions with a Person (other than an Unrestricted Subsidiary) that is an Affiliate of the Parent solely because the Parent owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

(iv) payment of reasonable directors' fees to Persons who are not otherwise Affiliates of the Parent;

(v) any issuance of Equity Interests (other than Disqualified Shares) of the Parent to Affiliates of the Parent or the receipt of capital contributions by the Parent from Affiliates of the Parent;

(vi) Restricted Payments that do not violate the provisions of Clause 7 or Permitted Investments;

(vii) loans or advances or guarantees of third party loans to employees in the ordinary course of business not to exceed U.S.$10 million in the aggregate at any one time outstanding (not including loans, advances or guarantees granted to employees prior to the Issue Date);

(viii) the entering into of a tax sharing agreement, or payments pursuant thereto, between the Parent and/or one or more Subsidiaries, on the one hand, and any other Person with which the Parent of such Subsidiaries are required or permitted to file a consolidated tax return or with which the Parent or such Subsidiaries are part of a consolidated group for tax purposes, on the other hand; provided that any payments by the Parent and the Restricted Subsidiaries required under such agreement are not in excess of the tax liabilities that would have been payable by them on a stand-alone basis;

(ix) the granting and performance of registration rights with the U.S. Securities and Exchange Commission for securities of the Parent;

(x) agreements and arrangements, and transactions pursuant thereto, existing on the Issue Date and any amendment, extension, renewal, refinancing, modification or supplement thereof; provided that following such amendment, extension, renewal, refinancing, modification or supplement, the terms of any such agreement or arrangement so amended, modified or supplemented are no less favourable to the Parent and the Restricted Subsidiaries, as applicable, than the original agreement or arrangement as in effect on the date of this Agreement;

(xi) purchases of goods and services that are in the ordinary course of the Parent's or any Restricted Subsidiary's Retail Business and that are on terms that are no less favourable to the Parent or the relevant Restricted Subsidiary than those that could be obtained at the time of such transaction in arm's length dealings in a comparable transaction with a Person that is not an Affiliate; and

(xii) any transaction or series of related transactions involving aggregate consideration of not more than U.S.$10 million in any calendar year.

7.6 Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries

(a) The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(i) pay dividends or make any other distributions on its Share Capital to the Parent or any of its Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits; or

(ii) pay any indebtedness owed to the Parent or any of its Restricted Subsidiaries (including, without limitation, pursuant to the Permitted Proceeds Loans) or

(iii) make loans or advances to the Parent or any of its Restricted Subsidiaries; or

(iv) transfer any of its properties or assets to the Parent or any of its Restricted Subsidiaries.

(b) However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(i) the Trust Deed, the Notes, the Loan, and any Guarantees;

(ii) any applicable law, rule, regulation or order;

(iii) any encumbrance or restriction pursuant to an agreement in effect on or entered into on the Issue Date;

(iv) any instrument governing Indebtedness of a Person acquired by the Parent or any of its Restricted Subsidiaries, as in effect at the time of such acquisition (except to the extent such Indebtedness was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; provided that, in the case of Indebtedness, such Indebtedness was permitted by the terms of this Agreement to be incurred;

(v) customary non-assignment provisions in leases, security agreements, contracts and licenses entered into in the ordinary course of business;

(vi) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in sub-paragraph (iv) of paragraph (a) above;

(vii) any agreement for the sale or other disposition of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending the sale or other disposition;

(viii) Permitted Refinancing Indebtedness permitted to be incurred under Clause 7.2(b)(v); provided that the restrictions and encumbrances contained in the agreements governing such Permitted Refinancing Indebtedness are either (A) no more restrictive or (B) not materially less favourable to the Holders of the Notes and/or the Lender, in each case, taken as a whole and determined in good faith by a Shareholder Resolution, than the dividend and other payment restrictions contained in the Indebtedness being refinanced;

(ix) Liens permitted to be incurred under the provisions of Clause 7.3 that limit the right of the debtor to dispose of the assets subject to such Liens;

(x) customary provisions limiting the disposition or distribution of Share Capital, assets or property in merger agreements, asset sale agreements, sale-leaseback agreements, share sale agreements and other similar agreements entered into with the approval of a Shareholder Resolution, which limitation is applicable only to the Share Capital, assets or property that are the subject of such agreements;

(xi) customary provisions limiting the distribution or disposition of assets or property of a Restricted Subsidiary in joint venture agreements entered into in the ordinary course of business;

(xii) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business; and

(xiii) any encumbrance or restriction applicable to a Restricted Subsidiary at the time it becomes a Restricted Subsidiary that is not created in contemplation thereof; provided that such restriction apply only to such Restricted Subsidiary and provided further that the exception provided by this sub-paragraph (xiii) shall not apply to any encumbrance or restriction contained in any Indebtedness that refunds, refinances, replaces, defeases or discharges any Indebtedness which was in existence at the time such Restricted Subsidiary became a Restricted Subsidiary.

7.7 Designation of Unrestricted and Restricted Subsidiaries

(a) A Shareholder Resolution may designate any Restricted Subsidiary (including any newly acquired or newly formed Subsidiaries) to be an Unrestricted Subsidiary if that designation would not cause a Default.

(b) Any designation of a Subsidiary of the Parent as an Unrestricted Subsidiary will be evidenced to the Lender (with a copy to the Trustee) by filing with the Lender (with a copy to the Trustee) on the effective date of such designation a certified copy of the Shareholder Resolution giving effect to such designation and an Officer's Certificate certifying that such designation complied with the preceding conditions and was permitted by Clause 7.1. If, at any time, any Unrestricted Subsidiary would fail to meet the requirements of being an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of this Agreement and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary as of such date and, if such Indebtedness is not permitted to be incurred as of such date under Clause 7.2, the Parent will be in default of Clause 7.2.

(c) A Shareholder Resolution may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation will only be permitted if (i) such Indebtedness is permitted under Clause 7.2 calculated on a pro forma basis as if such designation had occurred at the beginning of the semi-annual reference periods and (ii) no Default or Event of Default would be in existence following such designation.

7.8 Corporate Existence

Except as otherwise permitted by Clause 7.9, the Parent shall do or cause to be done all things necessary to preserve and keep in full force and effect the corporate, partnership, limited liability company or other existence and the rights (charter and statutory), licenses and franchises of the Parent and each Restricted Subsidiary; provided that the Parent shall not be required to preserve or cause the preservation of any such right, license or franchise or the existence of any Restricted Subsidiary other than the Parent if a Shareholder Resolution shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Parent and the Restricted Subsidiaries as a whole and that the loss thereof is not disadvantageous in any material respect to the Holders.

7.9 Merger, Consolidation and Disposition of Assets

(a) The Parent will not, directly or indirectly (x) consolidate, amalgamate or merge with or into another Person (whether or not the Parent is the surviving Person) or (y) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Parent and its Restricted Subsidiaries, taken as a whole, in one or more related transactions, to another Person, unless:

(i) either: (a) the Parent is the surviving Person; or (b) the Person formed by or surviving any such consolidation, amalgamation or merger (if other than the Parent) or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made (the "**Successor Company**") is an entity organised or existing under the laws of an Approved Jurisdiction and the Successor Company (if not the Parent) shall expressly assume, by a supplemental trust deed, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of the Parent under the Trust Deed;

(ii) immediately after such transaction or transactions, no Default or Event of Default shall have occurred and be continuing;

(iii) the Successor Company would, on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable semi-annual reference periods be permitted to incur at least U.S.$1.00 of additional Indebtedness pursuant to Clause 7.2(a); and

(iv) the Parent shall have delivered to the Lender and the Trustee an Officer's Certificate and an Opinion of Counsel, each in form and substance satisfactory to the Trustee and stating that such transaction and such supplemental trust deed (if any) comply with the provisions of this paragraph (a) and the Trust Deed and that the conditions set out in sub-paragraphs (i) to (iii) above have been satisfied; provided that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

The Lender and the Trustee shall each be entitled to rely upon the Officer's Certificate and Opinions of Counsel specified in (iv) above as sufficient evidence of the satisfaction of the conditions required by this paragraph (a) without further inquiry and shall not be liable for any consequences of such consolidation, merger, amalgamation, sale, assignment, transfer, lease, conveyance or other disposition.

(b) For purposes of this Clause 7.9, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Parent, which properties and assets, if held by the Parent instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Parent and its Subsidiaries on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the assets of the Parent.

(c) Nothing in the Trust Deed or this Agreement will prevent, and this covenant will not apply to, any Restricted Subsidiary consolidating with, merging with or into or transferring all or part of its properties and assets to the Parent or any other Restricted Subsidiary.

7.10 Maintenance of Properties

The Parent shall cause all properties owned by it or any Restricted Subsidiary or used or held for use in the conduct of its business or the business of any Restricted Subsidiary to be maintained and kept in good condition, repair and working order in all material respects and shall cause to be made all necessary

repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Parent may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided that nothing in this Clause 7.10 shall prevent the Parent from discontinuing the maintenance of any such properties if such discontinuance is, in the judgment of the Parent, desirable in the conduct of the business of the Parent and the Restricted Subsidiaries as a whole and not disadvantageous in any material respect to the Holders.

7.11 Insurance

The Parent shall maintain, and shall cause the Restricted Subsidiaries to maintain, insurance with carriers believed by the Parent to be responsible, against such risks and in such amounts, and with such deductibles, retentions, self-insured amounts and coinsurance provisions, as the Parent believes are customarily carried by businesses similarly situated and owning like properties in Belarus, including as appropriate general liability, property and casualty loss and interruption of business insurance.

7.12 Payment of Taxes and Other Claims

The Parent shall pay or discharge and shall cause each of its Subsidiaries to pay or discharge, or cause to be paid or discharged, before the same shall become delinquent (a) all material taxes, assessments and governmental charges levied or imposed upon (i) the Parent or any such Subsidiary, (ii) the income or profits of any such Subsidiary which is a corporation or (iii) the property of the Parent or any such Subsidiary and (b) all material lawful claims for labour, materials and supplies that, if unpaid, might by law become a Lien upon the property of the Parent or any such Subsidiary; provided that the Parent shall not be required to pay or discharge, or cause to be paid or discharged, any such tax, assessment, charge or claim the amount, applicability or validity of which is being contested in good faith by appropriate proceedings or for which adequate reserves have been established.

7.13 Statement as to Compliance

(a) The Parent shall deliver to the Lender and the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate stating that in the course of the performance by the signer of its duties as an officer of the Parent he or she would normally have knowledge of any Default and whether or not the signer knows of any Default that occurred during such period and if any specifying such Default, its status and what action the Parent is taking or proposed to take with respect thereto. For purposes of this paragraph (a), such compliance shall be determined without regard to any period of grace or requirement of notice under this Agreement.

(b) If the Parent shall become aware that (i) any Default or Event of Default has occurred and is continuing or (ii) any Holder seeks to exercise any remedy with respect to a claimed Default under the Trust Deed or the Notes, the Parent, as the case may be, shall promptly deliver to the Lender and the Trustee an Officer's Certificate specifying such event, notice or other action (including any action the Parent is taking or propose to take in respect thereof).

7.14 Reports

The Parent will provide to the Lender and shall make available to potential investors:

(a) within 180 days after the end of the Parent's fiscal year consolidated audited income statements, balance sheets and cash flow statements and the related notes thereto for the Parent and its Subsidiaries for the most recent three fiscal years prepared in accordance with IFRS, together with a report thereon by the Parent's certified independent accountants, information with respect to any Change of Control that has occurred in the fiscal year and information with respect to any acquisition or disposition representing greater than 20 per cent. of the consolidated revenues,

EBITDA or assets of the Parent on a pro forma basis, including a *pro forma* income statement and balance sheet for the acquisition or disposition (provided that an acquisition or disposition that has occurred fewer than 60 days prior to the date of the annual report shall be reported upon in the next semi-annual report);

(b) within 180 days after the end of the Parent's fiscal year, for such fiscal year and two prior fiscal years, information substantially similar in scope to the information about the Parent and its Subsidiaries included in the Final Offering Memorandum under (i) the subheadings "Significant Factors Affecting the Results of Operations" and "Liquidity and Capital Resources" in "Operating and Financial Review", (ii) "Shareholders" and (iii) "Related Party Transactions", supplemented with the Parent's Consolidated Leverage Ratio as at the end of such fiscal year, in each case, calculated by the responsible financial officer in good faith;

(c) within 150 days after the end of the first semi-annual period of the fiscal year of the Parent, unaudited consolidated income statements, balance sheets and cash flow statements of the Parent for such interim period prepared in accordance with IFRS, supplemented with the Parent's Consolidated Leverage Ratio as at the end of such fiscal semi-annual period, in each case, calculated by the responsible financial officer in good faith and information with respect to any Change of Control that has occurred in the fiscal semi-annual period; and

(d) information with respect to any material acquisitions, dispositions or restructurings, change in the independent accountants of the Parent, and any resignation of a member of the Board of Directors of the Parent as a result of a disagreement with the Parent or any other material event that the Parent or any of its Restricted Subsidiaries announces publicly.

If the Parent has designated any of its Subsidiaries as Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries constitute Significant Subsidiaries of the Parent, then the annual and semi-annual information required by paragraphs (a) and (b) above shall include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto of the financial condition and results of operations of the Parent and its Restricted Subsidiaries separate from the financial condition and results of operations of such Unrestricted Subsidiaries of the Parent.

In addition, so long as the Notes remain outstanding and during any period during which the Parent is not subject to Section 13 or 15(d) of the U.S. Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b) of such Act, the Parent shall furnish to the Holders of the Notes (with a copy to the Trustee) and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

The Parent consents that any information provided to the Lender pursuant to this Clause 7.14 may also be provided to the Trustee, if so requested by the Trustee, without violating any duty of confidentiality or secrecy that the Lender may owe to the Parent under the laws of Ireland and/or Belarus.

Contemporaneously with the provision of each report discussed above, the Parent will also file a press release with the appropriate internationally recognised wire services with respect to such report and post such press release on the Parent's website.

7.15 Guarantees

(a)

(i) The Parent will not permit any of its Restricted Subsidiaries that is not a Guarantor to guarantee any Indebtedness unless such Restricted Subsidiary simultaneously jointly and severally guarantees the Notes or Loan pursuant to a guarantee agreement in form and

substance satisfactory to the Lender and the Trustee (a "**Guarantee**") delivered to the Lender and the Trustee; and

(ii) if the total assets of any Restricted Subsidiary that is not a Guarantor, then determined on an unconsolidated basis in accordance with IFRS as of the end of any fiscal semi-annual period, accounts for 10 per cent. or more of the Parent's total assets determined on a consolidated basis in accordance with IFRS as of the end of such fiscal semi-annual period, then the relevant Restricted Subsidiary will, within 90 days of the date the financial statements for such fiscal semi-annual period are made publicly available, jointly and severally guarantee the Notes or the Loan pursuant to a Guarantee delivered to the Lender and the Trustee;

provided, in the case of each of (i) and (ii) above, that (A) a Restricted Subsidiary's Guarantee may be limited to the extent required by law and (B) for so long as it is not permissible under applicable law for a Restricted Subsidiary to become a Guarantor, such Restricted Subsidiary need not become a Guarantor (but, in such a case, each of the Parent and its Restricted Subsidiaries will use their best efforts to overcome the relevant legal prohibition precluding the giving of the Guarantee). For the avoidance of doubt, the requirement in sub-paragraph (i) above will not be applicable to any guarantees of Indebtedness by any Restricted Subsidiary existing on the date of this Agreement. At the time of execution of any Guarantee, the Parent shall deliver an Opinion of Counsel addressed to the Trustee, in form and substance satisfactory to the Trustee, as to the enforceability of the Guarantee and certain other matters set out in the Trust Deed.

(b) If the Indebtedness of the Parent or a Guarantor giving rise to the need to guarantee the Loan:

(i) ranks *pari passu* in right of payment to the Loan or a Guarantee of the Loan, any guarantee of such Indebtedness will rank *pari passu* in right of payment to the Loan or the relevant Guarantee of the Loan; or

(ii) is contractually subordinated in right of payment to the Notes, the Loan or a Guarantee, any guarantee of such Indebtedness shall be contractually subordinated in right of payment to the Notes, Loan or the relevant Guarantee substantially to the same extent as such Indebtedness is subordinated in right of payment to the Notes, the Loan or a Guarantee.

Until all amounts which may be or become payable by the Parent and any Guarantors under the Loan have been irrevocably paid in full and to the extent lawful, each such guarantee will provide that the relevant Guarantor waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Parent or any Restricted Subsidiary as a result of any payment by such Guarantor under its Guarantee.

(c) Each such Guarantee will be released, automatically and without further action on the part of the Lender or the Trustee:

(i) in the event that such Guarantor is disposed of or liquidated in a manner which is not prohibited hereunder (provided that, in any event, the disposal is not made to a Restricted Subsidiary) and the proceeds of such disposal are applied for in accordance with Clause 7.4;

(ii) when the Issuer designates such Guarantor as an Unrestricted Subsidiary in compliance with the terms of Clause 7.7; or

(iii) upon repayment of the Loan in full.

7.16 Business Activities

The Parent will not, and will not permit any of its Restricted Subsidiaries to, engage in any business other than a Permitted Business, except to such extent as would not be material to the Parent and its Restricted Subsidiaries, taken as a whole.

7.17 Listing

The Parent will use all commercially reasonable efforts to maintain the listing of the Notes on the Global Exchange Market of the Irish Stock Exchange plc (or, at the option of the Parent, the Professional Securities Market of London Stock Exchange); provided, however, that if maintenance of the listing becomes unduly onerous, it will use all commercially reasonable efforts to maintain a listing of such Notes on another recognised stock exchange for the purposes of section 64 of the Irish Taxes Consolidation Act 1997.

7.18 Further Instruments and Acts

Upon request of the Trustee, the Parent and any Guarantors shall execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Agreement.

8 Conditions Precedent

The obligation of the Lender to make the Advance shall be subject to the further conditions precedent that as of the Issue Date (a) the Lender shall have received the proceeds of the issue of the Notes pursuant to the Subscription Agreement and (b) the Lender shall have received the Facility Fee.

9 Change in Law; Increase in Cost

9.1 Compensation

In the event that after the date of this Agreement there is any change in or introduction of any tax, law, regulation, regulatory requirement or official directive (whether or not having the force of law but, if not having the force of law, the observance of which is in accordance with the generally accepted financial practice of financial institutions in the country concerned) or in the official interpretation or application thereof by any Agency and/or any compliance by the Lender in respect of the Loan or the Facility with any request, policy or guideline (whether or not having the force of law but, if not having the force of law, the observance of which is in accordance with the generally accepted financial practice of financial institutions in the country concerned) made or issued after the date of this Agreement from or of any Agency, which:

9.1.1 subjects or will subject the Lender to any Taxes with respect to payments of principal of or interest on the Loan or any other amount payable under this Agreement (other than any Taxes payable by the Lender on its overall net income or any Taxes referred to in Clauses 6.2 or 6.3); or

9.1.2 increases or will increase the taxation of or changes or will change the basis of taxation of payments to the Lender of principal of or interest on the Loan or any other amount payable under this Agreement (other than any such increase or change which arises by reason of any increase in the rate of tax payable by the Lender on its overall net income or as a result of any Taxes referred to in Clauses 6.2 or 6.3); or

9.1.3 imposes or will impose on the Lender any other condition affecting this Agreement, the Facility or the Loan,

and if as a result of any of the foregoing:

(i) the cost to the Lender of making, funding or maintaining the Loan or the Facility is increased; or

(ii) the amount of principal, interest or other amount payable to or received by the Lender hereunder is reduced; or

(iii) the Lender makes any payment or foregoes any interest or other return on or calculated by reference to the gross amount of any sum receivable by it from the Borrower hereunder or makes any payment or foregoes any interest or other return on or calculated by reference to the gross amount of the Loan,

then subject to the following, and in each such case:

(a) the Lender shall, as soon as practicable after becoming aware of such increased cost, reduced amount or payment made or foregone, give written notice to the Borrower, together with a certificate signed by one authorised officer of the Lender describing in reasonable detail the introduction or change or request which has occurred and the country or jurisdiction concerned and the nature and date thereof and demonstrating the connection between such introduction, change or request and such increased cost, reduced amount or payment made or foregone, and setting out in reasonable detail the basis on which such amount has been calculated, and enclosing all relevant supporting documents evidencing the matters set out in such certificate; and

(b) the Borrower, in the case of Clauses 9.1.3(i) and 9.1.3(iii) above, shall promptly on demand by the Lender, pay to the Lender such additional amount as shall be necessary to compensate the Lender for such increased cost, and, in the case of Clause 9.1.3(ii) above, at the time the amount so reduced would otherwise have been payable, pay to the Lender such additional amount as shall be necessary to compensate the Lender for such reduction, payment or foregone interest or other return; provided, however, the amount of such increased cost, reduced amount or payment made or foregone shall be deemed not to exceed an amount equal to the proportion thereof which is directly attributable to this Agreement and provided that the Lender shall not be entitled to such additional amount where such increased cost arises as a result of the negligence or wilful default of the Lender,

provided that this Clause 9.1 will not apply to or in respect of any matter for which the Lender has already been compensated under Clauses 6.2 or 6.3.

9.2 Mitigation

In the event that the Lender becomes entitled to make a claim pursuant to Clause 9.1, the Lender shall consult in good faith with the Borrower and shall use reasonable efforts (based on the Lender's reasonable interpretation of any relevant tax, law, regulation, requirement, official directive, request, policy or guideline) to reduce, in whole or in part, the Borrower's obligations to pay any additional amount pursuant to such clause, except that nothing in this Clause 9.2 shall obligate the Lender to incur any costs or expenses in taking any action (other than minor costs of an administrative or similar nature) which, in the reasonable opinion of the Lender, is prejudicial to its interests, unless the Borrower agrees to reimburse the Lender for such costs and expenses.

10 FATCA and Tax Reporting

Each party to this Agreement shall, reasonably promptly following a reasonable request by another party, provide such other party with such information or assistance reasonably requested by the other party so as to enable such other party to comply with its obligation (i) under Section 1471(b) of the US Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Section 1471 through 1474 of the Code and any regulations or agreements thereunder, any intergovernmental agreement between the United States and any other jurisdiction which facilitates the implementation of any such law, regulation or interpretation, official interpretations thereof or law implementing an intergovernmental approach thereto and (ii) any other tax reporting or information exchange regime to which any party is subject. The Borrower hereby covenants with the Lender that it will pay or reimburse the Lender for any reasonable costs incurred by the Lender in order for it to comply with (i) its obligations under Section 1471(b) of the Code or otherwise imposed pursuant to Section 1471 through 1474 of the Code and any regulations or agreements thereunder, any intergovernmental agreement between the United States and any other jurisdiction which facilitates the implementation of any such law, regulation or interpretation, official interpretation thereof, or law implementing an intergovernmental approach thereto and (ii) any other tax reporting or information exchange regime to which any party is subject.

11 Events of Default

11.1 Events of Default

If one or more of the following events of default (each, an "**Event of Default**") shall occur, and for as long as it is continuing, the Lender shall be entitled to the remedies set forth in Clause 11.3.

(a) The Parent (or any Guarantor) fails to make any payment of interest or additional amounts payable hereunder when the same becomes due and payable and such failure continues for a period of 10 Business Days.

(b) The Parent (or any Guarantor) fails to make any payment of principal when the same becomes due and payable.

(c) The Parent fails to comply with its obligations described in Clause 5.5 and such failure continues for a period of 30 days after receiving written notice.

(d) The Parent fails to comply with any of its other agreements or covenants in, or provisions of, this Agreement for 30 consecutive calendar days.

(e) A default under any Indebtedness of the Parent or any Material Subsidiary (other than the Loan or any Indebtedness that is exclusively between the Parent and any of its wholly-owned Subsidiaries) or under any indenture or other instrument under which any such Indebtedness has been issued or by which it is governed and the expiration of the applicable period of grace, if any, contained in any such Indebtedness, which in the aggregate exceeds U.S.$30 million, which default (i) has resulted in the acceleration of the payment of such Indebtedness prior to its stated maturity, or (ii) has not been cured or waived and constitutes the failure to make any payment of principal or interest on such Indebtedness when due, after the expiration of any applicable grace period.

(f) The entry, by a court having jurisdiction in the premises, of (i) a decree or order for relief in respect of the Parent or any Material Subsidiary in an involuntary case or proceeding under any Bankruptcy Law; or (ii) a decree or order adjudging the Parent or any Material Subsidiary bankrupt or insolvent, or approving as properly filed a petition seeking reorganisation,

arrangement, adjustment or composition of, or in respect of, the Parent or any Material Subsidiary under any Bankruptcy Law or appointing a custodian of the Parent or any Material Subsidiary or of any substantial part of the property of the Parent or any Material Subsidiary, or ordering the winding-up or liquidation (except for (i) any liquidation arising as a result of a merger of a Material Subsidiary into the Parent and (ii) any solvent liquidation of the Bank) of the affairs of the Parent or any Material Subsidiary, and (a) with respect to (i) and (ii) above any such decree or order for relief or any such other decree or order remains undischarged or the claim upon which such decree or order is based remains unpaid for at least 60 consecutive calendar days from the date of such decree or order or (b) with respect to (ii) above, a court or competent agency has actually instituted bankruptcy, insolvency, examinership, dissolution, administration, reorganisation or liquidation (or any analogous proceedings).

(g) (i) The commencement by the Parent or any Material Subsidiary of a voluntary case or proceeding under any Bankruptcy Law or of any other case or proceeding to be adjudicated a bankrupt or insolvent; (ii) the consent by the Parent or any Material Subsidiary to the entry of a decree or order for relief in respect of the Parent or any Material Subsidiary in an involuntary case or proceeding under any Bankruptcy Law or to the commencement of any bankruptcy or insolvency case or proceeding against the Parent or any Material Subsidiary; (iii) the filing by the Parent or any Material Subsidiary of a petition or answer or consent seeking reorganisation or relief under any Bankruptcy Law; (iv) the consent by the Parent or any Material Subsidiary to the filing of such petition or to the appointment of or taking possession by a custodian of the Parent or any Material Subsidiary or of any substantial part of the property of the Parent or any Material Subsidiary, or the making by the Parent or any Material Subsidiary of an assignment for the benefit of creditors; (v) the admission by the Parent or any Material Subsidiary in writing of its inability to pay its debts generally as they become due; or (vi) the taking of corporate action by the Parent or any Material Subsidiary to authorise or effect any such action.

(h) The rendering against the Parent or any Material Subsidiary of a judgment, decree or order for the payment of money in an amount in excess of U.S.$30 million and the continuance of any such judgment, decree or order unsatisfied and in effect for any period of 60 consecutive calendar days without such judgment, decree or order being appealed, discharged, waived or the execution thereof stayed.

11.2 Notice of Default

The Parent shall deliver to the Lender and the Trustee (i) on each Interest Payment Date; (ii) within seven Business Days of any written request by the Lender; or (iii) promptly upon becoming aware of the occurrence thereof, written notice in the form of an Officers' Certificate stating whether any Default or Event of Default has occurred, its status and what action the Parent is taking or proposes to take with respect thereto.

11.3 Default Remedies

If any Event of Default shall occur, the Lender may, by notice in writing to the Parent, (a) declare the obligations of the Lender hereunder to be terminated, whereupon such obligations shall terminate; and (b) declare the Loan to be immediately due and payable by the Parent and declare all other amounts accrued and/or payable hereunder by the Parent up to (and including) the date of such termination to be immediately due and payable, whereupon all such amounts shall become immediately due and payable, all without diligence, presentment, demand of payment, protest or notice of any kind, which are expressly waived by the Parent; provided, however, that if any event of any kind referred to in Clauses 11.1(f) and 11.1(g) occurs, the obligations of the Lender hereunder shall immediately terminate, and all

amounts payable hereunder by the Parent that would otherwise be due after the occurrence of such event shall become immediately due and payable, all without diligence, presentment, demand of payment, protest or notice of any kind, which are expressly waived by the Parent.

11.4 Rights Not Exclusive

The rights provided for herein are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law.

11.5 Right of Set-off

If any amount payable by the Parent hereunder is not paid as and when due, the Parent authorises the Lender to proceed, to the fullest extent permitted by applicable law, without prior notice, by right of set-off, banker's lien, counterclaim or otherwise, against any assets of the Parent in any currency that may at any time be in the possession of the Lender, at any branch or office, to the fullest extent of all amounts payable to the Lender hereunder.

12 Indemnity

12.1 Indemnification

The Borrower undertakes to the Lender, that if the Lender, or any director, officer, employee or agent of the Lender (each an "**indemnified party**") incurs any loss, liability, claim, demand or damage, charge or expense (including without limitation reasonable legal fees, costs and expenses) (a "**Loss**") as a result of or in connection with the Loan, this Agreement (or enforcement thereof), and/or the issue, constitution, sale, listing and/or enforcement of the Notes and/or the Notes being outstanding (excluding any Loss that is the subject of the undertakings contained in Clauses 9 and 13.8 of this Agreement) (it being understood that the Lender may not recover twice in respect of the same Loss, the Borrower shall pay to the Lender on demand an amount equal to such Loss) and (without duplication) all documented costs, charges and expenses which it or any indemnified party has reasonably incurred or may reasonably incur in connection with investigating, disputing, defending or preparing to defend any such action or claim as such costs, charges and expenses are incurred unless such Loss, cost, charge or expense was either caused by any indemnified party's gross negligence, fraud or wilful misconduct. The Lender shall not have any duty or obligation whether as fiduciary or trustee for any indemnified party or otherwise, to recover any such payment or to account to any other person for any amounts paid to it under this Clause.

12.2 Independent Obligation

Clause 12.1 constitutes a separate and independent obligation of the Borrower from its other obligations under or in connection with this Agreement and shall not affect, or be construed to affect, any other provision of this Agreement.

12.3 Evidence of Loss

A certificate of the Lender setting forth the amount of Loss described in Clause 12.1 and specifying in full detail the basis therefor shall, in the absence of manifest error, be *prima facie* evidence of the amount of such losses, expenses and liabilities.

12.4 Survival

The obligations of the Borrower pursuant to Clause 12.1 shall survive the execution and delivery of this Agreement, the drawdown of the Facility and the repayment of the Loan and all payments due thereunder, in each case by the Borrower.

13 General

13.1 Evidence of Debt

The entries made by the Lender in the accounts maintained by the Lender in accordance with its usual practice and evidencing the amounts from time to time lent by and owing to it hereunder shall, in the absence of manifest error, be *prima facie* evidence of the existence and amounts of the Borrower's obligations recorded herein.

13.2 Stamp Duties

The Borrower shall pay all stamp, registration and documentary taxes or duties (if any) imposed on or payable by the Borrower or the Lender in the United Kingdom, Belgium, Luxembourg, the Republic of Belarus or Ireland which may be payable or determined to be payable in connection with the execution, delivery, performance, enforcement or admissibility in evidence of this Agreement. The Borrower shall indemnify the Lender against any and all costs and expenses which may be incurred or suffered by the Lender with respect to, or resulting from, delay or failure by the Borrower to comply with its obligation under this Clause 13.2 to pay such taxes or similar charges.

13.3 VAT

Where a sum is payable under this Agreement to the Lender, the Borrower will, in addition, pay in respect of VAT:

13.3.1 where the payment (or any part of it) constitutes the consideration (or any part thereof) for any supply of services made to the Borrower, such amounts as equal any VAT properly chargeable thereon on receipt of a valid VAT invoice;

13.3.2 where the payment is to reimburse or indemnify the Lender for any cost, charge or expense incurred by it (except where the payment falls within Clause 13.3.3 below), such amount as equals any VAT, which the Lender represents in good faith is not recoverable by it or by the representative member of any VAT group of which it is a member, charged to or incurred by the Lender in respect of any cost, charge or expense which gives rise to or is reflected in the payment on production of relevant invoices or equivalent evidence of such payment having been made; and

13.3.3 where the payment is in respect of costs or expenses incurred by the Lender as agent for the Borrower and except where section 47(3) of the United Kingdom Value Added Tax Act 1994 (or any equivalent legislation in a jurisdiction outside the United Kingdom) applies, such amount as equals the amount included in the costs or expenses in respect of VAT and in such case the Lender shall use reasonable efforts to procure that the actual supplier of goods or services which the Lender received as agent issues a valid VAT invoice directly to the Borrower in respect of the relevant supply.

13.4 Payment Gross-Up

Where any payment is made under this Agreement to the Lender pursuant to an indemnity, compensation or reimbursement provision, the sum payable shall take into account (i) any charge to Taxation in the hands of the Lender in respect of such payment and (ii) any tax relief available to the Lender in respect of the matter giving rise to the payment and which may be offset against the charge to Taxation, such that the Lender shall be left with a sum equal to the sum that it would have retained in the absence of such a charge to Taxation and such tax relief.

13.5 Waivers

No failure to exercise and no delay in exercising, on the part of the Lender or the Borrower, any right, power or privilege hereunder and no course of dealing between the Borrower and the Lender shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof, or the exercise of any other right, power or privilege. The rights and remedies herein provided are cumulative and not exclusive of any rights, or remedies provided by applicable law.

13.6 Notices

13.6.1 Method

Each communication under this Agreement shall be made by fax or otherwise in writing (by hand, courier or pre-paid express delivery service). Each communication or document to be delivered to any party under this Agreement shall be sent to that party at the fax number or postal address, and marked for the attention of the person (if any), from time to time designated by that party to each other party for the purpose of this Agreement. The initial fax number, postal address and person so designated by the parties under this Agreement are set out below:

if to the Borrower, to it at:

Eurotorg LLC
52A-22
Kazintsa str.
Minsk 220099
Republic of Belarus

Fax: +375 17 279 80 00

Attention: Chief Financial Officer

Email: SapunovaA@eurotorg.by

if to the Lender, to it at:

Bonitron D.A.C.
2nd Floor, Palmerston House
Fenian Street
Dublin 2

Fax: +353 1 905 8029

Email: corporate.services@caficointernational.com

Attention: The Directors

or to such other address or fax number as any party may hereafter specify in writing to the other.

13.6.2 Deemed Receipt

Any communication from any party to any other under this Agreement shall be effective, (if by fax) when the relevant delivery receipt is received by the sender and, (if in writing) when delivered; provided that any communication which is received (or deemed to take effect in accordance with the foregoing) after 5:00pm on a Business Day or on a non-Business day in the

place of receipt shall be deemed to take effect at the opening of business on the next following Business Day in such place. Any communication delivered to any party under this Agreement which is to be sent by fax will be written legal evidence.

13.7 Assignment

13.7.1 Subject to Clauses 13.7.2 and 13.7.3, this Agreement shall inure to the benefit of and be binding upon the parties, their respective successors and any permitted assignee or transferee of some or all of a party's rights under this Agreement. Any reference in this Agreement to any party shall be construed accordingly and, in particular, references to the exercise of any rights, benefits and discretions or the making of any determination (including forming an opinion) by, and the delivery of notices, certificates and information to, the Lender, shall include references to the exercise of any such rights, benefits or discretions by or the making of such determination (including forming an opinion) by the Trustee (as Trustee). Notwithstanding the foregoing, the Trustee shall not be entitled to participate in any determinations by, and the delivery of notices, certificates and information to, the Lender or any discussions between the Lender and the Borrower or any agreements of the Lender or the Borrower, pursuant to Clauses 6.4, 6.5 or 9.

13.7.2 The Borrower shall not assign or transfer all or any part of its rights or obligations hereunder to any other party or person.

13.7.3 Subject to the provisions of Clause 17 of the Trust Deed, the Lender may not assign or transfer, in whole or in part, any of its rights, obligations and benefits under this Agreement other than the Reserved Rights except that the Lender may charge by way of first fixed charge in favour of the Trustee (as Trustee) certain of the Lender's rights and benefits under this Agreement and assign to the Trustee certain rights, interests and benefits under this Agreement, in each case, as set out in Clause 4 of the Trust Deed.

13.8 Currency Indemnity

To the fullest extent permitted by law, the obligation of the Borrower in respect of any amount due in U.S. Dollars under this Agreement shall, notwithstanding any payment in any other currency (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in U.S. Dollars that the Lender may, in accordance with normal banking procedures, purchase with the sum paid in such other currency (after any reasonable premium and costs of exchange) on the Business Day immediately following the day on which the Lender receives such payment. If the amount in Dollars that may be so purchased for any reason falls short of the amount originally due (the "**Due Amount**"), the Borrower hereby agrees to indemnify and hold harmless the Lender against any deficiency in Dollars. Any obligation of the Borrower not discharged by payment in U.S. Dollars shall, to the fullest extent permitted by applicable law, be due as a separate and independent obligation and, until discharged as provided herein, shall continue in full force and effect. If the amount in U.S. Dollars that may be purchased exceeds that Due Amount the Lender shall promptly pay the amount of the excess to the Borrower.

13.9 Contracts (Rights of Third Parties) Act 1999

Except as otherwise specifically provided herein and other than in the case of the Trustee who shall have rights under the Contracts (Rights of Third Parties) Act 1999 under this Agreement, a person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement. This Agreement may be terminated and any term may be amended or waived without the consent of any such person so expressly provided for under this Agreement.

13.10 Governing Law

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by and shall be construed in accordance with English law.

13.11 Arbitration

The parties irrevocably agree that any dispute or claim arising out of, under or connected with this Agreement, including a dispute or claim as to the validity, existence or termination of this Agreement or the consequences of its nullity and/or this Clause 13.11 (or any non-contractual obligations arising out of or in connection with this Agreement (a "**Dispute**"), shall be referred to and finally settled by arbitration in London, England, conducted in the English language by three arbitrators, in accordance with the LCIA Rules, which rules are deemed incorporated by reference into this Agreement, save as amended herein. The parties agree to exclude the jurisdiction of the English court under section 45 and 69 of the Arbitration Act 1996.

The arbitral tribunal shall consist of three arbitrators. The claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly the second arbitrator; and a third arbitrator, who shall serve as chairman, shall be nominated by agreement of the two party-nominated arbitrators within 15 days of the confirmation of the nomination of the second arbitrator or, in default of such agreement, shall be nominated by the LCIA as soon as possible, preferably within 15 days of the nomination of the second arbitrator.

In the event the claimant(s) shall fail to nominate an arbitrator within the time limits specified in the LCIA Rules, such arbitrator shall be nominated by the LCIA as soon as possible, preferably within 15 days of such failure. In the event that both the respondent(s) or both the claimant(s) and the respondent(s) fail to nominate an arbitrator within the time limits specified in the LCIA Rules, all three arbitrators shall be nominated by the LCIA as soon as possible, and preferably within 15 days of such failure, one of whom the LCIA shall designate as chairman.

If all the parties to an arbitration so agree, there shall be a sole arbitrator nominated by the LCIA as soon as possible, preferably within 15 days of such agreement.

13.12 Lender's Process Agent

The Lender irrevocably appoints Aquila International Services Limited (the "**Lender's Agent**"), now of 2nd Floor, Berkeley Square House, Berkeley Square, London W1J 6BD, as its agent to accept service of process in England in any Dispute, provided that:

13.12.1 service upon the Lender's Agent shall be deemed valid service upon the Lender whether or not the process is forwarded to or received by the Lender;

13.12.2 the Lender shall inform all other parties to this Agreement, in writing, of any change in the address of the Lender's Agent within 28 days of such change;

13.12.3 if the Lender's Agent ceases to be able to act as a process agent or to have an address in England, the Lender irrevocably agrees to appoint a new process agent in England acceptable to the other parties to the Agreement and to deliver to the other parties to the Agreement within 14 days a copy of a written acceptance of appointment by the new process agent; and

13.12.4 nothing in this Agreement shall affect the right to serve process in any other manner permitted by law.

13.13 Borrower's process agent

The Borrower irrevocably appoints Aquila International Services Limited (the "**Borrower's Agent**"), now of 2nd Floor, Berkeley Square House, Berkeley Square, London W1J 6BD, as its agent to accept service of process in England in any Dispute, provided that:

13.13.1 service upon the Borrower's Agent shall be deemed valid service upon the Borrower whether or not the process is forwarded to or received by the Borrower;

13.13.2 the Borrower shall inform all other parties to this Agreement, in writing, of any change in the address of the Borrower's Agent within 28 days of such change;

13.13.3 if the Borrower's Agent ceases to be able to act as a process agent or to have an address in England, the Borrower irrevocably agrees to appoint a new process agent in England acceptable to the other parties to the Agreement and to deliver to the other parties to the Agreement within 14 days a copy of a written acceptance of appointment by the new process agent; and

13.13.4 nothing in this Agreement shall affect the right to serve process in any other manner permitted by law.

13.14 Waiver of Immunity

To the extent that the Borrower or the Lender may now or hereafter be entitled, in any jurisdiction in which any legal action or proceeding may at any time be commenced with respect to this Agreement, to claim for itself or any of its undertaking, properties, assets or revenues present or future any immunity (sovereign or otherwise) from suit, jurisdiction of any court, attachment prior to judgment, attachment in aid of execution of a judgment, execution of a judgment or award or from set-off, banker's lien, counterclaim or any other legal process or remedy with respect to its obligations under this Agreement and/or to the extent that in any such jurisdiction there may be attributed to the Borrower or the Lender any such immunity (whether or not claimed), the Borrower and the Lender hereby irrevocably agree not to claim, and hereby waive, any such immunity.

13.15 Severability

In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

13.16 Counterparts

This Agreement may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same agreement.

13.17 Language

The language which governs the interpretation of this Agreement is the English language.

13.18 Amendments

Except as otherwise provided by its terms, this Agreement may not be varied except by an agreement in writing signed by the parties.

13.19 Partial Invalidity

The illegality, invalidity or unenforceability to any extent of any provision of this Agreement under the law of any jurisdiction shall affect its legality, validity or enforceability in such jurisdiction to such extent only and shall not affect its legality, validity or enforceability under the law of any other jurisdiction, nor the legality, validity or enforceability of any other provision.

13.20 Prescription

In the event that any Notes become void pursuant to Condition 10 of the Notes, the Lender shall forthwith repay to the Borrower the principal amount of such Notes subject to the Lender having previously received from the Borrower, and being in possession of, a corresponding amount in respect of principal pursuant to this Agreement.

13.21 Limited Recourse and Non Petition

The Borrower hereby agrees that, notwithstanding any other provisions hereof, it shall have recourse in respect of any claim against the Lender only to sums in respect of principal, interest or other amounts (if any), as the case may be, received by or for the account of the Lender pursuant to this Agreement (after deduction or withholding of such taxes as may be required to be made by the Lender by law in respect of each such sum or in respect of the Notes and for which the Lender has not received a corresponding payment (also after deduction or withholding of such taxes or duties as may be required to be made by the Lender) in respect thereof pursuant to this Agreement) (the "**Lender Assets**"), subject always to (i) the Security Interests and (ii) to the fact that any claims of the Joint Lead Managers (as defined in the Subscription Agreement) shall rank in priority to any claims of the Borrower hereunder and that any such claim by any and all such Joint Lead Managers or the Borrower shall be reduced pro rata so that the total of all such claims does not exceed the aggregate value of the Lender Assets after meeting claims secured on them.

Neither the Borrower nor any person acting on behalf of it shall be entitled to take any further steps against the Lender to recover any further sums and no debt shall be owed by the Lender to the Borrower in respect of any such further sum. In particular, neither the Borrower nor any other person acting on behalf of it shall be entitled at any time to institute against the Lender, or join in any institution against the Lender of any bankruptcy, administration, moratorium, reorganisation, controlled management, arrangement, insolvency, examinership, winding-up or liquidation proceedings or similar insolvency proceedings under any applicable bankruptcy or similar law in connection with any obligation of the Lender relating to the Notes or otherwise owed to the Lender's creditors, save for lodging a claim in the liquidation of the Lender which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Lender.

No party to this Agreement shall have any recourse against any director, shareholder, or officer of the Lender in respect of any obligations, covenants or agreement entered into or made by the Lender in respect of this Agreement, except to the extent that any such person acts in bad faith or is negligent or is wilfully in default in the context of its obligations.

The provisions of this Clause 13.21 shall survive the termination of this Agreement.

TERMS AND CONDITIONS OF THE NOTES

The U.S.$300,000,000 9.000 per cent. Loan Participation Notes due 2025 (the "**Notes**" which expression includes any further Notes issued pursuant to Condition 14 and forming a single series herewith) of Bonitron Designated Activity Company (the "**Issuer**" which expression shall include any entity substituted for the Issuer pursuant to Condition 9) are constituted by, are subject to, and have the benefit of a trust deed (the "**Trust Deed**", which expression includes such trust deed as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto, as from time to time so modified) dated 22 October 2020 and made between the Issuer and BNY Mellon Corporate Trustee Services Limited (the "**Trustee**", which expression shall include any successors) as trustee for the holders of the Notes (the "**Noteholders**").

The Issuer has authorised the creation, issue and sale of the Notes for the sole purpose of financing a U.S.$300,000,000 loan (the "**Loan**") to Eurotorg LLC (the "**Company**"). The terms of the Loan are set forth in a loan agreement (the "**Loan Agreement**", which expression includes such loan agreement as from time to time modified in accordance with the provisions therein contained and any agreement or other document expressed to be supplemental thereto, as from time to time so modified) dated 20 October 2020 between the Issuer and the Company.

In each case where amounts of principal, interest and additional amounts (if any) are stated herein or in the Trust Deed to be payable in respect of the Notes, the obligations of the Issuer to make any such payment shall constitute an obligation only to account to the Noteholders on each date upon which such amounts of principal, interest and additional amounts (if any) are due in respect of the Notes, for an amount equivalent to sums of principal, interest and additional amounts (if any) actually received and retained (net of tax) by or for the account of the Issuer pursuant to the Loan Agreement less any amounts in respect of the Reserved Rights (as defined below). Noteholders must therefore rely solely and exclusively on the covenant to pay under the Loan Agreement and the credit and financial standing of the Company. Noteholders shall have no recourse (direct or indirect) to any other asset of the Issuer.

The Issuer has charged, by way of first fixed charge in favour of the Trustee for the benefit of the Trustee and the Noteholders, certain of its rights and interests as lender under the Loan Agreement and under the Account (as defined in the Loan Agreement) as security for its payment obligations in respect of the Notes and under the Trust Deed (the "**Charge**") and has assigned certain other rights under the Loan Agreement to the Trustee (the "**Assigned Rights**" and, together with the Charge, the "**Security Interests**") excluding the Reserved Rights. "**Reserved Rights**" are the rights excluded from the Charge and the Assigned Rights, being all and any rights, interests and benefits of the Issuer in respect of the obligations of the Company under Clauses 2.3, 3.2, 3.4, 5.3 (other than the right to receive any amount payable under such Clause), 6.2 (to the extent that the Company shall reimburse the Issuer on demand for any amount paid by the Issuer in respect of taxes, penalties or interest), 6.3 (to the extent that the Issuer has received amounts to which the Noteholders are not entitled), 6.4, 6.5, 9, 12, 13.2, 13.3 and 13.8 (to the extent it applies to payments made with respect to any other Reserved Rights) of the Loan Agreement.

In certain circumstances, the Trustee can (subject to its being indemnified and/or secured and/or prefunded to its satisfaction) be required by Noteholders holding in aggregate at least 25 per cent. of the principal amount of the Notes outstanding (as defined in the Trust Deed) or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders to exercise certain of its powers under the Trust Deed (including those arising under the Security Interests).

Payments in respect of the Notes will be made (subject to the receipt of the relevant funds from the Company under the Loan Agreement) pursuant to a paying agency agreement (the "**Paying Agency Agreement**") dated 22 October 2020 and made between the Issuer, the Company, The Bank of New York Mellon, London Branch,

as the principal paying agent (the "**Principal Paying Agent**", which expressions shall include any successors), The Bank of New York Mellon SA/NV, Luxembourg Branch as the registrar and the transfer agent (a "**Registrar**" and a "**Transfer Agent**", which expression shall include any successors), and the Trustee. References herein to the "**Agents**" are to the Registrar, the Principal Paying Agent and the Transfer Agent and any reference to an "**Agent**" is to any one of them.

Copies of the Trust Deed, the Loan Agreement and the Paying Agency Agreement are available for inspection by Noteholders during normal business hours at (i) the registered office of the Trustee being, at the date hereof, One Canada Square, London E14 5AL, United Kingdom; (ii) the registered office of the Issuer being, at the date hereof, 2nd Floor, Palmerston □ouse, Fenian Street, Dublin 2, Ireland; and (iii) at the specified office of the Principal Paying Agent, the initial specified office of which is set out in the Paying Agency Agreement.

Certain provisions of these terms and conditions (the "**Conditions**") are summaries or restatements of, and are subject to, the detailed provisions of the Trust Deed, the Loan Agreement (the form of which is scheduled to and incorporated in the Trust Deed), and the Paying Agency Agreement. Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of all the provisions of the Loan Agreement and the Paying Agency Agreement that are applicable to them.

Unless otherwise stated, terms not defined herein shall have the same meanings given to them in the Trust Deed.

1 Status and Limited Recourse

The Notes are limited recourse secured obligations of the Issuer.

The sole purpose of the issue of the Notes is to provide the funds for the Issuer to finance the Loan. The Notes constitute the obligation of the Issuer to apply the proceeds from the issue of the Notes solely for financing the Loan and to account to the Noteholders for an amount equivalent to sums of principal, interest and additional amounts (if any) actually received (net of tax and other deductions) by or for the account of the Issuer pursuant to the Loan Agreement, less any amount in respect of the Reserved Rights.

The Trust Deed provides that payments in respect of the Notes equal to the sums actually received and retained (net of tax) by or for the account of the Issuer by way of principal, interest or additional amounts (if any) pursuant to the Loan Agreement, less any amount in respect of the Reserved Rights (after deduction or withholding of such taxes or duties as may be required to be made by the Issuer by law in respect of each such sum or in respect of the Notes to the extent that the Issuer has not received a corresponding payment in respect thereof) will be made *pro rata* among all Noteholders (subject to Condition 7), on the Business Day following the date of, and in the currency of, and subject to the conditions attaching to, the equivalent payment pursuant to the Loan Agreement. The Issuer shall not be liable to make any payment in respect of the Notes other than as expressly provided herein and in the Trust Deed. As provided therein, the Issuer shall be under no obligation to exercise in favour of the Noteholders any rights of set-off or to combine accounts or counterclaim that may arise out of other transactions between the Issuer and the Company.

Noteholders have notice of, and have accepted, these Conditions and the contents of the Trust Deed, the Paying Agency Agreement and the Loan Agreement. It is hereby expressly provided that, and Noteholders are deemed to have accepted that:

(a) neither the Issuer nor the Trustee makes any representation or warranty in respect of, or shall at any time have any responsibility for, or, (in the case of the Issuer) save as otherwise expressly provided in the Trust Deed, in Condition 1(f) below or in the Loan Agreement (in the case of the Issuer), any liability or obligation in respect of the performance and observance by the Company of its obligations under the Loan Agreement or the recoverability of any sum of principal or interest (or any additional amounts)

due or to become due from the Company under the Loan Agreement save that nothing in this Condition shall absolve the Trustee from responsibility and liability for performance of its trusts, duties and obligations pursuant to, and subject to the terms of, the Trust Deed;

(b) neither the Issuer nor the Trustee shall at any time have any responsibility for, or obligation or liability in respect of, the condition (financial or otherwise), creditworthiness, affairs, status, nature or prospects of the Company;

(c) neither the Issuer nor the Trustee shall at any time be liable for any representation or warranty or any act, default, fraud, negligence, bad faith or omission of the Company under or in respect of the Loan Agreement;

(d) neither the Issuer nor the Trustee shall at any time have any responsibility for, or liability or obligation in respect of, the performance and observance by the Agents of their respective obligations under the Paying Agency Agreement;

(e) the payment of principal, interest and other amounts, if any, under, and performance of the terms of, the Notes depend solely and exclusively upon performance by the Company of its obligations under the Loan Agreement and the Company's covenants to make payments under the Loan Agreement to procure that such payments are made and the Company's credit and financial standing;

(f) the Issuer and the Trustee shall be entitled to rely on delivery to them of Officers' Certificates (as defined in the Loan Agreement) and/or any other certificates (whether or not addressed to the Issuer or the Trustee) from the Company, as a means of monitoring whether a Default, an Event of Default has occurred, and whether the Company complying with its obligations under the Loan Agreement or as to the identity of the Company's Subsidiaries (as defined in the Loan Agreement) and shall not otherwise be responsible for investigating any aspect of the Company's performance in relation thereto and, subject as further provided in the Trust Deed, neither the Issuer as lender under the Loan Agreement nor the Trustee will be liable for any failure to make the usual or any investigations which might be made by a lender or a security holder (as applicable) in relation to the property which is subject to the Security Interests and held by way of security for the performance of, *inter alia*, the Issuer's obligations under the Notes, and shall not be bound to enquire into or be liable for any defect or failure in the right or title of the Issuer to the property which is the subject of the Trust Deed and held by way of security whether such defect or failure was known to the Trustee or might have been discovered upon examination or enquiry or whether capable of remedy or not, nor will the Trustee have any liability for the enforceability of the security created by the Security Interests whether as a result of any failure, omission or defect in registering or filing or otherwise protecting or perfecting such security, nor will the Trustee have any responsibility for the value or adequacy of such security;

(g) neither the Trustee nor the Issuer shall at any time be required to expend or risk its own funds or otherwise incur any financial liability in the performance of its obligations or duties or the exercise of any right, power, authority or discretion pursuant to these Conditions until the Issuer, or the Trustee, as the case may be, has received an indemnity and/or security to its satisfaction and/or the funds, payable in advance, that are necessary in its opinion to cover the costs and expenses in connection with such performance or exercise, or has been (in its sole discretion) sufficiently assured that it will receive such funds; and

(h) the Issuer will not be liable to make any payments to compensate for any withholding or deduction required to be made by or on behalf of the Issuer in respect of any payment relating to the Notes, or for any payment for or on account of tax required to be made by the Issuer on or in relation to any sum received by it under the Loan Agreement, which will or may affect payments made or to be made by the Company under the Loan Agreement, save to the extent that it has received additional amounts under

the Loan Agreement in respect of such withholding or deduction or payment, and the Issuer shall, furthermore, not be obliged to take any actions or measures as regards such deduction or withholding or payment, other than those set out in this context in the Loan Agreement. The Trustee shall have no liability in respect of any such deduction, withholding or payment.

Under the Trust Deed, the obligations of the Issuer in respect of the Notes rank *pari passu* and rateably without any preference among themselves.

In the event that the payments under the Loan Agreement are made by the Company to, or to the order of, the Trustee or (subject to the provisions of the Trust Deed) the Principal Paying Agent, they will *pro tanto*, to the extent of such payment, satisfy the obligations of the Issuer in respect of the Notes, except to the extent there is a failure in its subsequent payment to the relevant Noteholders.

Save as otherwise expressly provided herein and in the Trust Deed, no proprietary or other direct interest in the Issuer's rights under or in respect of the Loan Agreement or the Loan, (each as defined in the Trust Deed) exists for the benefit of the Noteholders. Subject to the terms of the Trust Deed, no Noteholder will have any entitlement to enforce the Loan Agreement or direct recourse to the Company, except through action by the Trustee pursuant to the relevant Security Interests granted to the Trustee in the Trust Deed. Neither the Issuer nor, following the enforcement of the Security Interests created in the Trust Deed, the Trustee shall be required to take any steps, actions or proceedings to enforce payment under the Loan Agreement unless it has been indemnified and/or secured and/or prefunded by the Noteholders to its satisfaction.

As provided in the Trust Deed, and notwithstanding any other provision hereof, the obligations of the Issuer are solely to make payments of amounts in aggregate equal to each sum actually received by or for the account of the Issuer pursuant to the Loan Agreement from the Company in respect of principal, interest or additional amounts (if any) (less any amount in respect of the Reserved Rights and after deduction or withholding of such taxes or duties as may be required to be made by the Issuer by law in respect of each such sum or in respect of the Notes to the extent that the Issuer has not received a corresponding payment (also after deduction or withholding of such taxes or duties as may be required to be made by the Issuer) in respect thereof pursuant to the Loan Agreement the right to receive which is being charged and assigned by way of security to the Trustee as aforesaid.

Accordingly, all payments to be made by the Issuer under the Notes will be made only from and to the extent of such sums received or recovered by or on behalf of the Issuer or the Trustee (following a Relevant Event (as defined in the Trust Deed) or (if applicable) an Event of Default (as defined in the Loan Agreement)). Noteholders shall look solely to such sums for payments to be made by the Issuer under the Notes, the obligation of the Issuer to make payments in respect of the Notes will be limited to such sums and Noteholders will have no further recourse to the Issuer or any of the Issuer's other assets (other than those subject to the Security Interests) in respect thereof. Noteholders must therefore rely solely and exclusively upon the covenant to pay under the Loan Agreement and the credit and financial standing of the Company and no other assets of the Issuer (other than those subject to the Security Interests) will be available to the Noteholders.

Notwithstanding any other provisions of these Conditions and the provisions of the Trust Deed, the Trustee and the Noteholders shall have recourse only to the Security Interests in accordance with Clause 4 of the Trust Deed. After realisation of the security which has become enforceable and distribution of the proceeds in accordance with Clause 8 of the Trust Deed, the obligations of the Issuer with respect to the Trustee and the Noteholders in respect of the Notes shall be satisfied and none of the foregoing parties may take any further steps against the Issuer to recover any further sums in respect thereof and the right to receive any such sums shall be extinguished. In particular, none of the Noteholders, the Trustee, nor any other person acting on behalf of any of them shall be entitled at any time to institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, administration, moratorium, reorganisation, controlled management, arrangement, insolvency,

examinership, winding-up or liquidation proceedings or similar insolvency proceedings under any applicable bankruptcy or similar law in connection with any obligation of the Issuer relating to the Notes or otherwise owed to the creditors or the Trustee, save for lodging a claim in the liquidation of the Issuer which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer.

No Noteholder nor the Trustee shall have any recourse against any director, shareholder, or officer of the Issuer in respect of any obligations, covenants or agreement entered into or made by the Issuer in respect of the Notes, except in the case of gross negligence, wilful default or fraud.

2 Form, Denomination, Register and Transfers

2.1 **Form and denomination:** Notes are issued in registered form, in the denominations of U.S.$200,000 or integral multiples of U.S.$1,000 in excess thereof (an "**Authorised Holding**"), without coupons attached.

The Notes will be initially issued in global, fully registered form, and represented by (i) a Rule 144A Global Certificate (the "Rule 144A Global Certificate"), interests in which are to be sold to qualified institutional buyers (each a "QIB"), within the meaning of, and pursuant to, Rule 144A ("Rule 144A") under the U.S. Securities Act of 1933 (the "Securities Act"), each of whom is also a qualified purchaser ("QP") (as defined in Section 2(a)(51)(A) of the U.S. Investment Company Act of 1940) and (ii) a Regulation S Global Certificate (the "Regulation S Global Certificate" and, together with the Rule 144A Global Certificate, the "Global Certificates"), interests in which are to be offered outside the United States to non-U.S. persons within the meaning of, and pursuant to, Regulation S under the Securities Act ("Regulation S") which will each be exchangeable for Notes in definitive, fully registered form in the limited circumstances specified in the Global Certificates and the Paying Agency Agreement.

2.2 **Register, Title and Transfers**:

(a) Register

The Registrar will maintain a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Paying Agency Agreement. In these Conditions, the "**holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly. A certificate (a "**Certificate**") will be issued to each Noteholder in respect of its registered holding of Notes.

(b) Title

Title to the Notes will pass by, and upon, registration in the Register. The holder of each Note shall (except as otherwise required by law or required by a court of competent jurisdiction) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such holder.

(c) Transfers

Subject to paragraph (e) of this Condition 2.2, a Note may be transferred upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the specified office of the Registrar or at the specified office of the Transfer Agent, together with such evidence as the Registrar or the Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided however, that a

Note may not be transferred unless the principal amount of the Notes transferred and (where not all of the Notes held by a holder are being transferred) the principal amount of the balance of the Notes not transferred are Authorised Holdings. Where not all the Notes represented by the surrendered Certificates are the subject of the transfer, a new Certificate in respect of the balance of the Notes not transferred will be issued to the transferor.

(d) Registration and delivery of Definitive Notes

Subject to the terms of the Paying Agency Agreement and paragraph (e) of this Condition 2.2, within three business days of the surrender of a Certificate in accordance with the immediately preceding paragraph above, the Registrar will register the transfer in question and deliver a new Certificate to each relevant holder at its specified office or (at the request and risk of such relevant holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant holder. In this paragraph, "**business day**" means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city where the Registrar has its specified office. In the case of the transfer of only a part of the Notes, a new Certificate in respect of the balance of the Notes not transferred will be so delivered or (at the risk and, if mailed at the request of the transferor otherwise than by ordinary uninsured mail, at the expense of the transferor) sent by mail to the transferor.

The transfer of Notes will be effected without charge but against such indemnity as the Registrar or the Transfer Agent, as applicable, may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

Noteholders may not require transfers to be registered (i) during the period of 15 calendar days ending on (and including) the due date for redemption of that Note, (ii) during the period of 15 days prior to (and including) any date on which the Notes may be called for redemption by the Issuer at its option pursuant to Condition 5, (iii) after Notes have been called for redemption, (iv) following the exercise of any Noteholder option pursuant to Condition 5, (v) during the period of seven days ending on (and including) any Record Date.

(e) Regulations concerning Transfers and Registration

All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Paying Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

3 Restrictive Covenant

As provided in the Trust Deed, so long as any of the Notes remains outstanding (as defined in the Trust Deed), the Issuer will not, without the prior written consent of the Trustee or an Extraordinary Resolution or a Written Resolution (each as defined in the Trust Deed), agree to any novation, assignment or amendment to, or any modification, recission, cancellation, termination or waiver of, or authorise any breach or proposed breach of, the terms of the Loan Agreement (other than in respect of Reserved Rights) and will act at all times in accordance with any instructions of the Trustee from time to time with respect to the Loan Agreement, except as otherwise expressly provided in the Trust Deed or the Loan Agreement, as the case may be. Any such novation, assignment, amendment, modification, rescission, cancellation, termination, waiver, or authorisation made with the consent of the Trustee shall be binding on the Noteholders and, unless the Trustee agrees otherwise, shall be notified by the Issuer to the Noteholders in accordance with Condition 13.

Save as provided above, so long as any Note remains outstanding, the Issuer, without the prior written consent of the Trustee or an Extraordinary Resolution or a Written Resolution, shall not, *inter alia*, (i) incur any indebtedness for borrowed moneys other than (a) issuing the Notes and any further notes in accordance with Condition 14 or (b) issuing notes on a limited recourse basis secured on assets of the Issuer (other than the assets over which the Security Interests have been created, the assets on which any other obligations of the Issuer are secured and the Issuer's share capital), (ii) engage in any business (other than acquiring and holding the property over which the Security Interests have been created, entering into and performing any agreement related to the Notes or any issue of any further notes or other notes on a limited recourse basis as aforesaid or acts incidental to or necessary in connection with the Notes or such related agreements (including in respect of any security or a transaction fee in connection therewith), making the Loan to the Company pursuant to the Loan Agreement or any future loans to the Company in connection with the issue of further notes as aforesaid and performing any act incidental to or necessary in connection therewith), (iii) have any subsidiaries or employees, (iv) purchase, own, lease or otherwise acquire any real property (including office premises or like facilities), (v) except as permitted in the Trust Deed, dispose of any property over which the Security Interests have been created or any interest therein, (vi) consolidate or merge with any other person or (vii) convey or transfer its properties or assets substantially as an entirety to any person (otherwise than as contemplated in these Conditions and the Trust Deed), (viii) issue any shares (other than any shares necessary to convert to a public limited company in Ireland or as are in issue as at the date of the Trust Deed) (to the extent the same is within the control of the Issuer), (ix) declare any dividends, make any distribution to its shareholders, give any guarantees or assume any other liability, or, subject to the laws of Ireland, petition for any winding-up or bankruptcy, or (x) open or have any interest in any account with a bank or financial institution (other than (a) the Account; (b) the account held by the Issuer with The Bank of New York Mellon, London Branch as Account Bank into which the subscription proceeds of the Notes (if any), the Facility Fee (as defined in the Loan Agreement) and the ongoing expenses of the Issuer are to be paid; and (c) any account relating to any further notes issued pursuant to the Trust Deed or other notes issued on a limited recourse basis for the purposes of making loans to the Company or any charged property relating thereto), save where any such account or the Issuer's interest in it is simultaneously charged in favour of the Trustee so as to form part of such charged property or such account is opened in connection with the administration and management of the Issuer and only moneys necessary for that purpose are credited to it, including for the avoidance of doubt, its share capital.

4 Interest

On each Interest Payment Date (or such later date as amounts equivalent to amounts of interest due on such date are received by the Issuer pursuant to the Loan Agreement) the Issuer shall account to the Noteholders for an amount equal to the amount of interest actually received by or for the account of the Issuer pursuant to the Loan Agreement, which interest under the Loan is payable at a rate of 9.000 per cent. per annum as set out in Clause 4 of the Loan Agreement.

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (after as well as before judgment) at the rate of interest and until the time set out in Clause 4 of the Loan Agreement.

In these Conditions, "**Interest Payment Date**" means 22 April and 22 October of each year commencing on 22 April 2021.

5 Redemption and Purchase

(a) Final Redemption

Unless previously prepaid or repaid pursuant to the terms of the Loan Agreement, the Company will be required to repay the Loan one Business Day prior to the Repayment Date (as defined in the Loan Agreement) and, subject to such repayment, as set forth in the Loan Agreement, all the Notes then remaining outstanding will on the Repayment Date, or as soon thereafter as such repayment of the Loan is actually received, be redeemed or repaid by the Issuer at 100 per cent. of the principal amount thereof together with accrued interest.

(b) Early Redemption

Under the Loan Agreement:

(i) the Company may, in the circumstances set out in Clause 5.2 of the Loan Agreement prepay the Loan in whole but not in part; or

(ii) the Issuer may require the Company to prepay the Loan in whole but not in part in the circumstances set out in Clause 5.3 of the Loan Agreement.

If the Loan should become repayable pursuant to Clauses 5.2, 5.3 or 11 of the Loan Agreement prior to the Repayment Date, as set forth in the Loan Agreement, all Notes then remaining outstanding will thereupon become due and redeemable or repayable at 100 per cent. of the principal amount together with accrued interest and (subject to the Loan being repaid together with accrued interest) shall be redeemed or repaid by the Issuer on the date specified pursuant to the Loan Agreement and the Issuer will use all reasonable endeavours to give not less than 15 days' notice thereof to the Trustee and the Noteholders in accordance with Condition 13.

(c) Redemption at the Option of the Noteholders in the event of a Change of Control

On the occurrence of a Change of Control Put Event (as defined in the Loan Agreement), the holder of a Note will have the option (the "**Change of Control Put Option**") to require the Issuer to redeem such Note on the Change of Control Put Settlement Date (as defined below) at 101 per cent. of its principal amount together with accrued interest (if any) to the Change of Control Put Settlement Date.

Promptly upon the Issuer becoming aware (either by receiving written notice from the Company or otherwise) that a Change of Control Put Event has occurred, the Issuer shall give notice (a "**Change of Control Put Event Notice**") to the Noteholders in accordance with Condition 13, specifying (i) that a Change of Control Put Event has occurred (ii) the details, circumstances and relevant facts, giving rise to such Change of Control, (iii) the Change of Control Put Period (iv) the procedure for exercising the Change of Control Put Option and (v) that any Note not properly tendered or not tendered at all prior to the Change of Control Put Settlement Date will remain outstanding and continue to accrue interest and additional amounts (if any).

In order to exercise the Change of Control Put Option, the holder of a Note must deliver no later than 60 calendar days after the Change of Control Put Event Notice is given (the "**Change of Control Put Period**"), to the specified office of the Principal Paying Agent, evidence satisfactory to the Principal Paying Agent of such holder's entitlement to such Note and a duly completed change of control put option notice (a "**Change of Control Put Option Notice**") specifying the principal amount of the Notes in respect of which the Change of Control Put Option is exercised, in the form obtainable from the Principal Paying Agent. The Principal Paying Agent will provide such Noteholder with a non-transferable receipt. On the Business Day (as defined in the Loan Agreement) following the end of the

Change of Control Put Period, the Principal Paying Agent shall notify in writing the Issuer and the Company of the exercise of the Change of Control Put Option specifying the aggregate principal amount of the Notes to be redeemed in accordance with the Change of Control Put Option. Provided that the Notes that are the subject of any such Change of Control Put Option Notice have been delivered to the Principal Paying Agent prior to the expiry of the Change of Control Put Period, then the Issuer shall (subject to the receipt of sufficient funds to do so from the Company pursuant to the Loan Agreement) redeem all such Notes on the date falling five Business Days after the expiration of the Change of Control Put Period (the "**Change of Control Put Settlement Date**"). No Change of Control Put Option Notice, once delivered to the Principal Paying Agent in accordance with this Condition 5(c), may be withdrawn.

(d) Optional Redemption at the option of the Issuer under Make Whole Call Option

At any time, the Company may, at its option, on giving not less than 30 nor more than 60 days' notice to the Issuer (which notice shall be irrevocable and shall specify the Make Whole Optional Prepayment Date (as defined in the Loan Agreement), prepay the Loan in whole (but not in part) at the Make Whole Prepayment Amount (as defined in the Loan Agreement) plus accrued and unpaid interest on the Loan so prepaid to but excluding the Make Whole Optional Prepayment Date (the "**Make Whole Call Option**").

Immediately on receipt of such notice, the Issuer shall forward it to the Noteholders (in accordance with Condition 13), the Trustee and the Principal Paying Agent. If, as a result of the exercise of the Make Whole Call Option, the Loan is prepaid by the Company as set forth in the Loan Agreement prior to the Repayment Date, the Notes will thereupon become due and repayable and the Issuer shall, subject to receipt of the relevant amounts from the Company under the Loan, redeem the Notes on the Make Whole Optional Prepayment Date.

The Issuer's obligations in respect of this Condition 5(d) to redeem and make payment for the Notes shall constitute an obligation only to account to Noteholders on the Make Whole Optional Prepayment Date for an amount equivalent to the sums received by or for the account of the Issuer pursuant to the Loan Agreement.

(e) Optional Redemption at the option of the Issuer under Equity Call Option

At any time, upon not less than 30 nor more than 60 days' notice to the Issuer (which notice shall be irrevocable and shall specify the Equity Call Prepayment Date (as defined in the Loan Agreement), the Company may, at its option, on any one or more occasions prepay up to 35 per cent. of the aggregate principal amount of the Loan in the amount equal to 109.0 per cent. of the Loan that is being prepaid, plus accrued and unpaid interest on the Loan so prepaid to but excluding the Equity Call Prepayment Date with the net cash proceeds of one or more Equity Offerings (as defined in the Loan Agreement); provided that:

(i) at least 65 per cent. of the aggregate principal amount of the Loan remains outstanding immediately after the occurrence of such repayment; and

(ii) the prepayment occurs within 90 days of the date of the closing of such Equity Offering,

(the "**Equity Call Option**").

Immediately on receipt of such notice, the Issuer shall forward it to the Noteholders (in accordance with Condition 13), the Trustee and the Principal Paying Agent. If, as a result of the exercise of the Equity Call Option, the Loan is prepaid by the Company as set forth in the Loan Agreement prior to the Repayment Date, the Notes will thereupon become due and repayable and the Issuer shall, subject to

receipt of the relevant amounts from the Company under the Loan, redeem the corresponding principal amount of the Notes on the Equity Call Prepayment Date.

In the case of a partial redemption, the Notes shall be selected for redemption either: (a) in accordance with the procedures of the relevant clearing systems; or (b) if the Notes are not held in a clearing system or if the relevant clearing systems prescribe no method of selection, the Notes will be redeemed on a pro rata basis according to the holding of each Noteholder; subject, in each case, to compliance with any applicable laws and stock exchange or other relevant regulatory requirements. Neither the Trustee nor any Agent shall have any liability for any selection made pursuant to this Condition 5(e).

The Issuer's obligations in respect of this Condition 5(e) to redeem and make payment for the Notes shall constitute an obligation only to account to Noteholders on the Equity Call Prepayment Date for an amount equivalent to the sums received by or for the account of the Issuer pursuant to the Loan Agreement.

(f) Purchases

The Loan Agreement provides that the Issuer, the Company or any member of the Group (as defined in the Loan Agreement) may, among other things, purchase Notes from time to time, in the open market or by tender or by private agreement at any price. In addition, in certain circumstances set out in Clause 7.4 of the Loan Agreement, the Company shall also offer to purchase Notes pursuant to the Asset Sale Offer (as defined in the Loan Agreement) at 100 per cent. of principal amount thereof together with accrued and unpaid interest and additional amounts (if any), to the date of purchase. Notes so purchased may be held, reissued, resold or, at the option of the Company or any such member of the Group, delivered to the Issuer together with a request for the Issuer to redeem and thereafter cancel such Notes, whereupon the Issuer shall, pursuant to the Paying Agency Agreement, instruct the Registrar, subject to the satisfaction of certain conditions set out in the Loan Agreement, to redeem and cancel such Notes. Upon the cancellation of such Notes, the Loan shall be treated as prepaid by the Company in an amount corresponding to the aggregate principal amount of the Notes surrendered for cancellation, together with accrued interest (if any) thereon, and no further payment shall be made or required to be made by the Issuer in respect of such Notes.

The Issuer may compel any beneficial owner of Notes initially sold pursuant to Rule 144A to certify that it is a QIB that is also a QP and may compel any such beneficial owner to sell its interest in such Notes, or may sell such interest on behalf of such holder, if such holder is a U.S. person that is not a QIB that is also a QP.

6 Payments

(a) Principal

Payments of principal shall be made by U.S. Dollar cheque drawn on, or, upon request by the holder of a Note to the specified office of any Paying Agent, by transfer to a U.S. Dollar account maintained by the payee with, a bank in New York City upon surrender of the relevant Certificates at the specified office of any Paying Agent or at the specified office of the Transfer Agent.

(b) Interest

Payments of interest shall be made by U.S. Dollar cheque drawn on, or, upon request by the holder of a Note to the specified office of any Paying Agent, by transfer to, a U.S. Dollar account maintained by the payee with, a bank in New York City and (in the case of interest payable on redemption) upon surrender

of the relevant Certificates at the specified office of any Paying Agent or at the specified office of the Transfer Agent.

(c) Payments subject to fiscal law

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) Payments on business day

A Note may only be presented for payment on a day which is a business day in the place of presentation. If the due date for payment of interest or principal is not a business day, the holder of a Note shall not be entitled to payment of the amount due until the next following business day and shall not be entitled to any further interest or other payment in respect of any such delay. In this Condition 6, "**business day**" means a day on which (i) the London interbank market is open for dealings between banks generally and (ii) if on that day a payment is to be made hereunder, commercial banks generally are open for business in Minsk, Dublin, New York City and in the city where the specified office of the Principal Paying Agent is located.

(e) Record Date

Each payment in respect of a Note will be made to the person shown as the holder in the Register at the opening of business (in the place of the Registrar's specified office) on the business day before the due date for each payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be, at the expense of the Issuer, mailed to the address shown as the address of the Noteholder in the Register at the opening of business on the relevant Record Date.

(f) Agents

The Paying Agency Agreement provides that the Issuer may at any time, with the prior written approval of the Trustee and the Company appoint a successor Registrar or Principal Paying Agent and/or additional or successor paying agents or transfer agents provided that for so long as any of the Notes are outstanding, the Issuer will ensure that it maintains (i) a Principal Paying Agent, and (ii) a Registrar for so long as the Notes are listed and/or admitted to trading on any stock exchange and (iii) a Paying Agency that may be required under rules and regulations of such stock exchange. Any such appointment of successor or other Agents shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not more than 45 days' and not less than 30 days' notice thereof shall have been given to the continuing Agents, the Company, the Trustee and to the Noteholders in accordance with Condition 13.

In acting under the Paying Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

(g) Payments by the Company

Save as directed by the Trustee at any time after the Security Interests created in the Trust Deed become enforceable, the Issuer will require the Company to make all payments of principal, interest and any additional amounts to be made pursuant to the Loan Agreement, to the Principal Paying Agent to an account in the name of the Issuer with the Principal Paying Agent. Pursuant to the Charge, the Issuer will charge by way of first fixed charge, all its rights, title and interest in and to all sums of money (including interest from time to time earned on the Account, if any, but with the exception of sums

relating to the Reserved Rights) then or in the future so deposited in such account and the debts represented thereby to the Trustee for the benefit of the Trustee and the Noteholders.

(h) *Currency other than U.S. Dollars*

In respect of the Issuer's obligations under Conditions 4, 5 and 7, and subject to the following sentence, if the Issuer receives any amount under the Loan Agreement in a currency other than U.S. Dollars, the Issuer's obligation under the relevant Condition shall be fully satisfied by paying such sum (after deducting any costs of exchange) as the Issuer receives upon conversion of such sum into U.S. Dollars in accordance with customary banking practice in the spot market on the business day immediately following the day on which such sum is received by the Issuer, provided that the Issuer shall use its best efforts to procure any payments due from the Company pursuant to Clause 13.8 of the Loan Agreement. If the Issuer receives any payment from the Company pursuant to Clause 13.8 of the Loan Agreement with respect to amounts due under the Notes, the Issuer shall pay such sum to the Noteholders in accordance with this Condition 6.

7 Taxation

All payments in respect of the Notes by or on behalf of the Issuer shall be made free and clear of and without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied, collected, withheld or assessed by or on behalf of Ireland or the Republic of Belarus or any political subdivision or any authority thereof or therein having the power to tax (or, in the event of a Relevant Event, the jurisdiction where the Trustee is domiciled for tax purposes), unless the deduction or withholding of such taxes or duties is required by law or required pursuant to FATCA (as defined below).

In such event, the Issuer shall make such additional payments as shall result in the receipt by the Noteholders of such amount as would have been received by them if no such withholding or deduction had been required. However, the Issuer shall only be required to make such additional payments to the extent and at such time as it shall receive equivalent sums from the Company under the Loan Agreement, as the case may be. To the extent that the Issuer does not receive any such equivalent sum, the Issuer shall account to the relevant Noteholder for an additional amount equivalent to a *pro rata* proportion of such additional amount (if any) as is actually received by, or for the account of, the Issuer pursuant to the provisions of the Loan Agreement on the date of, in the currency of, and subject to any conditions attaching to the payment of such additional amount to the Issuer provided that no such additional amount will be payable:

(i) to a Noteholder who (i) is able to avoid such deduction or withholding by satisfying any statutory requirements or by making a declaration of non-residence or other claim for exemption to the relevant tax authority; or (ii) is liable for such taxes or duties by reason of his having some connection with Ireland other than the mere holding of such Notes or the receipt of payments in respect thereof; or

(ii) in respect of a Note presented for payment of principal more than 30 days after the Relevant Date except to the extent that such additional payment would have been payable if such Note had been presented for payment on such thirtieth day.

As used herein, "**FATCA**" means (a) sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986 or any associated regulations or other official guidance, (b) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the United States and any other jurisdiction, which (in either case) facilitates the implementation of item (a) above, or (c) any agreement or regulations pursuant to the implementation of items (a) or (b) above with the U.S. Internal Revenue Service, the U.S. government or any governmental or taxation authority in any other jurisdiction.

As used herein, "**Relevant Date**" means the later of (i) the date on which the equivalent payment under the Loan Agreement first becomes due and (ii) if the full amount payable by the Company corresponding to such payment has not been received by, or for the account of, the Issuer pursuant to the Loan Agreement on or prior to such date, it means the date on which such full amount shall have been so received and notice to that effect shall have been duly given to the Noteholders by or on behalf of the Issuer in accordance with Condition 13.

Any reference herein or in the Trust Deed to payments in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable in accordance with the Trust Deed and this Condition 7 or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed. If the Issuer becomes subject to any taxing jurisdiction other than or in addition to Ireland, references in these Conditions to Ireland shall be construed as references to Ireland and/or such other jurisdiction.

8 Enforcement

The Trust Deed provides that only the Trustee may pursue the remedies under the general law, the Trust Deed or the Notes to enforce the rights of the Noteholders and no Noteholder will be entitled to pursue such remedies unless the Trustee (having become bound to do so in accordance with the terms of the Trust Deed) fails to do so within a reasonable period and such failure is continuing.

The Trust Deed also provides that, in the case of a Default, or of a Relevant Event, the Trustee may, and shall, if requested in writing to do so by Noteholders holding at least 25 per cent. in aggregate principal amount of the Notes outstanding, or if directed to do so by an Extraordinary Resolution, and, in any such case, subject to its being secured and/or indemnified and/or prefunded to its satisfaction, institute such steps, actions or proceedings as it may think fit (subject to the non-petition covenant in Condition 1) to enforce the rights of the Noteholders and the provisions of the Trust Deed, including to declare all amounts payable under the Loan Agreement by the Company to be immediately due and payable (in the case of a Default), or enforce any rights under the Security Interests created in the Trust Deed in favour of the Trustee (in the case of a Relevant Event). Upon repayment of the Loan following a Default and a declaration as provided herein, the Notes will be redeemed or repaid at their principal amount together with accrued interest thereon and thereupon shall cease to be outstanding.

9 Meetings of Noteholders; Modification of Notes, Trust Deed and Loan Agreement; Waiver; Substitution of the Issuer

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including any modification of, or any arrangement in respect of, the Notes, the Loan Agreement or the Trust Deed. Noteholders will be entitled to one vote per U.S.$1,000 in principal amount of Notes held by them. Such a meeting may be convened by the Issuer, the Company or the Trustee and shall be convened by the Issuer or by the Trustee, subject to its being indemnified and/or secured and/or prefunded to its satisfaction, upon the request in writing of Noteholders holding not less than one tenth of the principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons present holding or representing a clear majority in principal amount of the outstanding Notes or, at any adjourned meeting, one or more persons present being or representing Noteholders whatever the outstanding principal amount of the Notes held or represented; provided, however, that any meeting the business of which includes the modification of certain terms concerning, *inter alia*, the amount payable on, and the currency of payment in respect of, the Notes and the amounts payable and currency of payment under the Loan Agreement, may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more persons present holding or representing not less than two-thirds or, at any adjourned meeting, one-half of the principal amount of the outstanding Notes form a quorum.

Under the terms of the Trust Deed, an Extraordinary Resolution means a resolution passed at a meeting of the Noteholders duly convened and held in accordance with Schedule 4 to the Trust Deed by a majority of at least 75 per cent. of the votes cast. Any resolution duly passed at a meeting of Noteholders will be binding on all the Noteholders, whether present or not.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. of the aggregate principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

The Trustee may agree, without the consent of the Noteholders, to any modification of these Conditions, the Notes, the Trust Deed, the Paying Agency Agreement or following the creation of any Security Interests, the Loan Agreement (subject, in the case of the Loan, to the following paragraph) which, in each case following, in the opinion of the Trustee is of a formal, minor or technical nature, is made to correct a manifest error or (other than as mentioned in the Trust Deed) in the opinion of the Trustee is not materially prejudicial to the interests of the Noteholders.

The Trustee may also waive or authorise or agree to the waiving or authorising of any breach or proposed breach by the Issuer of the Conditions or the Trust Deed or, following the creation of the Security Interests, by the Company of the terms of the Loan Agreement, or determine that any event which would or might otherwise give rise to a right of acceleration under the Loan Agreement or any Relevant Event shall not be treated as such (in each case other than any such breach or proposed breach in respect of Reserved Rights), if in the opinion of the Trustee, to do so would not be materially prejudicial to the interests of the Noteholders, provided always that the Trustee may not exercise such power of waiver in contravention of a written request given by holders of 25 per cent. in aggregate principal amount of the Notes then outstanding or any express direction by Extraordinary Resolution or Written Resolution. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Trustee agrees otherwise, shall be promptly notified to the Noteholders in accordance with Condition 13.

The Trust Deed contains provisions to the effect that the Trustee may, with the consent of the Company, and further provided certain conditions have been met (as further set out in the Trust Deed), and subject to the Issuer and/or the Company having complied with the requirements set out in the Trust Deed and such requirements as the Trustee may direct in the interest of Noteholders, substitute any entity in place of the Issuer as creditor under the Loan Agreement, as issuer and principal obligor in respect of the Notes and as obligor under the Trust Deed, subject to the substitute's rights under the Loan Agreement being charged and assigned to the Trustee as security for the payment obligations of the substitute obligor under the Trust Deed and the Notes. Not later than 14 days after compliance with the aforementioned requirements, notice thereof shall be given by the Issuer to the Noteholders in accordance with Condition 13, failing which the Issuer shall use its best endeavours to ensure that the substitute obligor does so.

In connection with the exercise of any of its powers, trusts, authorities or discretions, the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, shall not have regard to the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. No Noteholder is entitled to claim from the Issuer or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

10 Prescription

Notes will become void unless presented for payment within 10 years (in the case of principal) or five years (in the case of interest) from the due date for payment in respect thereof.

11 Indemnification of Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances, including provisions relieving it from taking steps, actions or proceedings to enforce payment unless indemnified and/or secured and/or prefunded to its satisfaction, and to be paid its costs and expenses in priority to any claims of Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and/or the Company and any entity relating to the Issuer and/or the Company without accounting for any profit.

The Trustee's responsibilities are solely those of trustee for the Noteholders on the terms of the Trust Deed. Accordingly, the Trustee makes no representations and assumes no responsibility for the validity or enforceability of the Loan Agreement or the security created in respect thereof or for the performance by the Issuer of its obligations under or in respect of the Notes, Loan Agreement and the Trust Deed or by the Company in respect of the Loan Agreement. The Trustee is entitled to assume that the Company is performing all of its obligations pursuant to the Loan Agreement and that the Issuer is performing its obligations under the Notes, the Loan Agreement and the Trust Deed (and shall have no liability for doing so).

The Trustee shall have no liability to any Noteholder or any other person for any shortfall it may suffer if it is liable for tax in respect of any payments received by it or as a result of the Security Interests being enforced by it.

12 Replacement of Notes

If a Certificate shall become mutilated, defaced, lost, stolen or destroyed it may, subject to all applicable laws and regulations and requirements of any stock exchange on which the Notes are from time to time listed or quoted, be replaced at the specified offices of the Transfer Agent in London on payment of such costs, expenses, taxes and duties as may be incurred in connection therewith and on such terms as to evidence, security and indemnity and otherwise as may reasonably be required by or on behalf of the Issuer and/or the Transfer Agent. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13 Notices

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. All notices to Noteholders shall be filed with the Companies Announcements Office of the Stock Exchange. The Issuer shall also ensure that all notices are duly published (if such publication is required) in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed and/or admitted to trading. Any such notice shall be deemed to have been given on the date of such notice.

14 Further Issues

The Issuer may from time to time, with the consent of the Company but without the consent of the Noteholders, create and issue, as provided in Condition 2, either (1) limited recourse notes or bonds or (2) further notes or bonds having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) so as to be consolidated and form a single series with the Notes, provided, however,

that, unless such further notes or bonds are issued under a separate CUSIP or ISIN, either such further notes or bonds, as the case may be, and the Notes are part of the same "issue" within the meaning of United States Treasury Regulation Section 1.1275-1(f) (including, for the avoidance of doubt, being part of a "qualified reopening" within the meaning of U.S. Treasury Regulation Section 1.1275-2(k)) or neither the Notes nor such notes or bonds are issued with original issue discount for U.S. federal income tax purposes. Such further notes shall be issued under a deed supplemental to the Trust Deed containing such provisions as the Trustee may require. In relation to any further issue which is to be consolidated and form a single series with the Notes, the Issuer will enter into a loan agreement with the Company on the same terms as the Loan Agreement (or the same terms except for the first payment of interest) and supplemental to the Loan Agreement, or may amend and restate the same with the Company on substantially the same terms as the Loan Agreement. The Issuer will provide a first fixed charge in favour of the Trustee in respect of certain of its rights and interests under such loan agreement and will assign absolutely to the Trustee certain of its rights under such loan agreement, which will secure both the Notes and such further notes and which will supplement the Security Interests in relation to the existing Notes or may amend and supplement the Security Interests for such purpose. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides. Application will be made for such further notes or bonds to be listed and admitted to trading on the stock exchange on which the Notes are from time to time listed or quoted.

15 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

16 Governing Law; Arbitration

The Notes, these Conditions, the Trust Deed and any non-contractual obligations arising out of or in connection therewith shall be governed by, and construed in accordance with, English law.

The Issuer has submitted in the Trust Deed to the jurisdiction of the courts of England and has appointed an agent for the service of process in England. The Issuer and the Company have in the Loan Agreement agreed that any dispute or claim arising out of, under or connected with the Loan Agreement including a dispute or claim as to their existence, validity or termination shall be referred to and finally resolved by arbitration under the LCIA Rules, which rules are deemed to be incorporated by reference in the Loan Agreement, subject to the exceptions set out therein. The Company and the Issuer have appointed agents for the service of process in England.

SUMMARY OF THE PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The following is a summary of the provisions to be contained in the Trust Deed to constitute the Notes and in the Global Certificate which will apply to, and in some cases modify, the Conditions while the Notes are represented by the Global Certificate.

The Global Note Certificates

The Regulation S Notes will be evidenced on issue by the Regulation S Global Note Certificate registered in the name of a nominee for, and deposited with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg. Beneficial interests in the Regulation S Global Note Certificate may be held only through Euroclear or Clearstream, Luxembourg at any time. See "*Clearing and Settlement—Book-Entry Procedures for the Global Note Certificates*". By acquisition of a beneficial interest in the Regulation S Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that it is not a U.S. person, that it is located outside the United States and that, if it determines to transfer such beneficial interest prior to the expiration of the "distribution compliance period" (as such term is defined in Rule 902 of Regulation S), it will transfer such interest only (a) to a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (b) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB that is also a QP purchasing for its own account or the account of a QIB that is also a QP, in each case in accordance with any applicable securities laws of any state of the United States. See "*Transfer Restrictions*".

The Rule 144A Notes will be evidenced on issue by the Rule 144A Global Note Certificate deposited with a custodian for, and registered in the name of a nominee of, DTC. Beneficial interests in the Rule 144A Global Note Certificate may only be held through DTC at any time. See "*Clearing and Settlement—Book-Entry Procedures for the Global Note Certificates*". By acquisition of a beneficial interest in the Rule 144A Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Trust Deed. See "*Transfer Restrictions*".

Beneficial interests in Global Note Certificates will be subject to certain restrictions on transfer set forth therein and in the Trust Deed and the Global Note Certificates will bear the applicable legends regarding the restrictions set forth under "*Transfer* Restrictions". A beneficial interest in the Regulation S Global Note Certificate may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note Certificate only in denominations greater than or equal to the minimum denominations applicable to interests in the Rule 144A Global Note Certificate and only upon receipt by the Registrar of a written certification (in the form provided in a Paying Agency Agreement relating to the Notes (the "**Paying Agency Agreement**")) to the effect that the transferor reasonably believes that the transferee is a QIB and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Beneficial interests in the Rule 144A Global Note Certificate may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate only upon receipt by the Registrar of a written certification (in the form provided in the Paying Agency Agreement) from the transferor to the effect that the transfer is being made in an offshore transaction in accordance with Regulation S.

Any beneficial interest in the Regulation S Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note Certificate will, upon transfer, cease to be an interest in the Regulation S Global Note Certificate and become an interest in the Rule 144A Global Note Certificate, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Rule 144A Global Note Certificate for as long as it remains such an interest. Any beneficial interest in the Rule 144A Global Note Certificate that is transferred to a person who takes delivery

in the form of an interest in the Regulation S Global Note Certificate will, upon transfer, cease to be an interest in the Rule 144A Global Note Certificate and become an interest in the Regulation S Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Regulation S Global Note Certificate for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Except in the limited circumstances described below, owners of beneficial interests in Global Note Certificates will not be entitled to receive physical delivery of Definitive Certificates. The Notes are not issuable in bearer form.

Exchange For Definitive Certificates

Exchange

Subject to receipt by the Issuer of the funds necessary to cover the cost realised from the Company, each Global Note Certificate will be exchangeable, free of charge to the holder, on or after its Exchange Date (as defined below), in whole but not in part, for Notes in definitive form if: (i) a Global Note Certificate is held by or on behalf of (A) DTC, and DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Global Note Certificate or ceases to be a "clearing agency" registered under the Exchange Act or if at any time it is no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC or (B) Euroclear or Clearstream, Luxembourg, as the case may be, and Euroclear or Clearstream, Luxembourg, as the case may be, is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, by the holder giving notice to the Registrar or any Transfer Agent and the Issuer or (ii) the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 7 which would not be suffered were the Notes in definitive form and a note to such effect signed by the requisite number of signatories of the Issuer is delivered to the Trustee, by the Issuer giving notice to the Registrar or any Transfer Agent and the Noteholders of its intention to exchange the relevant Global Note Certificate for Definitive Certificates on or after the Exchange Date (as defined below) specified in the notice or (iii) the Trustee has instituted or has been directed to institute any judicial proceeding in a court to enforce the rights of the Noteholders under the Notes and the Trustee has been advised by counsel that in connection with such proceeding it is necessary or appropriate for the Trustee to obtain possession of the Notes, by the Trustee giving notice to the Registrar or any Transfer Agent and the Noteholders.

The Registrar will not register the transfer of, or exchange of interests in, a Global Note Certificate for Definitive Certificates for a period of 15 calendar days ending on the date for any payment of principal or interest in respect of the Notes.

If only one of the Global Note Certificates (the "**Exchanged Global Note Certificate**") becomes exchangeable for Definitive Certificates in accordance with the above paragraphs, transfers of Notes may not take place between, on the one hand, persons holding Definitive Certificates issued in exchange for beneficial interests in the Exchanged Global Note Certificate and, on the other hand, persons wishing to purchase beneficial interests in the other Global Note Certificate.

"**Exchange Date**" means a day falling not later than 90 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar and any Transfer Agent is located.

Delivery

In such circumstances, the relevant Global Note Certificate shall be exchanged in full for Definitive Certificates and the Issuer will, at the ***cost*** of the Issuer (and against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in a Global Note Certificate must provide the Registrar with (a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Notes and (b) in the case of the Rule 144A Global Note Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a QIB that is also a QP. Definitive Certificates issued in exchange for a beneficial interest in the Rule 144A Global Note Certificate shall bear the legend applicable to transfer pursuant to Rule 144A, as set forth under "*Transfer Restrictions*".

Legends

The holder of a Definitive Certificate may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Rule 144A Definitive Certificate bearing the legend referred to under "*Transfer Restrictions*", or upon specific request for removal of the legend on a Rule 144A Definitive Certificate, the Issuer will deliver only Rule 144A Definitive Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act.

In addition, each Global Note Certificate will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Notes evidenced by the Global Note Certificate. The following is a summary of these provisions:

Payments

Payments of principal and interest in respect of Notes evidenced by a Global Note Certificate shall be made to the person who appears at the relevant time on the register of Noteholders as holder of the relevant Global Note Certificate against presentation and (if no further payment falls to be made on it) surrender thereof to or to the order of the Principal Paying Agent (or to or to the order of such other Paying Agent as shall have been notified to the Noteholders for this purpose) which shall endorse such payment or cause such payment to be endorsed in Schedule A to the relevant Global Certificate (such endorsement being *prima facie* evidence that the payment in question has been made). No person shall however be entitled to receive any payment on the relevant Global Note Certificate falling due after the Exchange Date, unless the exchange of the relevant Global Note Certificate for the relevant Definitive Certificates is improperly withheld or refused by or on behalf of the Issuer.

Notices

Notwithstanding Condition 13, so long as the Global Note Certificate is held by or on behalf of DTC, Euroclear, Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**"), notices to Noteholders represented by the Global Note Certificate may be given by delivery of the relevant notice to DTC, Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System provided that,

for so long as the Notes are listed, all notices will also be given in accordance with the rules of the relevant stock exchange.

Record Date

Notwithstanding Condition 6, "Record Date" shall mean a Clearing System Business Day before the relevant due date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive, except 25 December and 1 January.

Meetings

The holder of the Global Note Certificate will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and in any such meeting as having one vote in respect of each U.S.$1,000 in principal amount of Notes represented by the relevant Global Note Certificate.

Trustee's Powers

In considering the interests of Noteholders whilst the Global Note Certificate is held on behalf of a clearing system, the Trustee, to the extent it considers it appropriate to do so in the circumstances, may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Note Certificate and may consider such interests as if such accountholders were the holders of the Global Note Certificate.

Cancellation

Cancellation of any Note required by the Terms and Conditions of the Notes to be cancelled will be effected by reduction in the principal amount of the Global Note Certificate by a record made in the Register.

Prescription

Claims in respect of principal, interest and other amounts payable in respect of the Global Note Certificates will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest or any other amounts) from the due date for payment in respect thereof.

Benefit of the Conditions

Unless a Global Note Certificate has been exchanged or cancelled the holder hereof shall, except as provided in the relevant Global Note Certificate, be entitled to the same rights and benefits and subject to the Conditions as if such holder were the holder of the relevant Definitive Certificates for which the Global Note Certificate may be exchanged.

Each Global Note Certificate shall not be valid or become obligatory for any purpose until authenticated by or on behalf of the Registrar.

The Global Note Certificates and any non-contractual obligations arising out of or in connection with them shall be governed by and construed in accordance with English law.

Electronic Consent and Written Resolution

While any Global Note Certificate is registered in the name of any nominee for a clearing system, then:

(i) approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of all the holders of the Notes outstanding (an "**Electronic Consent**" as defined in the Trust Deed) shall, for all purposes, take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders whether or not they participated in such Electronic Consent; and

(j) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by accountholders in the clearing system with entitlements to such Global Note Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Issuer and the Trustee have obtained commercially reasonable evidence to ascertain the validity of such holding and have taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such amendment. Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, "commercially reasonable evidence" includes any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any other relevant clearing system, or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Notes. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

TRANSFER RESTRICTIONS

Because of the following restrictions, you are advised to consult legal counsel prior to making any offer, resale or other transfer of the Notes offered hereby.

Rule 144A Notes

Each purchaser of Rule 144A Notes, by accepting delivery of these Listing Particulars and the Notes, will be deemed to have represented, agreed and acknowledged that:

1. It is (a) a QIB that is also a QP, (b) not a broker-dealer that owns and invests on a discretionary basis less than U.S.$25 million in securities of unaffiliated issuers, (c) not a participant-directed employee plan, such as a 401(k) plan, (d) acquiring such Notes for its own account, or for the account of one or more QIBs each of which is also a QP, (e) not formed for the purpose of investing in the Notes or the Issuer, and (f) aware, and each beneficial owner of such Notes has been advised, that the seller of such Notes to it may be relying on Rule 144A.

2. It will (a) along with each account for which it is purchasing, hold and transfer beneficial interests in the Rule 144A Notes in a principal amount that is not less than U.S.$200,000 and (b) provide notice of these transfer restrictions to any subsequent transferees. In addition, it understands that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositaries.

3. It understands that the Rule 144A Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB that is also a QP purchasing for its own account or for the account of one or more QIBs that are also QPs each of which is purchasing not less than U.S.$200,000 principal amount of Notes or (b) in an offshore transactions to a person, that is not a U.S. person in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, and in each case in accordance with any applicable securities laws of any state of the United States.

4. It understands that the Issuer has the power under the Trust Deed to compel any beneficial owner of Rule 144A Notes that is not a QIB and also a QP to sell its interest in the Rule 144A Notes, or may sell such interest on behalf of, or purchase such interest from, such owner at a price equal to the least of (x) the purchase price therefor paid by the beneficial owner, (y) 100 per cent. of the principal amount thereof or (z) the fair market value thereof. The Issuer has the right to refuse to honour the transfer of an interest in the Rule 144A Notes to a U.S. person who is not a QIB and also a QP.

5. It understands that the Rule 144A Notes, unless otherwise agreed between the Issuer and the Trustee in accordance with applicable law, will bear a legend to the following effect:

THIS NOTE AND THE LOAN IN RESPECT THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (A "**QIB**") WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT THAT IS ALSO A QUALIFIED PURCHASER (A "**QP**") WITHIN THE MEANING OF SECTION 2(a)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940 (THE "**INVESTMENT COMPANY ACT**") PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBs EACH OF WHICH IS ALSO A QP WHOM THE HOLDER HAS

INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT, AND IN AN AMOUNT FOR EACH ACCOUNT OF NOT LESS THAN U.S.$200,000 PRINCIPAL AMOUNT OF NOTES OR (2) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**"), AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE NOTES IN RESPECT HEREOF OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE OR EFFECT, WILL BE VOID *AB INITIO* AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER OF THIS NOTE, THE TRUSTEE OR ANY INTERMEDIARY. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF ANY EXEMPTION UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.

EACH BENEFICIAL OWNER HEREOF REPRESENTS THAT (1) IT IS A QIB T□AT IS ALSO A QP; (2) IT IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS; (3) IT IS NOT A PARTICIPANT-DIRECTED EMPLOYEE PLAN, SUCH AS A 401 (k) PLAN; (4) IT IS HOLDING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBs EACH OF WHICH IS ALSO A QP; (5) IT WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER OR T□IS NOTE; (6) IT, AND EACH ACCOUNT FOR WHICH IT HOLDS NOTES, WILL HOLD AND TRANSFER AT LEAST U.S.$200,000 IN PRINCIPAL AMOUNT OF NOTES; (7) IT UNDERSTANDS THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK-ENTRY DEPOSITARIES AND (8) IT WILL PROVIDE NOTICE OF THE FOREGOING TRANSFER RESTRICTIONS TO ITS SUBSEQUENT TRANSFEREES.

THE BENEFICIAL OWNER HEREOF HEREBY ACKNOWLEDGES THAT, IF AT ANY TIME WHILE IT HOLDS AN INTEREST IN THIS NOTE IT IS A PERSON WHO IS NOT A QIB THAT IS ALSO A QP, THE ISSUER MAY (A) COMPEL IT TO SELL ITS INTEREST IN THIS NOTE TO A PERSON (1) WHO IS A QIB THAT IS ALSO A QP AND WHO IS OTHERWISE QUALIFIED TO PURCHASE THIS NOTE IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OR (2) IN AN OFFSHORE TRANSACTION TO A PERSON THAT IS NOT A U.S. PERSON IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S OR (B) COMPEL THE BENEFICIAL OWNER TO SELL ITS INTEREST IN THIS NOTE TO THE ISSUER OR AN AFFILIATE OF THE ISSUER OR TRANSFER ITS INTEREST IN THIS NOTE TO A PERSON DESIGNATED BY OR ACCEPTABLE TO THE ISSUER AT A PRICE EQUAL TO THE LEAST OF (X) THE PURCHASE PRICE THEREFOR PAID BY THE BENEFICIAL OWNER, (Y) 100 PER CENT. OF THE PRINCIPAL AMOUNT THEREOF OR (Z) THE FAIR MARKET VALUE THEREOF. THE ISSUER HAS THE RIGHT TO REFUSE TO HONOUR A TRANSFER OF AN INTEREST IN THIS NOTE TO A PERSON WHO IS NOT A QIB AND ALSO A QP. THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT.

BY ACCEPTING THIS NOTE (OR ANY INTEREST IN THE NOTES REPRESENTED HEREBY) EACH BENEFICIAL OWNER HEREOF, AND EACH FIDUCIARY ACTING ON BEHALF OF THE BENEFICIAL OWNER (BOTH IN ITS INDIVIDUAL AND CORPORATE CAPACITY), WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT, DURING THE PERIOD IT HOLDS ANY INTEREST IN THIS NOTE (1) EITHER (A) IT IS NOT, AND IT IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST THEREIN) WILL NOT BE, OR BE ACTING ON BEHALF OF) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") SUBJECT TO THE

PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A PLAN TO WHICH SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED ("**CODE**"), APPLIES, OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" UNDER SECTION 3(42) Of ERISA, 29 C.F.R. SECTION 2510.3-101 OR OTHERWISE FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE BY REASON OF SUCH AN EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN SUCH ENTITY (EACH, A "**BENEFIT PLAN INVESTOR**") OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN OR OTHER ARRANGEMENT WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO THE FOREGOING PROVISIONS OF ERISA AND/OR THE CODE ("**SIMILAR LAWS**") OR (B) IT IS, OR IS ACTING ON BEHALF OF A GOVERNMENTAL, CHURCH OR NON U.S. PLAN OR ARRANGEMENT, AND SUCH ACQUISITION DOES NOT AND WILL NOT RESULT IN A NON-EXEMPT VIOLATION OF ANY SIMILAR LAWS AND WILL NOT SUBJECT THE ASSETS OF THE ISSUER TO ANY SIMILAR LAWS AND (2) IT WILL NOT SELL OR OTHERWISE TRANSFER THIS NOTE OR ANY INTEREST HEREIN OTHERWISE THAN TO A PURCHASER OR TRANSFEREE THAT IS DEEMED TO MAKE THESE SAME REPRESENTATIONS, WARRANTIES AND AGREEMENTS WITH RESPECT TO ITS PURCHASE, HOLDING AND DISPOSITION OF THIS NOTE. NO PURCHASE BY OR TRANSFER TO A BENEFIT PLAN INVESTOR OF THIS NOTE, OR ANY INTEREST HEREIN, WILL BE EFFECTIVE, AND NEITHER THE ISSUER NOR THE TRUSTEE WILL BE REQUIRED TO RECOGNISE ANY SUCH ACQUISITION OR TRANSFER. IN THE EVENT THAT THE ISSUER DETERMINES THAT THIS NOTE IS HELD BY A BENEFIT PLAN INVESTOR, THE ISSUER MAY CAUSE A SALE OR TRANSFER IN THE MANNER DESCRIBED IN THESE LISTING PARTICULARS.

THE ISSUER MAY COMPEL EACH BENEFICIAL OWNER HEREOF TO CERTIFY PERIODICALLY THAT SUCH OWNER IS A QIB AND ALSO A QP.

6. It understands and acknowledges that its purchase, holding and disposition of such Notes constitutes a representation and agreement by it that at the time of purchase and throughout the period it holds such Notes or any interest therein (1) either (i) it is not, and is not acting on behalf of (and for so long as it holds such Notes (or any interest therein) will not be, or be acting on behalf of), a Benefit Plan Investor or a governmental, church or non U.S. plan or arrangement which is subject to any Similar Laws, and no part of the assets used by it to purchase or hold such Note or any interest therein constitutes the assets of such Benefit Plan Investor or such plan or arrangement, or (ii) it is, or is acting on behalf of, a governmental, church or non U.S. plan or arrangement subject to any laws substantially similar to the fiduciary or prohibited transaction provisions of ERISA or Section 4975 of the US Tax Code, or the Plan Asset Regulations ("**Similar Laws**"), and such purchase or holding of such Note does not and will not result in a non-exempt violation of any Similar Laws, and will not subject the Issuer to any Similar Laws; and (2) it will not sell or otherwise transfer any note or interest therein to any person without first obtaining these same foregoing representations, warranties and covenants from that person with respect to its acquisition, holding and disposition of such Note.

7. It acknowledges that the Issuer, the Company, the Registrars, the Joint Lead Managers, the Joint Bookrunners and their respective affiliates, and others will rely upon the truth and accuracy of the above acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Rule 144A Notes is no longer accurate, it shall promptly notify the Issuer, the Company and the Joint Lead Managers and Joint Bookrunners. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts who are QIBs that are also QPs, it represents that it has sole investment discretion with respect to each such account, and that it has full power to make the above acknowledgements, representations and agreements on behalf of each such account.

8. It understands that the Rule 144A Notes will be evidenced by the Rule 144A Global Note Certificate. Before any interest in the Rule 144A Global Note Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Paying Agency Agreement) as to compliance with applicable securities laws. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of Regulation S Notes, by accepting delivery of these Listing Particulars and the Regulation S Notes, will be deemed to have represented, agreed and acknowledged that:

1. It is, or at the time Regulation S Notes are purchased will be, the beneficial owner of such Regulation S Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer, the Company or a person acting on behalf of such an affiliate.

2. It understands that the Regulation S Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the "distribution compliance period" (as such term is defined in Rule 902 of Regulation S), it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believes is a QIB that is also a QP purchasing for its own account or for the account of a QIB that is also a QP or (b) in an offshore transaction to a person that is not a U.S. person in accordance with Rule 903 or Rule 904 of Regulation S, in the case of (a) and (b), in accordance with any applicable securities laws of any state of the United States.

3. It understands that the Regulation S Notes will be evidenced by the Regulation S Global Note Certificate. Before any interest in the Regulation S Global Note Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Paying Agency Agreement) as to compliance with applicable securities laws.

4. It understands and acknowledges that its purchase, holding and disposition of such Notes constitutes a representation and agreement by it that (1) either (i) it is not, and is not acting on behalf of (and for so long as it holds such Notes or any interest therein will not be, or be acting on behalf of), a Benefit Plan Investor or a governmental, church or non U.S. plan or arrangement which is subject to any Similar Laws or (ii) it is, or is acting on behalf of, a governmental, church or non-U.S. plan or arrangement which is subject to Similar Laws, and such purchase or holding of such Note does not and will not result in a non-exempt violation of any Similar Laws; and (2) it will not sell or otherwise transfer any Note or interest therein otherwise than to any person without first obtaining these same foregoing representations, warranties and covenants from that person with respect to its acquisition, holding and disposition of such Note.

CERTAIN ERISA CONSIDERATIONS

Notes are not permitted to be acquired or held by employee benefit plans as defined in Section 3(3) of ERISA and subject to Title I of ERISA, including collective investment funds, separate accounts or accounts whose underlying assets are treated as assets of such plans pursuant to the US Department of Labor ("**DOL**") "plan assets" regulation, 29 CFR Section 2510.3-101, as modified by Section 3(42) of ERISA (collectively, "**ERISA Plans**"), plans not subject to ERISA but subject to Section 4975 of the US Tax Code, including IRAs, Keogh Plans which cover only self-employed persons and their spouses and other employee benefit plans for purposes of ERISA or Section 4975 of the US Tax Code which cover only the owners of a business (collectively, "**4975 Plans**"), or by entities whose underlying assets include plan assets by reason of an investment in the entity by ERISA Plans or 4975 Plans or otherwise (collectively, "**Plan Asset Entities**"). ERISA Plans, 4975 Plans and Plan Asset Entities are collectively referred to as "**Benefit Plan Investors**".

Subject to certain restrictions described below, Notes are permitted to be acquired and held by governmental plans, non-electing church plans and other arrangements that are not subject to ERISA or Section 4975 of the US Tax Code and are not Benefit Plan Investors (collectively, "**Non-ERISA Plans**").

ERISA imposes fiduciary standards and certain other requirements on ERISA Plans and on those persons who are fiduciaries with respect to ERISA Plans. 4975 Plans are subject to certain restrictions similar to ERISA's prohibited transaction rules. Non-ERISA Plans are subject to applicable state, local, federal or non-U.S. law, as well as the restrictions of duties of common law, and may also be subject to prohibited transaction provisions that operate similarly to those under ERISA.

Under the regulations issued by the DOL, as modified by Section 3(42) of ERISA (the "**Plan Asset Regulations**"), unless certain exceptions apply, if a Benefit Plan Investor invests in an "equity interest" of an entity, that is neither a "publicly offered security" nor a security issued by an investment company registered under the Investment Company Act, the Benefit Plan Investor's assets include both the equity interest and an undivided interest in each of the entity's underlying assets. This "look through" rule will only apply where Benefit Plan Investors own 25 per cent. or more of the value of any class of equity interest in the entity. For purposes of this 25 per cent. determination, the value of equity interests held by persons (other than Benefit Plan Investors) that have discretionary authority or control with respect to the assets of the entity or that provide investment advice for a fee (direct or indirect) with respect to such assets (or any affiliate of such person) is disregarded. An equity interest does not include debt (as determined by applicable local law) which does not have substantial equity features.

If the underlying assets of an entity are deemed to be plan assets, those with discretionary authority or control over the entity would be fiduciaries with respect to the entity's assets. The assets of the entity would also be subject to the prohibited transaction rules of ERISA and Section 4975 of the US Tax Code, as well as other rules applicable to plan assets.

The Issuer believes that the Notes should be treated as debt rather than equity for purposes of the Plan Assets Regulations. The DOL, however, may take a contrary view or may view the Notes as having substantial equity features. Further, neither the Issuer nor the Trustee will be able to monitor the Noteholders' status as Benefit Plan Investors. Accordingly, the Notes are not permitted to be acquired or held by any Benefit Plan Investor.

Non-ERISA Plans are permitted to acquire and hold the Notes, subject to certain restrictions described below. Each Non-ERISA Plan acquiring and holding the Notes will be deemed to have represented and warranted that the acquisition, holding and disposition of the Notes do not and will not violate any statute, regulation, administrative decision, policy or other legal authority applicable to the Non-ERISA Plan or any Similar Laws, and the purchase, holding and disposition of the Notes or any interest therein do not and will not result in the assets of the Issuer being subject to Similar Laws. Non-ERISA Plans are generally not subject to ERISA nor do

the prohibited transaction provisions of ERISA or Section 4975 of the US Tax Code apply to these types of plans. However, governmental plans (as described in Section 3(32) of ERISA), are subject to prohibitions on related-party transactions under Section 503 of the US Tax Code, which prohibitions operate similarly to the prohibited transaction rules under ERISA or Section 4975 of the US Tax Code, and other Non-ERISA Plans may be subject to similar prohibitions. Accordingly, the fiduciary of a Non-ERISA Plan must consider applicable state or local laws, if any, imposed upon such plan before purchasing and holding a Note or any interest therein.

BY ITS PURCHASE AND HOLDING OF A NOTE OR ANY INTEREST THEREIN, THE PURCHASER AND/OR HOLDER THEREOF AND EACH TRANSFEREE WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED AT THE TIME OF ITS PURCHASE AND THROUGHOUT THE PERIOD THAT IT HOLDS SUCH NOTE OR INTEREST THEREIN, THAT (1) IT IS NOT AND WILL NOT BE (A) AN EMPLOYEE BENEFIT PLAN AS DESCRIBED IN SECTION 3(3) OF ERISA THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (B) A PLAN TO WHICH SECTION 4975 OF THE US TAX CODE OF 1986, AS AMENDED APPLIES OR (C) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS FOR PURPOSES OF ERISA OR SECTION 4975 OF THE US TAX CODE BY REASON OF AN INVESTMENT IN THE ENTITY BY A PERSON DESCRIBED IN (A) OR (B) ABOVE OR OTHERWISE FOR PURPOSES OF ERISA OR SECTION 4975 OF THE US TAX CODE, (2) IT IS A GOVERNMENTAL PLAN, AS DEFINED IN SECTION 3(32) OF ERISA, OR OTHER PLAN OR ARRANGEMENT THAT IS NOT SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE US TAX CODE, AND THE PURCHASE, HOLDING AND DISPOSITION OF THE NOTES OR ANY INTEREST THEREIN DO NOT AND WILL NOT VIOLATE ANY STATUTE, REGULATION, ADMINISTRATIVE DECISION, POLICY OR ANY OTHER LEGAL AUTHORITY APPLICABLE TO SUCH GOVERNMENTAL PLAN OR OTHER PLAN OR ARRANGEMENT THAT IS SUBSTANTIALLY SIMILAR TO TITLE I OF ERISA OR SECTION 4975 OF THE US TAX CODE (“SIMILAR LAWS”), AND THE PURCHASE, HOLDING AND DISPOSITION OF THIS NOTE OR ANY INTEREST HEREIN DO NOT AND WILL NOT RESULT IN THE ASSETS OF THE ISSUER OF THE NOTES BEING SUBJECT TO SIMILAR LAWS, AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER ANY NOTE OR INTEREST THEREIN TO ANY PERSON WITHOUT FIRST OBTAINING THE SAME FOREGOING REPRESENTATIONS, WARRANTIES AND COVENANTS FROM THAT PERSON.

The foregoing is not intended to be exhaustive and the law governing investments by Benefit Plan Investors and Non-ERISA Plans is subject to extensive administrative and judicial interpretations. The foregoing discussion should not be construed as legal advice. Any potential purchaser or holder of Notes should consult counsel with respect to issues arising under ERISA, the US Tax Code and other applicable laws and make their own independent decisions.

CLEARING AND SETTLEMENT

Book-Entry Procedures for the Global Note Certificates

Custodial and depositary links are to be established among Euroclear, Clearstream, Luxembourg and DTC to facilitate the initial issue of the Notes and cross-market transfers of the Notes associated with secondary market trading. See "*—Book-Entry Ownership*" and "*—Settlement and Transfer of Notes*".

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in the Regulation S Global Note Certificate directly through Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and together with Direct Participants, "**Participants**") through organisations which are accountholders therein.

DTC

DTC has advised the Issuer as follows: DTC is a limited-purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants ("**DTC Participants**") and facilitate the clearance and settlement of securities transactions between DTC Participants through electronic computerised book-entry changes in accounts of its DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly.

Investors may hold their interests in the Rule 144A Global Note Certificate directly through DTC if they are DTC Participants in the DTC system, or indirectly through organisations which are DTC Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more DTC Participants and only in respect of such portion of the aggregate principal amount of the relevant Rule 144A Global Note Certificate as to which such DTC Participant or DTC Participants has or have given such direction.

Book-Entry Ownership

Euroclear and Clearstream, Luxembourg

The Regulation S Global Note Certificate will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg.

The address of Euroclear is 1 Boulevard du Roi Albert 11, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L-1855, Luxembourg.

DTC

The Rule 144A Global Note Certificate will have a CUSIP number, an ISIN and a Common Code and will be deposited with a custodian (the "**Custodian**") for, and registered in the name of a nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC, system. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of a Note evidenced by a Global Note Certificate must look solely to Euroclear, Clearstream, Luxembourg or DTC (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Note Certificate and in relation to all other rights arising under that Global Note Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note Certificate, the common depositary by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note Certificate as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants or DTC Participants (as the case may be) in any clearing system to owners of beneficial interests in such Global Note Certificate held through such Direct Participants or DTC Participants (as the case may be) in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note Certificate and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note Certificate in respect of each amount so paid. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants or DTC Participants (as the case may be), which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct Participants', Indirect Participants' or DTC Participants' records (as the case may be).

Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant, Indirect Participant or DTC Participant (as the case may be) through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be affected by entries made on the books of Direct Participants, Indirect Participants or DTC Participants (as the case may be) acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note Certificate held within a clearing system are exchanged for individual note certificates.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants or DTC Participants (as the case may be) to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct Participants or the DTC Participants (as the case may be) will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants or DTC Participants (as the case may be), by Direct Participants to Indirect Participants, and by Direct Participants, Indirect Participants or DTC Participants (as the case may be) to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in the Global Note Certificates to such persons may be limited. In particular, because DTC can only act on behalf of DTC Participants the ability of a person having an interest in the Rule 144A Global Note Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Trading between Euroclear and/or Clearstream, Luxembourg Participants

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Trading between DTC Participants

Secondary market sales of book-entry interests in the Notes between DTC Participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to U.S. corporate debt obligations in DTC's Same-Day Funds Settlement system in same-day funds, if payment is effected in US dollars, or free of payment, if payment is not effected in US dollars. Where payment is not effected in US dollars, separate payment arrangements outside DTC; are required to he made between DTC Participants.

Trading between DTC Seller and Euroclear/Clearstream, Luxembourg Purchaser

When book-entry interests in Notes are to be transferred from the account of a DTC Participant holding a beneficial interest in the Rule 144A Global Note Certificate to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in the Regulation S Global Note Certificate (subject to the certification procedures provided in the Paying Agency Agreement), the DTC Participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12:00 p.m., New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg Participant. On the settlement date, the custodian of the Rule 144A Global Note Certificate will instruct the Registrar to (1) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Note Certificate of the relevant class and (2) increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Note Certificate. Book-entry interests will be delivered free of payment to Euroclear or Clearstream,

Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading between Euroclear/Clearstream, Luxembourg Seller and DTC Purchaser

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC Participant wishing to purchase a beneficial interest in the Rule 144A Global Note Certificate (subject to the certification procedures provided in the Paying Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7:45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC Participant on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian of the Rule 144A Global Note Certificate who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC Participant and (b) instruct the Registrar to (1) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Note Certificate; and (2) increase the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Note Certificate.

Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interest in Global Note Certificates among participants and accountholders of Euroclear, Clearstream, Luxembourg and DTC, they are under no obligation to perform or continue to perform such procedure, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any Agent will have the responsibility for the performance, by Euroclear, Clearstream, Luxembourg or DTC or their respective Direct Participants, Indirect Participants or DTC Participants, as the case may be, of their respective obligations under the rules and procedures governing their operations.

Pre-issue Trades Settlement

It is expected that delivery of Notes will be made against payment therefor on the Closing Date, which could be more than three business days following the date of pricing. Settlement procedures in different countries will vary. Purchasers of Notes may be affected by such local settlement practices, and purchasers of Notes between the relevant date of pricing and the Closing Date should consult their own advisers.

TAXATION

The following is a general description of certain tax considerations relating to the Notes and does not purport to be a comprehensive discussion of the tax treatment of the Notes. Prospective investors in the Notes should consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of the Notes in light of their particular circumstances, including but not limited to the consequences of receipt of interest and sale or redemption of the Notes.

CERTAIN BELARUSIAN TAX CONSIDERATIONS

General

The following is an overview of certain Belarusian tax considerations relevant to the purchase, ownership and disposal of the Notes. The overview is based on the laws of the Republic of Belarus in effect on the date of these Listing Particulars (where these laws are subject to potential changes, which could occur frequently, at short notice and may have retroactive effect). The information and analysis contained within this section are limited to taxation issues, and prospective investors should not apply any information or analysis set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.

The overview does not seek to address tax implications arising for the Noteholders applying special tax regimes available under Belarusian tax legislation, nor does it seek to address tax implications for individuals resulting from their entrepreneur activity in the territory of Belarus. The overview neither seeks to address the availability of double tax treaty relief in respect of income payable on the Notes, or practical difficulties connected with claiming such double tax treaty relief.

Prospective investors should consult their own tax advisers regarding the tax consequences of investing in the Notes that may arise in their own particular circumstances. No representation with respect to the Belarusian tax consequences pertinent to any particular Noteholder is made hereby.

Many aspects of the Belarusian tax laws are subject to significant uncertainty and lack of interpretive guidance, resulting in inconsistent interpretations and application thereof. Further, provisions of the Belarusian Tax Code applicable to financial instruments and the interpretation and application of those provisions by the Belarusian tax authorities may be subject to more rapid and unpredictable changes (possibly with retroactive effect) and inconsistent interpretation than in jurisdictions with more developed capital markets or more developed taxation systems. In particular, the interpretation and application of such provisions will in practice rest substantially with local tax inspectorates and relevant interpretations may constantly change. In practice, interpretation by different tax inspectorates may be inconsistent or contradictory, and may result in imposition of conditions, requirements or restrictions that are not explicitly stated in the Belarusian Tax Code. Similarly, in the absence of binding precedents, court rulings on tax or other related matters taken by different Belarusian courts relating to the same or similar facts and circumstances may also be inconsistent or contradictory.

For the purposes of this overview, the term "**Resident Noteholder**" means:

- a Noteholder which is a legal entity or an organisation and is:
    - a Belarusian legal entity or an organisation;
    - a foreign legal entity or an organisation recognised as a Belarusian tax resident based on the provisions of an applicable double tax treaty (for the purposes of application of such double tax treaty);
    - a foreign legal entity or organisation recognised as a Belarusian tax resident based on Belarusian domestic law (in case Belarus is recognised as the place of effective management of such legal

entity or organisation as determined in the Belarusian Tax Code unless otherwise envisaged by an applicable double tax treaty);

- a foreign legal entity or an organisation which holds and/ or disposes of the Notes through its permanent establishment in Belarus (as defined by Belarusian tax law),

(the "**Resident Noteholder–Legal Entity**"), and

- a Noteholder who is an individual and is actually present in Belarus for an aggregate period of more than 183 calendar days in a calendar year (the "**Resident Noteholder–Individual**"), if otherwise is not provided by the Belarusian tax regulations. While calculating duration of presence, the days of arrival are disregarded, when the days of departure are included. Presence in Belarus is not considered interrupted if an individual departs for short periods from Belarus for medical treatment, vacation or a business trip. Double tax treaties may provide for different interpretation of an individual's tax residency, including taking into account, amongst others, such factors as permanent home and centre of vital interest. However, due to lack of established practice of double tax treaties' application, there is a risk that an individual, who meets the physical presence test but claims non-resident status based on a relevant double tax treaty, may be still treated as a Belarusian based on the approach set in the Belarusian tax law.

For the purposes of this overview, the term "**Non-Resident Noteholder**" means any Noteholder (including any individual (the "**Non-Resident Noteholder–Individual**") and any legal entity or an organisation (the "**Non-Resident Noteholder–Legal Entity**")) that does not qualify as a Resident Noteholder.

Noteholders should seek professional advice on their tax status in Belarus.

Taxation of the Notes

Resident Noteholders

Resident Noteholders will be subject to all applicable Belarusian taxes in respect of income derived by them in connection with the acquisition, ownership and/or disposal of the Notes (including interest received on the Notes).

Resident Noteholders should consult their own tax advisers with respect to the effect that the acquisition, holding and disposal of the Notes may have on their tax position.

Non-Resident Noteholders

A Non-Resident Noteholder should not generally be subject to any Belarusian taxes in respect of payments of interest and repayments of principal on the Notes received from the Issuer. A Non-Resident Noteholder also generally should not be subject to any Belarusian taxes in respect of any gains or other income realised on redemption, sale or other disposal of the Notes outside Belarus, provided that the proceeds from such redemption, sale or other disposal of the Notes are not received from a source within Belarus. However, in the absence of a clear definition of what constitutes income from sources within Belarus in case of sale of securities, there is a risk that the income from disposal of the Notes may be considered as received from Belarusian sources for Non-Resident Noteholders, unless such sale or other disposal of securities is carried out on a stock exchange (except for a stock exchange in any jurisdiction recognised as an offshore zone under the Belarusian law).

Non-Resident Noteholders should consult their own tax advisers with respect to the effect that the acquisition, holding and disposal of the Notes may have on their tax position.

Taxation of Non-Resident Noteholders–Legal Entities

Acquisition of the Notes

The acquisition of the Notes should not trigger any Belarusian tax implications for the Non-Resident Noteholder–Legal Entity.

Interest on the Notes and repayment of principal on the Notes

Non-Resident Noteholder–Legal Entities generally should not be subject to any Belarusian taxes in respect of interest payments and repayments of principal on the Notes received from the Issuer.

Sale and/or other Disposal of the Notes

There should be no Belarusian tax on gains from sale or other disposal of the Notes imposed on a Non-Resident Noteholder–Legal Entity provided that such sale or other disposal of the Notes is carried out on a stock exchange (except for a stock exchange in any jurisdiction recognised as an offshore zone under the Belarusian law).

Under the Belarusian tax legislation, income received from sale, redemption or other disposal of securities should be treated as having been received from a Belarusian source if such sale, redemption or disposal occurs in Belarus unless such sale or other disposal of securities is carried out on a stock exchange (except for a stock exchange in any jurisdiction recognised as an offshore zone under the Belarusian law). In absence of any guidance as to what should be considered as a sale or other disposal of securities "in Belarus", the Belarusian tax authorities may apply various criteria in order to determine the source of the sale or other disposal, including looking at the place of conclusion of the transaction, the location of the Issuer, the location of the purchaser or other similar criteria. There is no assurance, therefore, that proceeds received by Non-Resident Noteholder–Legal Entities from a sale, redemption or other disposal of the Notes carried out outside a stock exchange will not become subject to tax in Belarus.

In case the sales or other disposal proceeds are considered as derived from Belarusian sources, Belarusian withholding tax will apply to the gross amount of proceeds decreased by the amount of any available cost deductions (including expenses relating to the acquisition and sale or other disposal) provided that duly executed supporting documentation is provided to the person obliged to calculate and withhold Belarusian tax in relation to this income in a timely manner. There is a risk that, if the documentation supporting the cost deductions is deemed insufficient by the Belarusian tax authorities or by the person remitting the proceeds to a Non-Resident Noteholder–Legal Entity (where such person is considered the tax agent, obliged to calculate and withhold Belarusian withholding tax and remit it to the Belarusian budget), the cost deductions may be disallowed and the tax will apply to the gross amount of the sales, redemption or disposal proceeds.

Non-Resident Noteholder–Legal Entities should consult their own tax advisers with respect to the tax consequences of the sale or other disposal of the Notes.

Taxation of Non-Resident Noteholders–Individuals

Acquisition of the Notes

The acquisition of the Notes by a Non-Resident Noteholder–Individual (whether upon issuance or in the secondary market) should not generally constitute a taxable event under the Belarusian tax law as long as the Non-Resident Noteholder–Individual pays fair market value of the Notes upon acquisition thereof. Consequently, the acquisition of the Notes should not trigger any Belarusian tax implications for the Non-Resident Noteholder–Individual.

If the Notes are acquired free of charge or are partially paid for, the Belarusian tax law may require, subject to qualification of the income as Belarusian-sourced, personal income tax to be paid at a rate of 13 per cent. There is some uncertainty with regard to tax base determination. Most likely taxable income is determined as

difference between fair market value of the Notes and the amount paid by the Non-Resident Noteholder–Individual upon the Notes acquisition.

Although the Belarusian Tax Code does not contain any provisions as to how the source of the related income should be determined, in practice the Belarusian tax authorities may infer that such income should be considered Belarusian-sourced if the Notes are purchased "in Belarus". In the absence of any additional guidance as to what should be considered as a purchase of securities in Belarus, the Belarusian tax authorities may apply various criteria to determine the source of the related income, including looking at the place of conclusion of the acquisition transaction, the location of the Issuer, the location of the seller or other similar criteria.

Where income related to an acquisition of the Notes becomes taxable in Belarus, the obligation to withhold the tax or to declare the income to the Belarusian tax authorities lies with a seller having the status of a tax agent. Should the income be received from a seller having no tax agent status, the Non-Resident Noteholder-Individual who receives the income will be obliged to report the income to the Belarusian tax authorities and pay the tax.

There is no assurance therefore that as a result any benefit received by the Non-Resident Noteholders–Individuals in connection with the acquisition of the Notes will not become taxable in Belarus.

Interest on the Notes and repayment of principal on the Notes

Non-Resident Noteholder–Individuals generally should not be subject to any Belarusian taxes in respect of interest payments and repayments of principal on the Notes received from the Issuer.

Sale or other Disposal of the Notes

Non-resident Noteholder–Individuals should not be subject to any Belarusian taxes in respect of gains or other income realised on redemption, sale or other disposal of the Notes outside of Belarus, provided that the proceeds of such sale, redemption, or disposal are not received from a source within Belarus.

If proceeds from the sale, redemption or other disposal of the Notes are received from a Belarusian source, a Non-Resident Noteholder–Individual will generally be subject to Belarusian personal income tax at a rate of 13 per cent. (or such other tax rate as may be effective at the time of disposal) subject to any available double tax treaty relief as discussed below in *"—Double Tax Treaty Relief"*, in respect of the gross proceeds from such sale, redemption or other disposal less any available cost deduction.

Under Belarusian tax legislation, income received from a sale, redemption or other disposal of securities should be treated as having been received from a Belarusian source if such sale, redemption or disposal occurs in Belarus. In absence of any guidance as to what should be considered as a sale or other disposal of securities "in Belarus", the Belarusian tax authorities may apply various criteria in order to determine the source of the sale or other disposal, including looking at the place of conclusion of the transaction, the location of the Issuer, the location of the purchaser or other similar criteria. There is no assurance, therefore, that proceeds received by Non-Resident Noteholder–Individuals from sale, redemption or other disposal of the Notes will not become subject to tax in Belarus.

In case the sales or other disposal proceeds are considered as derived from Belarusian sources, Belarusian personal income tax will apply to the gross amount of proceeds decreased by the amount of any available cost deductions (including expenses relating to the acquisition, holding and sale or other disposal) provided that duly executed supporting documentation is provided to the person obliged to calculate and withhold Belarusian personal income tax in relation to this income in a timely manner. There is a risk that, if the documentation supporting the cost deductions is deemed insufficient by the Belarusian tax authorities or by the person remitting the proceeds to a Non-Resident Noteholder–Individual (where such person is considered the tax agent, obliged to calculate and withhold Belarusian personal income tax and remit it to the Belarusian budget), the cost deductions may be disallowed and the tax will apply to the gross amount of the sales, redemption or disposal

proceeds. A Non-Resident Noteholder–Individual, however, is entitled to claim a deduction in the amount of 20 per cent. of the proceeds instead of submission of documents supporting expenses related to the proceeds from the Notes disposal, in case the Notes were purchased by a Belarusian legal entity or a Belarusian individual entrepreneur.

If Belarusian personal income tax obligation arises as a result of the sale, redemption or other disposal of the Notes but the tax cannot be withheld, a Non-Resident Noteholder–Individual is required to file a personal income tax return in Belarus to report the amount of income received to the Belarusian tax authorities and apply for a deduction in the amount of the expenses related to the acquisition, holding, sale or other disposal of the Notes, based on the provision of supporting documentation (or a deduction in the amount of 20 per cent. of proceeds). The applicable personal income tax will then have to be paid by the individual on the basis of the filed personal income tax return.

Non-Resident Noteholder–Individuals should consult their own tax advisers with respect to the tax consequences of the acquisition and disposal of the Notes.

Taxation of Resident Noteholders–Legal Entities

A Resident Noteholder–Legal Entity should, *prima facie*, be subject to Belarusian profits tax at the rate of up to 25 per cent. (in the case of banks and insurance companies, while the general profit tax rate is 18 per cent.) on interest (coupon) income on the Notes as well as on the capital gain from sale, redemption or other disposal of the Notes. Generally, Resident Noteholders–Legal Entities are required to submit Belarusian profits tax returns, and assess and pay tax on capital gains and interest (coupon) income. The tax base is determined based on the gross amount of income accrued to them by the source of payment (including any gross up) and may include taxes withheld in the source country. Any double tax arising for a Resident Noteholder-Legal Entity is subject to double tax relief provided by a relevant tax treaty. If such relief is not provided under a relevant tax treaty Resident Noteholders–Legal Entities may still be eligible for tax relief under the Belarusian Tax Code.

Resident Noteholder–Legal Entities should consult their own tax advisers with respect to the effect that the acquisition, holding and disposal of the Notes may have on their tax position.

Taxation of Resident Noteholders–Individuals

A Resident Noteholder-Individual should generally be subject to personal income tax at a rate of 13 per cent. on (*i*) deemed income resulting from the acquisition of the Notes free of charge or on a "partially-paid" basis, (*ii*) on interest (coupon) income on the Notes and (*iii*) income received from the sale, redemption or other disposal of the Notes. If such income is paid to a Resident Noteholder–Individual by a tax agent, the applicable Belarusian personal income tax should be withheld at source by such person. In case the Belarusian personal income tax has not been withheld or could not be withheld Resident Noteholder–Individuals are required to submit annual personal income tax returns, assess and pay the tax. The tax base is determined based on the gross amount of income accrued to them by the source of payment (including any gross up) and may include taxes withheld in the source country. Any double tax arising for a Resident Noteholder-Individual is subject to double tax relief provided by a relevant tax treaty or a tax credit provided by domestic tax regulations as described below.

If income received by a Resident Noteholder–Individual is not related to Belarusian sources, the Resident Noteholder–Individual is entitled to a tax credit with regard to the tax paid in the source country. This provision does not apply to income received in countries or territories that are included into the list of offshore zones under the Belarusian law. To claim the credit the Resident Noteholder–Individual is required to provide the Belarusian tax authorities with a confirmation issued by the tax authorities of the respective country on the income received and taxes paid by the Resident Noteholder–Individual.

In practice, Resident Noteholder-Individuals may face difficulties in meeting the conditions for double tax treaty relief or a tax credit provided by domestic tax regulations, therefore there can be no assurance that double tax risk is mitigated.

Resident Noteholder–Individuals should consult their own tax advisers with respect to their tax position regarding the Notes.

Double Tax Treaty Relief

Belarus has concluded double tax treaties with a number of countries and honours some double tax treaties concluded by the former Union of Soviet Socialist Republics. These double tax treaties may contain provisions that allow for the reduction or elimination of Belarusian withholding taxes with respect to income received by Non-Resident Noteholders from Belarusian sources, including income from the sale, redemption or other disposal of the Notes. To the extent double tax treaty relief is available, a Non-Resident Noteholder must comply with the certification, information, documentation and reporting requirements which are in force in Belarus in order to obtain such relief.

In order to benefit from the double tax treaty, a Non-Resident Noteholder–Legal Entity should provide the tax agent with a certificate of tax residence issued by the competent authority of their country of residence for tax purposes before the date of each income accrual or payment (which is earlier). This certificate should confirm that the respective Non-Resident Noteholder–Legal Entity is a tax resident of the relevant double tax treaty country for the purposes of the relevant treaty in the particular calendar year during which the income is paid. This certificate should be apostilled or legalised and needs to be renewed on an annual basis (with certain exceptions). Belarusian / Russian translation of the certificate is required. However, the tax agent in practice may request additional documents confirming eligibility of the Non-Resident Noteholder-Legal Entity for the benefits of the double tax treaty. There can be no assurance, however, that the advance double tax treaty relief will be available in practice.

In order to obtain the double tax treaty relief at source, a Non-Resident Noteholder–Individual should confirm to a tax agent or the tax authorities that he or she is tax resident in a relevant foreign jurisdiction having a double tax treaty with Belarus by providing the tax agent / the tax authorities with a tax residency certificate issued by the competent authorities of his or her country of residence for tax purposes. Belarusian/Russian translation of the certificate is required. The above provisions are intended to provide a tax agent with the opportunity of applying reduced (or zero) withholding tax rates under an applicable double tax treaty at source. Currently, the Belarusian tax regulations do not have a direct requirement for individuals applying for double tax treaty relief to be beneficial owners of the income. However, there is no assurance that this requirement will not apply in practice based on tax treaty interpretation similar to that with respect to legal entities.

Non-Resident Noteholders should consult their own tax advisers with respect to the applicability of any double tax treaty relief and the relevant procedures required in Belarus.

Refund of Tax Withheld or Paid

If (i) Belarusian withholding tax or personal income tax on income derived from Belarusian sources by a Non-Resident Noteholder has been withheld at source or (ii) tax on such income has been paid by a Non-Resident Noteholder on the basis of a tax return, and such Non-Resident Noteholder is entitled to relief from tax on such income under an applicable double tax treaty allowing it not to pay the tax or to pay the tax at a reduced rate, a claim for a refund of such tax that was excessively withheld at source or paid by the Non-Resident Noteholder can be filed with the Belarusian tax authorities within five years from the day when the tax was withheld or paid (subject to limitations described below).

In order to obtain a refund, the Non-Resident Noteholder would need to file with the tax agent / the Belarusian tax authorities a duly issued, apostilled and translated certificate of tax residence issued by the competent tax authority of the relevant double tax treaty country.

The tax agent/the Belarusian tax authorities may, in practice, require a wide variety of documentation confirming a Noteholder's right to benefits under a double tax treaty. Such documentation, in practice, may not be explicitly required by the Belarusian Tax Code or the relevant double tax treaty and may to a large extent depend on the position of the tax agent/the local tax inspectors.

Obtaining a refund of Belarusian taxes withheld/paid may be a time-consuming process and can involve considerable practical difficulties, including the possibility that a tax refund may be denied for various reasons.

Non-Resident Noteholders should consult their own tax advisers regarding the procedures required to be fulfilled in order to obtain a refund of Belarusian income tax which was excessively withheld at source or paid.

CERTAIN IRISH TAX CONSIDERATIONS

The following is a summary of the principal Irish tax consequences for individuals and companies of ownership of the Notes based on the laws and practice of the Irish Revenue Commissioners currently in force in Ireland and may be subject to change. It deals with Noteholders who beneficially own their Notes as an investment. Particular rules not discussed below may apply to certain classes of taxpayers holding Notes, such as dealers in securities, trusts, etc. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.

Taxation of Noteholders

Withholding Tax

In general, tax at the standard rate of income tax (currently 20 per cent.) is required to be withheld from payments of Irish source interest which should include interest payable on the Notes. Subject to the discussion below, the Issuer will not be obliged to make a withholding or deduction for or on account of Irish income tax from a payment of interest on a Note where:

(a) the Notes are Quoted Eurobonds, i.e. securities which are issued by a company (such as the Issuer), which are listed on a recognized stock exchange (such as Euronext Dublin) and which carry a right to interest; and

(b) the person by or through whom the payment is made is not in Ireland, or if such person is in Ireland, either:

  (iii) the Notes are held in a clearing system recognised by the Irish Revenue Commissioners; (DTC, Euroclear and Clearstream, Luxembourg are, amongst others, so recognised); or

  (iv) the person who is the beneficial owner of the Notes is not resident in Ireland and has made a declaration to a relevant person (such as a paying agent located in Ireland) in the prescribed form.

Thus subject to the discussions below, so long as the Notes continue to be quoted on Euronext Dublin (or another recognised stock exchange) and are held in a clearing system recognised by the Irish Revenue Commissioners; (DTC, Euroclear and Clearstream, Luxembourg are, amongst others, so recognised), interest on the Notes can be paid by any Paying Agent acting on behalf of the Issuer free of any withholding or deduction for or on account of Irish income tax. If the Notes continue to be quoted but cease to be held in a recognised

clearing system, interest on the Notes may be paid without any withholding or deduction for or on account of Irish income tax provided such payment is made through a Paying Agent outside Ireland.

Interest or other distributions paid out on the Notes which are profit dependent or any part of which exceeds a reasonable commercial return could, under certain anti-avoidance provisions, be re-characterised as a non-deductible distribution and so be subject to dividend withholding tax in certain circumstances. However, this should not apply on the basis of a confirmation by the Issuer that, at the time the Notes were issued, the Issuer was not in possession or aware of any information, including information about any arrangement or understanding in relation to ownership of the instrument after that time, which could reasonably be taken to indicate that interest or other distributions paid on the Notes would not be subject, without reduction computed by reference to the amount of such interest or other distribution, to a tax in a relevant territory which generally applies to profits, income or gains received in that relevant territory by persons from sources outside that relevant territory, where the term "relevant territory" means a member state of the European Union (other than Ireland) or a country with which Ireland has signed a double tax treaty.

Encashment Tax

Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) from interest on any Note, where such interest is collected or realised by a bank or encashment agent in Ireland on behalf of any Noteholder. There is an exemption from encashment tax where the beneficial owner of the interest is not resident in Ireland and has made a declaration to this effect in the prescribed form to the encashment agent or bank.

Stamp Duty

No stamp duty or similar tax is imposed in Ireland on the issue, transfer or redemption of the Notes provided the Issuer is a qualifying company for the purposes of Section 110 of the Taxes Consolidation Act 1997 and the proceeds of the Notes are used in the course of the Issuer's business.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a summary of certain US federal income tax considerations relevant to the purchase, ownership and disposition of the Notes. This discussion addresses only US Holders (as defined below) other than the section discussing FATCA. This discussion addresses tax consequences to US Holders who purchase Notes in the original offering at the issue price (generally the first price at which a substantial amount of the Notes is sold for money, excluding sales to bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers) and hold the Notes as capital assets. This discussion does not apply to US Holders who do not use the US dollar as their functional currency. This discussion is not a complete description of all US tax considerations relating to the purchase, ownership and disposition of Notes that may be relevant to particular purchasers. It does not address the tax treatment of prospective purchasers subject to special rules, such as banks, dealers in currencies and securities, traders that elect to mark-to-market, insurance companies, US expatriates, US Holders that are required to take certain amounts into income no later than the time such amounts are reflected on an applicable financial statement, tax-exempt entities or persons holding Notes as part of a hedge, straddle, conversion or other integrated financial transaction. It also does not address the tax treatment of prospective purchasers that will hold the Notes in connection with a permanent establishment outside of the United States. This discussion does not consider US federal estate and gift tax, US state or local tax matters, Medicare contribution tax, alternative minimum tax or non-US tax considerations. Furthermore, this discussion does not address the U.S. federal income tax considerations that may be relevant to purchasers of Notes that also tender 2022 Notes pursuant to the tender offer of the 2022 Notes. Additionally, this discussion assumes that a substantial amount of the Notes that are sold pursuant to this Offering are purchased by holders that do not participate in the tender offer of the 2022

Notes. Finally, this discussion does not address prospective purchasers of further Notes, which may be issued at a discount or premium.

This summary is based on the US Internal Revenue Code of 1986, as amended (the ***US Tax Code***), existing and proposed US Treasury Regulations, administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing are subject to change, possibly with retroactive effect, or differing interpretations, which could affect the tax consequences described herein.

For purposes of this discussion, a ***US Holder*** is a beneficial owner of a Note that is, for purposes of US federal income taxation, (i) an individual who is a citizen or resident of the United States, (ii) a corporation or other business entity treated as a corporation for US federal income tax purposes created or organised under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of a US person and the primary supervision of a US court or that has in effect a valid election under applicable US Treasury Regulations to be treated as a US person, or (iv) an estate the income of which is subject to US federal income taxation regardless of its source.

If an entity or arrangement treated as a partnership for US federal income tax purposes acquires or holds the Notes, the tax treatment of the partnership and a partner in such partnership generally will depend upon the status of the partner and the activities of the partnership. A prospective investor that is a partnership for US federal income tax purposes should consult its own tax advisers about the tax consequences for its partners of the partnership purchasing, holding and disposing of Notes.

Characterisation of the Notes

No authority directly addresses the US federal income tax characterisation of securities like the Notes and the Issuer has not and will not seek a ruling from the US Internal Revenue Service (***IRS***) as to their characterisation for such purposes. Although the matter is not free from doubt, to the extent relevant for US tax purposes, the Issuer intends to take the position (and the discussion below assumes) that a beneficial owner of a Note will be treated as the beneficial owner of a debt instrument that is not a contingent payment debt instrument. No assurance can be given that the IRS will not assert, or a court would not sustain, a position regarding the characterisation of the Notes that is contrary to this treatment. Alternative characterisations include treatment of the Notes as equity in the Issuer or the Company, as contingent payment debt instruments subject to special rules relating to accrual of original issue discount (***OID***) and contingent interest, or as other types of financial instruments. If the Notes were to be treated as contingent payment debt instruments or as equity, US Holders may be required, among other things, to recognise income for US federal income tax purposes at different times and in different amounts, or subject to higher rates of tax, than described below and may suffer additional adverse US federal income tax consequences. Prospective investors should seek advice from their own tax advisers as to the consequences to them of alternative characterisations of the Notes for US federal income tax purposes.

Interest

Stated interest paid on the Notes, including any additional payments, will be includible in the gross income of a US Holder in accordance with such holder's regular method of tax accounting. The interest, including any amounts withheld therefrom in respect of non-US taxes and additional amounts paid on account of such withheld tax, accrued on the Notes will generally be ordinary income from sources outside the United States.

The Notes are not expected to be issued with more than de minimis OID. OID will be considered to be de minimis if it is less than 0.25 per cent. of the principal amount multiplied by the number of complete years to maturity of the Notes. However, if the Notes are issued with more than de minimis OID, each US Holder generally will be required to include OID in its income (as interest) as it accrues, regardless of its regular method of accounting for US federal income tax purposes, using a constant yield method, before such US Holder

receives any payment attributable to such income. The remainder of this discussion assumes that the Notes are not issued with more than de minimis OID.

Stated interest income on the Notes will be treated as foreign source income and generally will be considered "passive category income" or, in the case of certain US Holders, "general category income" in computing the foreign tax credit allowable to US Holders for US federal income tax purposes. To the extent payments under the Loan are subject to Belarusian withholding tax, it is unclear whether a US Holder could claim a deduction or foreign tax credit or any other treaty relief for any such tax withheld from payments on the Loan. Each US Holder should consult its own tax adviser about its eligibility for exemption from, and its ability to credit or deduct any non-US withholding tax which reduces payments on the Notes.

Disposition

A US Holder will recognise gain or loss on the sale, exchange, retirement or other disposition of a Note in an amount equal to the difference between the US dollar value of the amount realised (less any accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income) and the US Holder's adjusted basis in the Note. A US Holder's adjusted tax basis in a Note generally will equal the US Holder's cost of the Note reduced by payments on the Notes other than payments of qualified stated interest. Any such gain or loss will generally be considered US source and will be long-term capital gain or loss if the Note has been held for more than one year. The long term capital gains of non-corporate US Holders may be taxed at lower rates. Deductions for capital losses are subject to limitations.

To the extent proceeds from the sale or other disposition of the Notes are subject to Belarusian tax, it is unclear whether a US Holder could claim a deduction, foreign tax credit or any treaty relief for any such tax imposed on the proceeds from the sale or other disposition of the Notes. Moreover, because a US Holder's gain from the sale or other disposition of the Notes would generally constitute US source income, the US Holder may not be eligible to claim a foreign tax credit for any Belarusian taxes imposed (even if such Belarusian taxes are otherwise creditable for US federal income tax purposes) with respect to such gain unless the US Holder has foreign source income or gain from other sources. Each US Holder should consult its own tax adviser about its eligibility for exemption from, and its ability to credit or deduct any Belarusian tax imposed on the proceeds from the sale or other disposition of the Notes.

Substitution of the Issuer

The terms of the Notes and the Trust Deed provide that, in certain circumstances and without the consent of the Noteholders, another entity may be substituted in place of the Issuer as creditor under the Loan Agreement and as issuer and principal obligor in respect of the Notes. In certain circumstances, it is possible that such an assumption might be treated as a deemed disposition of Notes by a US Holder in exchange for new notes issued by the new obligor for US federal income tax purposes. As a result of this deemed disposition, a US Holder could be required to recognise capital gain or loss equal to the difference, if any, between the issue price of the new notes (as determined for US federal income tax purposes, which may equal the fair market value of the Notes at the time of the deemed exchange), and the US Holder's adjusted tax basis in the Notes, and may be treated as acquiring the new notes with OID. US Holders should consult their own tax advisers concerning the US federal income tax consequences to them of a change in obligor with respect to the Notes.

Information Reporting and Backup Withholding

Information reporting requirements may apply to payments of stated interest (on the Notes and to the proceeds of the sale or other disposition (including a retirement or redemption) of a Note paid to a US Holder unless such US Holder is an exempt recipient, and, when required, provides evidence of such exemption. Backup withholding may apply to such payments if the US Holder fails to provide a taxpayer identification number or a certification that it is not subject to backup withholding or to comply with applicable certification requirements.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a US Holder's US federal income tax liability provided the required information is timely furnished to the IRS.

Certain US Holders are required to report to the IRS information with respect to certain "specified foreign financial assets", including Notes not held through an account with certain financial institutions. Investors who fail to report required information could become subject to substantial penalties. Potential investors should consult their own tax advisers about these rules and any other reporting obligations that may apply to the ownership or disposition of the Notes.

THE ABOVE DISCUSSION IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS STRONGLY URGED TO CONSULT ITS OWN TAX ADVISER ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NOTES.

FATCA

Pursuant to certain provisions of the US Tax Code, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes (foreign passthru payments) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including Ireland and the Republic of Belarus) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (***IGAs***), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, proposed regulations have been issued that provide that such withholding would not apply to foreign passthru payments prior to the date that is two years after the date on which final regulations defining "foreign passthru payments" are published in the US Federal Register. In the preamble to the proposed regulations, the US Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally, Notes that are characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for US federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the US Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes.

SUBSCRIPTION AND SALE

Each of J.P. Morgan Securities plc and Renaissance Securities (Cyprus) Limited (together the "**Joint Lead Managers**" and the "**Joint Bookrunners**" and each a "**Joint Lead Manager**" and a "**Joint Bookrunner**") have, in a subscription agreement dated 20 October 2020 (the "**Subscription Agreement**") among the Issuer, the Company and the Joint Lead Managers and Joint Bookrunners upon the terms and subject to the conditions contained therein, severally and not jointly, agreed to subscribe and pay for the Notes at their issue price of 100 per cent. of their principal amount.

The Joint Lead Managers and Joint Bookrunners shall make any offers and sales into the United States, to the extent necessary, through their U.S. registered broker-dealer affiliates as permitted by FINRA regulations.

The Joint Lead Managers and Joint Bookrunners are entitled to commissions and reimbursement of certain expenses pursuant to the Subscription Agreement. The Joint Lead Managers and Joint Bookrunners are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

The Borrower, directly or through entities acting on behalf of the Borrower or entities affiliated with the Borrower, and/or entities related to or affiliated with the Borrower, acting on their own behalf, are considering purchasing a material portion of the aggregate principal amount of the Notes in the Offering and/or in the secondary market.

Selling Restrictions

United States

The Notes and the Loan have not been and will not be registered under the Securities Act or the securities laws of any State or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes are being offered and sold outside of the United States in reliance on Regulation S. The Subscription Agreement provides that the Joint Lead Managers and Joint Bookrunners may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes in the United States only to persons whom they reasonably believe are QIBs that are also QPs who can represent that (a) they are QPs who are QIBs within the meaning of Rule 144A; (b) they are not broker-dealers that own and invest on a discretionary basis less than U.S.$25 million in securities of unaffiliated issuers; (c) they are not participant directed employee plans, such as a 401(k) plan; (d) they are acting for their own account, or the account of one or more QIBs each of which is also a QP; (e) they are not formed for the purpose of investing in the Issuer or the Notes; (f) each account for which they are purchasing will hold and transfer at least U.S.$200,000 in principal amount of Notes at any time; (g) they understand that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositaries; and (h) they will provide notice of the transfer restrictions set forth in these Listing Particulars to any subsequent transferees.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by a dealer that is participating in the Offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

The Issuer, the Joint Lead Managers and the Joint Bookrunners reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. These Listing Particulars do not constitute an offer to any person in the United States or to any U.S. person other than any QIB who is also a QP and to whom an offer has been made directly by one of the Joint Lead Managers or Joint Bookrunners or their U.S. broker-affiliate.

United Kingdom

Each Joint Lead Manager and Joint Bookrunner has severally and not jointly nor jointly and severally represented and agreed that:

- it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Prohibition of Sales to EEA and UK Retail Investors

Each Joint Lead Manager and Joint Bookrunner has severally and not jointly nor jointly and severally represented, warranted and undertaken that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area or in the United Kingdom. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU; or

(b) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as professional client as defined in point (10) of Article 4(1) of MiFID II.

Belarus

Each Joint Lead Manager and Joint Bookrunner has severally represented, warranted and undertaken to the Issuer that the Notes will not be offered, transferred or sold as part of their initial placement (initial distribution) to or for the benefit of any persons (including legal entities) located in the Republic of Belarus unless and to the extent otherwise permitted under Belarus law.

No action constituting an "advertisement" of the Notes may be undertaken in Belarus.

Ireland

Each Joint Lead Manager and Joint Bookrunner has represented and agreed that:

(a) it will not underwrite the issue of, or place, the Notes otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2017 (as amended, the "**MiFID Regulations**"), including, without limitation, Regulation 5 (Requirement for authorisation (and certain provisions concerning MTFs and OTFs)) thereof, any codes of conduct made under the MiFID Regulations, and the provisions of the Investor Compensation Act 1998 (as amended);

(b) it will not underwrite the issue of, or place, the Notes otherwise than in conformity with the provisions of the Companies Act 2014 (as amended, the "**Companies Act**"), the Central Bank Acts 1942-2018 (as amended) and any codes of practice made under Section 117(1) of the Central Bank Act 1989 (as amended);

(c) it will not underwrite the issue of, or place, or do anything in Ireland in respect of, the Notes otherwise than in conformity with the provisions of Regulation (EU) 2017/1129 and any rules and guidance issued by the Central Bank under Section 1363 of the Companies Act; and

(d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of, the Notes otherwise than in conformity with the provisions of the Market Abuse Regulation (EU 596/2014) (as amended) and any rules and guidance issued by the Central Bank under Section 1370 of the Companies Act.

General

Each Joint Lead Manager and Joint Bookrunner has agreed that it has, to the best of its knowledge and belief, complied and will comply with applicable laws and regulations in each jurisdiction in which it offers, sells or delivers Notes or distributes these Listing Particulars or any other offering or publicity material relating to the Notes, the Issuer or the Company.

No action has or will be taken in any jurisdiction by the Issuer, the Company or any of the Joint Lead Managers or Joint Bookrunners that would, or is intended to, permit a public offer of the Notes or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Accordingly, each Joint Lead Manager and Joint Bookrunner has undertaken to the Issuer and the Company that it will not, directly or indirectly, offer or sell any Notes or distribute or publish these Listing Particulars, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

These selling restrictions may be modified by the agreement of the Issuer, the Company, the Joint Lead Managers and the Joint Bookrunners following a change in a relevant law, regulation or directive.

The Joint Lead Managers and Joint Bookrunners and their respective affiliates have engaged in transactions with the Company and other members of the Group (including, in some cases, credit agreements and credit lines) in the ordinary course of their banking business and the Joint Lead Managers and Joint Bookrunners performed various investment banking, financial advisory, and other services for the Company, for which they received customary fees, and the Joint Lead Managers and Joint Bookrunners and their respective affiliates may provide such services in the future.

Tender Offer and Priority Allocation

On 30 September 2020, pursuant to the Tender Offer and Consent Solicitation Memorandum, the Issuer invited holders of the 2022 Notes to: (i) tender any or all of the 2022 Notes held by them for purchase by the Issuer for cash; and (ii) concurrently consent to amend by extraordinary resolution the terms and conditions of the 2022 Notes and the 2022 Loan Agreement to provide for the Mandatory Early Redemption, all on the terms and subject to the conditions set out in the Tender Offer and Consent Solicitation Memorandum. Holders of the 2022 Notes that wish to subscribe for Notes, in addition to participating in the Tender Offer and Consent Solicitation, may request to receive priority in the allocation of the Notes, subject to the completion of the Tender Offer and Consent Solicitation and the other terms and conditions set out in the Tender Offer and Consent Solicitation Memorandum. See *"—Allocations of Notes*". As of the date of these Listing Particulars, the Company holds U.S.$99,384,000 of the 2022 Notes.

Allocations of Notes

The Issuer (acting jointly with the Company) will, in connection with the allocation of the Notes, consider among other factors, whether or not the relevant investor seeking an allocation of Notes has validly tendered the 2022 Notes held by it and/or voted in favour of the Mandatory Early Redemption, or indicated a firm intention to tender the 2022 Notes and/or vote in favour of the Mandatory Early Redemption, pursuant to the Tender Offer and Consent Solicitation, and, if so, the aggregate principal amount of such 2022 Notes tendered and/or voted in favour, or intended to be tendered and/or voted in favour (as the case may be), by such investor. When considering allocations of 2022 Notes, the Issuer (acting jointly with the Company) intends to look favourably upon those investors who have, pursuant to the Tender Offer and Consent Solicitation and prior to

the allocation of Notes, tendered 2022 Notes, voted in favour of the Mandatory Early Redemption, or indicated either such intention to the Issuer or the Dealer Managers (as defined in the Tender Offer and Consent Solicitation Memorandum); however, the Issuer is not obliged to allocate the Notes to any investor whether or not it has validly tendered 2022 Notes and/or voted in favour of the Mandatory Early Redemption, or indicated a firm intention to tender 2022 Notes or vote in favour of the Mandatory Early Redemption, pursuant to the Tender Offer and Consent Solicitation. Any allocations of Notes, while being considered by the Issuer (acting jointly with the Company) as set out above, will be made in accordance with customary allocation processes and procedures.

INDEPENDENT AUDITORS

The consolidated financial statements of the Group as of and for the years ended 31 December 2019 and 2018 included herein have been audited by KPMG LLC, independent auditors, as stated in their reports appearing therein.

With respect to the unaudited interim condensed consolidated financial information of the Group as of and for the six-month period ended 30 June 2020, included herein, the Independent Auditor reported that they applied limited procedures in accordance with professional standards for a review of such information. However, the separate report included in the Group's interim condensed consolidated financial information included therein states that they did not audit and they do not express an opinion on such interim condensed consolidated financial information. Accordingly, the degree of reliance on their report of such information should be restricted in light of the limited nature of the review procedures applied.

KPMG LLC was registered under the laws of Belarus on 20 October 2010 by the Minsk City Executive Committee under a registered number 191434140, and is located at 57 Dzerzhinsky avenue, 13th floor, office 53-2, 220089, Minsk, Belarus. KPMG LLC is a member of the "Chamber of Auditors", a self-regulated organization of auditors in Belarus.

GENERAL INFORMATION

1. The Company was incorporated in the Republic of Belarus on 28 October 1996, as a limited liability company for an unlimited duration. The Company operates under the laws of the Republic of Belarus. The Company has its registered office at Kazintsa str., 52A-22, Minsk, Republic of Belarus, with state registration number 101168731, and its telephone number is +375 17 279 80 00.

2. The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC. The Common Code and the ISIN numbers for the Regulation S Notes are 224334443 and XS2243344434, respectively. The Common Code, CUSIP and ISIN numbers for the Rule 144A Notes are 224473478, 09821LAB7 and US09821LAB71, respectively.

3. It is expected that admission of the Notes to trading on the Global Exchange Market of Euronext Dublin will be granted on or before 22 October 2020, subject only to the issue of the Notes. Transactions will normally be effected for settlements in US dollars and for delivery on the third business day after the day of the transaction.

4. Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and to trading on the Global Exchange Market, through the Listing Agent, Arthur Cox Listing Services Limited ("**ACLSL**"). ACLSL is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission to the Official List or trading on the Global Exchange Market for the purposes of the Global Exchange Market Listing and Admission to Trading Rules of Euronext Dublin.

5. For as long as the Notes are listed on the Official List of Euronext Dublin and admitted to trading on the Global Exchange Market, hard copies of the following documents may be inspected at the registered office of the Issuer and the specified offices of the Principal Paying Agent during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted):

   - a copy of these Listing Particulars, together with any supplement to these Listing Particulars;
   - the constitution of the Issuer;
   - the charter of the Company (English translation);
   - the Annual Consolidated Financial Statements, including the independent auditor's reports thereon, and the Interim Consolidated Financial Information, including the review report thereon;
   - the Issuer Financial Statements;
   - the Loan Agreement;
   - the Paying Agency Agreement; and
   - the Trust Deed, which includes the forms of the Global Certificates and the Definitive Certificates.

6. The issue of the Notes and the entry into the Loan Agreement was authorised by a decision of the Board of Directors of the Issuer on 17 September 2020.

7. No consents, approvals, authorisations or orders of any regulatory authorities are required by the Issuer under the laws of the Ireland for maintaining the Loan or for issuing the Notes.

8. Since 31 December 2019, there has been no material adverse change in the financial position or prospects of the Issuer. The Issuer has no subsidiaries.

9. Save for the fees payable to the Joint Lead Managers and Joint Bookrunners, the Trustee and the Agents, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest that is material to the issue of the Notes.

10. There has been no significant change in the financial or trading position of the Company or of the Group since 30 June 2020 and no material adverse change in the prospects of the Company or of the Group since 31 December 2019.

11. There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which any of the Issuer is aware), during the previous 12 months in relation to the Issuer which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.

12. The Company has obtained all necessary consents, approvals and authorisations in the Republic of Belarus in connection with its entry into, and performance of its obligations under, the Loan Agreement.

13. The Bank of New York Mellon SA/NV Luxembourg Branch will act as Registrar in relation to the Regulation S Notes. The Bank of New York Mellon SA/NV Luxembourg Branch will act as Registrar in relation to the Rule 144A Notes.

14. The loan to value ratio of the Notes is 100 per cent.

15. The Trust Deed provides that the Noteholders shall together have the power, exercisable by Extraordinary Resolution, to remove the Trustee (or any successor trustee or additional trustees) provided that the removal of the Trustee or any other trustee shall not become effective unless there remains a trustee in office after such removal. Furthermore, the Trust Deed provides, inter alia, that the Trustee may act and/or rely on the opinion or advice of or a certificate or any information obtained from any lawyer, banker, valuer, surveyor, broker, auctioneer, accountant, auditor or other expert (whether or not addressed to the Trustee), notwithstanding that such opinion, advice, certificate or information contains a monetary or other limit on the liability of any of the above mentioned persons in respect thereof.

16. The language of these Listing Particulars is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

17. The Issuer does not intend to provide any post-issuance transaction information regarding the Notes or the Loan.

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REGISTERED OFFICE OF THE BORROWER

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REGISTERED OFFICE OF THE ISSUER

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Ireland

EUROTORG LLC

Condensed Consolidated Interim Financial Information

as at and for the six-month period
ended 30 June 2020

EUROTORG LLC

Condensed Consolidated Interim Financial Information
as at and for the six-month period ended 30 June 2020

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

To the Participant of Eurotorg LLC

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Eurotorg LLC (the "Company") and its subsidiaries (the "Group") as at 30 June 2020, and the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the condensed consolidated interim financial information (the "condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Reviewed entity: Eurotorg LLC

Registration details: Registered by the Minsk City Executive Committee on September 7, 2000. Registration number in the Unified State Register of entities and individual entrepreneurs № 101168731

Legal address: 52a-22, Kazintsa str., 220099, Minsk, Republic of Belarus.

Audit firm: LLC "KPMG", a company incorporated under the Laws of the Republic of Belarus, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Member of the Self-regulated organization of auditors in Belarus "Chamber of Auditors".

Registration details: registered by the Minsk City Executive Committee on 10 February 2011, Registration number in the Unified State Register of entities and individual entrepreneurs № 191434140.

Legal address: 49 Platonova str., 7th floor, 220012 Minsk Belarus.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information as at 30 June 2020 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS *34 Interim Financial Reporting*.

Vasyl Pavlenko
Audit Director
"KPMG" LLC
Minsk, Belarus
18 August 2020

EUROTORG LLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(in thousands of Belarusian Rubles)

	Note	For the six-month period ended 30 June 2020	2019
Revenue, interest and commission income	5	2,468,358	2,334,226
Cost of goods and services sold and interest expenses	6	(1,858,539)	(1,765,567)
Gross profit		**609,819**	**568,659**
Administrative and selling expenses	7	(420,547)	(431,017)
Change in allowance for impairment of financial assets	14,16	(1,225)	121
Other income	9	5,490	7,436
Other expenses	10	(11,788)	(8,373)
Operating profit		**181,749**	**136,826**
Finance income		1,342	59,605
Finance costs		(287,874)	(87,599)
Net finance costs	8	**(286,532)**	**(27,994)**
Profit/(loss) before income tax		**(104,783)**	**108,832**
Income tax expenses	11	(2,389)	(22,630)
Profit/(loss) for the period		**(107,172)**	**86,202**
Other comprehensive income/(loss)			
Items that will never be reclassified to profit or loss			
Revaluation of property, plant and equipment	12	-	(25,762)
Related tax		-	4,637
Items that are or may be reclassified subsequently to profit or loss			
Foreign operations - foreign currency translation differences		1	20
Total other comprehensive income/(loss)		**1**	**(21,105)**
Total comprehensive income/(loss) for the period		**(107,171)**	**65,097**
Profit/(loss) attributable to:			
Owners of the Company		(107,112)	86,235
Non-controlling interests		(60)	(33)
		(107,172)	**86,202**
Total comprehensive income/(loss) attributable to:			
Owners of the Company		(107,111)	65,130
Non-controlling interests		(60)	(33)
		(107,171)	**65,097**

On behalf of the Management:

Chief Executive Officer
Andrei Zubkou

Chief Financial Officer
Alesia Sapunova

17 August 2020

The notes on pages 11-40 are an integral part of this condensed consolidated interim financial information.

EUROTORG LLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020
(in thousands of Belarusian Rubles)

	Note	30 June 2020	31 December 2019
Assets			
Property, plant and equipment	12	1,237,883	1,263,621
Right-of-use assets and leased property	13	358,147	334,855
Prepayments for non-current assets		10,708	14,113
Intangible assets		17,470	16,145
Goodwill	28	6,232	6,265
Derivatives	20	-	15,297
Loans granted	14	39,081	48,156
VAT recoverable		2,455	3,285
Other investments		-	201
Deferred tax assets	11	34,283	25,863
Total non-current assets		**1,706,259**	**1,727,801**
Inventories	15	368,611	368,984
Trade and other receivables	16	128,589	151,201
Current tax asset		13	6,307
VAT recoverable		3,228	12,167
Prepayments	17	51,704	40,171
Loans granted	14	16,978	19,875
Cash and cash equivalents	18	217,494	286,040
Non-current assets held for sale		-	57
Total current assets		**786,617**	**884,802**
Total assets		**2,492,876**	**2,612,603**
Equity			
Share capital		132,242	132,242
Revaluation reserve		274,472	274,472
Accumulated loss		(400,032)	(250,971)
Equity attributable to owners of the Company		**6,682**	**155,743**
Non-controlling interests		178	238
Total equity		**6,860**	**155,981**
Liabilities			
Loans and borrowings	20	1,310,951	1,195,335
Lease liabilities	21	327,670	263,061
Derivatives	20	12,401	-
Deferred income		3,434	3,760
Deferred tax liabilities	11	1,361	1,085
Other non-current liabilities		1,878	2,593
Total non-current liabilities		**1,657,695**	**1,465,834**

The notes on pages 11-40 are an integral part of this condensed consolidated interim financial information.

	Note	30 June 2020	31 December 2019
Liabilities (continued)			
Loans and borrowings	20	89,704	1,785
Accrued interest		19,228	17,541
Lease liabilities	21	115,365	103,027
Trade and other payables	22	504,789	781,778
Current tax liabilities		4,545	236
Deferred income		902	1,078
Other current liabilities	23	93,788	85,343
Total current liabilities		**828,321**	**990,788**
Total liabilities		**2,486,016**	**2,456,622**
Total equity and liabilities		**2,492,876**	**2,612,603**

On behalf of the Management:

Chief Executive Officer
Andrei Zubkou

Chief Financial Officer
Alesia Sapunova

17 August 2020

The notes on pages 11-40 are an integral part of this condensed consolidated interim financial information.

EUROTORG LLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(in thousands of Belarusian Rubles)

	Note	Attributable to owners of the Company					
		Share capital	Revaluation reserve	Accumulated loss	Total	Non-controlling interests	Total equity
As at 1 January 2019		**132,242**	**340,375**	**(236,549)**	**236,068**	**340**	**236,408**
Adjustment on initial application of IFRS 16 (net of tax)		-	-	(54,820)	**(54,820)**	-	**(54,820)**
Adjusted balance as at 1 January 2019		**132,242**	**340,375**	**(291,369)**	**181,248**	**340**	**181,588**
Comprehensive income/(loss) for the period							
Profit for the period		-	-	86,235	**86,235**	(33)	**86,202**
Other comprehensive loss for the period							
Foreign currency translation differences		-	-	20	**20**	-	**20**
Revaluation of property, plant and equipment	12	-	(25,762)	-	**(25,762)**	-	**(25,762)**
Related tax		-	4,637	-	**4,637**	-	**4,637**
Revaluation reserve transfer due to disposal of items of property, plant and equipment		-	(30,476)	30,476	-	-	-
Total comprehensive income for the period		-	**(51,601)**	**116,731**	**65,130**	**(33)**	**65,097**
As at 30 June 2019		**132,242**	**288,774**	**(174,638)**	**246,378**	**307**	**246,685**

	Note	Attributable to owners of the Company					
		Share capital	Revaluation reserve	Accumulated loss	Total	Non-controlling interests	Total equity
As at 1 January 2020		**132,242**	**274,472**	**(250,971)**	**155,743**	**238**	**155,981**
Comprehensive loss for the period							
Loss for the period		-	-	(107,112)	**(107,112)**	(60)	**(107,172)**
Other comprehensive income for the period							
Foreign currency translation differences		-	-	1	**1**	-	**1**
Total comprehensive loss for the period		-	-	**(107,111)**	**(107,111)**	**(60)**	**(107,171)**
Transactions with owners of the Company							
Dividends	19	-	-	(41,950)	**(41,950)**	-	**(41,950)**
Total transactions with owners of the Company		-	-	**(41,950)**	**(41,950)**	-	**(41,950)**
As at 30 June 2020		**132,242**	**274,472**	**(400,032)**	**6,682**	**178**	**6,860**

On behalf of the Management:

Chief Executive Officer
Andrei Zubkou

Chief Financial Officer
Alesia Sapunova

17 August 2020

The notes on pages 11-40 are an integral part of this condensed consolidated interim financial information.

EUROTORG LLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020
(in thousands of Belarusian Rubles)

	Note	For the six-month period ended 30 June 2020	2019
Cash flows from operating activities:			
Profit/(loss) for the period		(107,172)	86,202
Adjustments for:			
Income tax expenses	11	2,389	22,630
Depreciation of property, plant and equipment	12	40,450	36,590
Amortization of intangible assets	7	1,699	2,128
Amortization of right-of-use assets and leased property	7	45,715	45,917
Net finance costs	8	286,532	27,994
Loss on disposal of property, plant and equipment	10	2,272	1,217
Change in allowance for impairment of financial assets	14,16	1,225	(121)
Cash flows from operating activities before changes in operating assets and liabilities		**273,110**	**222,557**
Changes in:			
Inventories		235	19,939
Trade and other receivables		19,068	(4,562)
VAT recoverable		9,769	11,736
Prepayments		(11,496)	4,560
Non-current assets held for sale		57	65
Deferred income		(502)	(393)
Trade and other payables		(285,664)	(97,451)
Loans granted by the Bank		12,328	8,478
Other investments		-	(17,836)
Other liabilities		6,249	20,837
Cash generated from operating activities		**23,154**	**167,930**
Income taxes paid		(544)	(8,920)
Net cash from operating activities		**22,610**	**159,010**
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment		14,665	93,042
Acquisition of property, plant and equipment		(24,543)	(43,736)
Deposit interests received		1,342	190
Acquisition of intangible assets		(3,024)	(2,756)
Redemption of loans granted		39	-
Net cash from/(used in) investing activities		**(11,521)**	**46,740**

The notes on pages 11-40 are an integral part of this condensed consolidated interim financial information.

	Note	For the six-month period ended 30 June 2020	2019
Cash flows from financing activities:			
Proceeds from loans and borrowings		483,285	371,084
Repayment of loans and borrowings		(402,182)	(360,993)
Interest paid on loans and borrowings		(53,496)	(57,456)
Repayment of lease liabilities and interests		(70,678)	(117,655)
Repayment of VAT under lease agreements		(1,018)	(9,905)
Dividends paid		(41,950)	-
Net cash used in financing activities		**(86,039)**	**(174,925)**
Net change in cash and cash equivalents		**(74,950)**	**30,825**
Cash and cash equivalents at the beginning of the period	18	**286,040**	**161,942**
Effect of movements in exchange rates on cash held		6,404	(1,921)
Cash and cash equivalents at the end of the period	18	**217,494**	**190,846**

On behalf of the Management:

Chief Executive Officer
Andrei Zubkou

Chief Financial Officer
Alesia Sapunova

17 August 2020

The notes on pages 11-41 are an integral part of this condensed consolidated interim financial information.

1. GENERAL INFORMATION

(a) Organisation

“Eurotorg” LLC (“the Company”) operates in the Republic of Belarus since October 28, 1996. The Company’s registered office is located at 52a-22, Kazintsa str., 220099, Minsk, Republic of Belarus. "Eurotorg" LLC is the parent company and together with its subsidiaries are referred to as the “Group”.

The principal activities of the Group include retail trade with food and other consumer goods. These activities include sale of domestic and imported goods on the territory of the Republic of Belarus. The Company has minor operations in banking and other businesses.

“Eurotorg” LLC operates its retail grocery stores under the Euroopt, Hit! and Groshik brands, in four formats: rural convenience stores, urban convenience stores, supermarkets and hypermarkets.

As at 30 June 2020 the Group’s retail store portfolio consisted of 148 rural convenience stores, 598 urban convenience stores, 96 supermarkets and 37 hypermarkets.

Thus, as at 30 June 2020 the retail chain comprised 879 grocery stores in 325 settlements of Belarus, including 142 owned stores and 737 leased ones. Also the Group operates 19 household appliances and electronics stores under "TEKHNOPLYUS" brand in 13 cities of Belarus.

Most stores of the retail chain of "Eurotorg" LLC were located in Minsk Region - 190 stores, in Minsk City - 147, in Vitebsk Region – 139, in Brest Region – 134, stores in Gomel Region - 91, in Grodno Region – 90 and in Mogilev Region - 88.

As at 30 June 2020 the total space of the retail chain was 832,087 sq. m., selling space 335,410 sq. m. The share of owned space in total space is 44.0%, in selling space 37.1%.

As at 31 December 2019, the Group’s retail store portfolio consisted of 150 rural convenience stores, 584 urban convenience stores, 98 supermarkets and 38 hypermarkets. Thus, as at 31 December 2019 the retail chain comprised 870 grocery stores in 327 settlements of Belarus, including 141 owned stores and 729 leased ones. Also the Group operates 22 household appliances and electronics stores under "TEKHNOPLYUS" brand in 15 cities of Belarus.

Most stores of the retail chain of "Eurotorg" LLC were located in Minsk Region - 174 stores, in Minsk City - 154, in Vitebsk Region – 142, in Brest Region – 122, stores in Gomel Region - 96, in Grodno Region – 94 and in Mogilev Region - 88.

As at 31 December 2019 the total space of the retail chain was 835,759 sq. m., selling space 342,362 sq. m. The share of owned space in total space is 43.8%, in selling space 36.9%.

The actual number of employees of the Group as at 30 June 2020 and 31 December 2019 was 32,929 and 35,060 respectively.

1. GENERAL INFORMATION (continued)

(a) Organisation (continued)

The Company is the parent entity to the following companies:

Name	Country of operation	Type of operations	Ownership interest as at 30 June 2020	Ownership interest as at 31 December 2019	Date of acquisition
Bonitron Designated Activity Company	Ireland	Special purpose entity designed to list bonds on Irish Stock Exchange	Special purpose entity[1]	Special purpose entity[1]	21.08.2017
"Retail Bel Finance" LLC	Russian Federation	Special purpose entity designed to list bonds on Moscow Stock Exchange	Special purpose entity[1]	Special purpose entity[1]	12.04.2019
"BRKompani" LLC	Russian Federation	Construction	100.00%	100.00%	19.03.2012
"PakHaus" Unitary enterprise	Belarus	Packaging	100.00%	100.00%	06.12.2012
"Yulain" ALC	Belarus	Production of meat products	100.00%	100.00%	24.01.2012
"Eurooptavto" LLC	Belarus	Transportation services	100.00%	100.00%	02.03.2012
"Dzerzhinskii myasokombinat" CJSC	Belarus	Production of meat products	100.00%	100.00%	13.06.2013
"Barentsevo" LLC	Belarus	Production of seafood	100.00%	100.00%	28.06.2012
"UniStor Trading" LLC	Belarus	Wholesale	100.00%	100.00%	19.10.2011
"ElitPartner" LLC	Belarus	Production of bakery products	100.00%	100.00%	02.04.2013
"UyutCity" LLC	Belarus	Wholesale	100.00%	100.00%	01.10.2019
"Statusbank" OJSC (hereinafter - "the Bank")	Belarus	Banking	99.52%	99.52%	22.05.2012
"Tekhno Media Treid" LLC	Belarus	Retail sales	96.50%	96.50%	06.12.2012
"Klondike Retail" LLC	Belarus	Retail sales	100.00%	-	19.02.2020
"EurooptAgro" LLC	Belarus	Poultry	Merged	100.00%	09.04.2014
"Diskontnyi club" LLC	Belarus	Retail sales	Merged	100.00%	26.12.2012
"Retorsia-invest" LLC	Belarus	Construction	Merged	100.00%	07.09.2010
"Sotrudnichestvo" OJSC	Belarus	Construction	Merged	100.00%	20.05.2010

In February 2020 the Group established "Klondike Retail" LLC for launch of deep discounters under the "Groshik" brand. On 14 May 2020 "EurooptAgro" LLC, "Diskontnyi club" LLC, "Retorsia-invest" LLC and "Sotrudnichestvo" OJSC were merged with "Eurotorg" LLC.

[1] The entity is controlled by the Group.

1. GENERAL INFORMATION (continued)

(b) Business environment

The Group's operations are primarily located in Belarus. Consequently, the Group is exposed to the economic and financial markets of Belarus, which display emerging market characteristics. The legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes, which, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in Belarus. The monetary policy regulations, adopted by the National Bank of the Republic of Belarus and effective over the past several years, have resulted in reduced inflation and a less-volatile Belarusian Ruble.

The condensed consolidated interim financial information reflect management's assessment of how the Belarusian business environment has impacted the operations and financial position of the Group. The business environment in the future may differ from management's assessment.

The first months of 2020 were characterized by significant uncertainty in the global market related to the outbreak of the coronavirus. Along with other factors, this has resulted in a sharp decrease in oil prices and the stock market indices, as well as a weakening of the Belarusian Ruble, which increased the level of uncertainty in Belarus business environment.

In the six-month period ended 30 June 2020, part of the sales from bricks-and-mortar stores moved to the online segment. With the spread of COVID-19, customer behavior and the structure of Like-for-Like sales are shifting in favor of a higher average ticket with less frequent store visits. The Group's retail sales for the six-month ended 30 June 2020 increased by 5.8% compared to the six-month ended 30 June 2019.

The Group has successfully adapted to changes in the business environment related to COVID-19 pandemic and continued to implement its strategy. By maintaining seamless supplies, the Group ensured the availability of a full range of goods in all existing stores and continued to expand its business by opening new stores. The launch of a network of hard discounters under the "Groshyk" banner will further enhance the Group's price leadership and strengthen loyalty among customers whose main focus is price.

The Group continues to observe all necessary safety measures amid the spread of COVID-19 and maintains focus on ensuring business continuity.

2. BASIS OF ACCOUNTING

This condensed consolidated interim financial information has been prepared in accordance with IAS 34 Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2019. This condensed consolidated interim financial information does not include all the information required for full annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The condensed consolidated interim financial information as at and for the six-month period ended 30 June 2020 consists of the financial information of the Company and its subsidiaries (which together referred to as "the Group").

This condensed consolidated interim financial information was authorized for issue by the Management on 17 August 2020.

3. FUNCTIONAL AND PRESENTATION CURRENCY

The national currency of Belarus is the Belarusian Ruble (BYN) and the same currency is the functional currency of the Company, as well as the currency in which this condensed consolidated interim financial information is presented. The functional currency of the Russian company is the Russian Ruble (RUB), the Irish company – US dollar (USD). All figures in this condensed consolidated interim financial information are presented in Belarusian Rubles (BYN) and are rounded to the nearest thousand, except where otherwise indicated.

The results and financial position of subsidiaries whose functional currency is different from the presentation currency are translated into presentation currency using the following procedures:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement presenting profit or loss and other comprehensive income shall be translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences shall be recognised in other comprehensive income.

4. USE OF ESTIMATES AND JUDGMENTS

In preparing this condensed consolidated interim financial information management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by the management in applying the Group's accounting policies and the sources of estimation uncertainty used were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2019.

The Group made no measurement of the fair value of buildings as at 30 June 2020 as the management believes that there were no significant changes in the fair value of buildings at the reporting date compared to 31 December 2019.

5. REVENUE, INTEREST AND COMMISSION INCOME

The major portion of revenue includes sales of goods and services by the stores. In the following table, revenue is disaggregated by major products and service lines:

	For the six-month period ended 30 June	
	2020	**2019**
Retail sales	2,210,942	2,089,842
Wholesale	225,870	213,591
Other revenue	8,202	7,106
Total revenue from contracts with customers	**2,445,014**	**2,310,539**
Rental revenues	16,608	16,864
Interest income of the Bank	6,736	6,823
Total rental revenue, interest and commission income of the Bank	**23,344**	**23,687**
Total revenue, interest and commission income	**2,468,358**	**2,334,226**

Most of the Group's revenue comes from Belarus which is the primary geographical market of the Group. The Group is not subject to significant seasonal fluctuations.

The major portion of revenue from contracts with customers recognized in the six-month periods ended 30 June 2020 and 30 June 2019 is resulted from transfer of products and services at a point of time.

In the six-month periods ended 30 June 2020 and 30 June 2019 rental revenues relating to rights-of-use assets sublease agreements amounted to BYN 4,364 thousand and BYN 4,008 thousand, respectively.

6. COST OF GOODS AND SERVICES SOLD AND INTEREST EXPENSES

	For the six-month period ended 30 June	
	2020	**2019**
Cost of purchased and produced goods	1,820,723	1,720,318
Transportation costs and handling operations	34,684	42,849
Bank interest expenses	2,090	1,869
Other costs	1,042	531
Total cost of goods and services sold and interest expenses	**1,858,539**	**1,765,567**

7. ADMINISTRATIVE AND SELLING EXPENSES

	For the six-month period ended 30 June	
	2020	**2019**
Employee benefits	166,524	163,869
Social security contributions	51,492	52,339
Utility costs	49,575	46,421
Amortization of right-of-use assets and leased property	45,715	45,917
Depreciation of property, plant and equipment	37,733	34,222
Professional services	18,062	19,046
Other materials and stationery	15,076	11,288
Taxes other than income taxes	11,861	15,355
Marketing and advertising	9,332	22,472
Repairs and maintenance	2,817	5,868
Amortization of intangible assets	1,699	2,128
Rent	492	1,752
Auditors' remuneration	321	123
Other expenses	9,848	10,217
Total administrative and selling expenses	**420,547**	**431,017**

In the six-month periods ended 30 June 2020 and 30 June 2019 rent expenses recognized on a straight-line basis over the lease term included:

- expenses relating to leases of low-value assets and short-term leases in the amounts of BYN 119 thousand and BYN 403 thousand, respectively
- variable payments dependent on some retail stores sales turnover in the amounts of BYN 1,603 thousand and BYN 1,349 thousand, respectively
- rent concessions due to the COVID-19 pandemic that reduced rent expenses in the amount of BYN 1,230 thousand in the six-month period ended 30 June 2020.

8. NET FINANCE COSTS

	For the six-month period ended 30 June	
	2020	**2019**
Interest income on bank deposits	1,342	190
Profit from foreign exchange differences	-	55,269
Effect from early repayment of lease agreement	-	3,919
Profit from purchase/sale of foreign currency	-	227
Total finance income	**1,342**	**59,605**
Loss from foreign exchange differences	(175,445)	-
Interest expenses	(54,870)	(58,700)
Loss from change in fair value of derivatives	(27,668)	-
Interest expenses under lease agreements	(19,747)	(21,753)
Bank commissions	(6,674)	(5,028)
Bonds redemption expenses	(1,993)	(2,118)
Loss from purchase/sale of foreign currency	(1,477)	-
Total finance costs	**(287,874)**	**(87,599)**
Net finance costs	**(286,532)**	**(27,994)**

9. OTHER INCOME

	For the six-month period ended 30 June	
	2020	**2019**
Purchase/sale of foreign currency of the Bank	3,106	1,839
Gain on sale of materials	1,299	4,156
Other income	1,085	1,441
Total other income	**5,490**	**7,436**

10. OTHER EXPENSES

	For the six-month period ended 30 June	
	2020	**2019**
Charity	4,343	5,364
Loss on investing activities	2,450	416
Loss on disposal of property, plant and equipment	2,272	1,217
Fines and penalties	31	150
Other expenses	2,692	1,226
Total other expenses	**11,788**	**8,373**

11. INCOME TAX EXPENSES

The Group provides for current income tax based on the statutory tax accounting maintained and prepared in accordance with the Belarusian statutory tax regulations, which may differ from amounts calculated under the IFRS. In the Republic of Belarus the income tax rate constitutes 18%. The income tax for banks in the Republic of Belarus constitutes 25%. In the Russian Federation the aggregate income tax rate constitutes 20%.

Deferred tax reflects the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. As at balance sheet dates temporary differences result mostly from different methods of income and expense recognition as well as differences between tax and accounting carrying values of property, plant and equipment items.

Recognized deferred tax assets are measured at the tax rates enacted as at 30 June 2020. They are recognized in the amount that under the management's estimates is probable to bring taxable profit against which the deductible amounts can be utilized. In determining estimated future taxable profit against which the deductible amounts can be utilized, management has considered the existence of taxable temporary differences that will reverse in the same period. Taxable profit is determined according to the local accounting standards. According to the local accounting standards the Group is profitable and has sufficient taxable profit to utilize the deferred tax assets.

For the six-month period ended 30 June 2020 according to unaudited accounting statements prepared under requirements of Belarusian laws the Group reported a taxable profit of BYN 65,384 thousand. Therefore management believes that the receipt of future taxable profits, against which the Group could use the respective tax benefits, is highly probable.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings and constructions	Trade, production and warehouse equipment	Vehicles	Office and other equipment	Construction in progress and equipment not installed	Total
Acquisition cost						
1 January 2019	**1,372,781**	**313,530**	**56,124**	**13,228**	**50,702**	**1,806,365**
Transfer to rights-of-use and leased property	(134,331)	(30,037)	(30,575)	(1,728)	-	**(196,671)**
Adjusted balance as at 1 January 2019	**1,238,450**	**283,493**	**25,549**	**11,500**	**50,702**	**1,609,694**
Additions and property buy-back	79,057	5,451	1,202	337	50,085	**136,132**
Transfers	22,759	20,302	-	4,110	(47,171)	**-**
Disposals	(91,898)	(7,421)	(458)	(519)	(2,583)	**(102,879)**
Revaluation	(26,684)	-	-	-	-	**(26,684)**
30 June 2019	**1,221,684**	**301,825**	**26,293**	**15,428**	**51,033**	**1,616,263**
1 January 2020	**1,283,260**	**325,135**	**27,370**	**16,710**	**36,673**	**1,689,148**
Additions and property buy-back	8,908	3,419	466	1,270	11,409	**25,472**
Transfers	4,334	5,941	875	2,639	(13,789)	**-**
Disposals	(4,214)	(9,888)	(723)	(1,017)	(3,704)	**(19,546)**
30 June 2020	**1,292,288**	**324,607**	**27,988**	**19,602**	**30,589**	**1,695,074**
Accumulated depreciation and impairment losses						
1 January 2019	**(200,528)**	**(158,548)**	**(28,520)**	**(6,042)**	**-**	**(393,638)**
Transfer to rights-of-use and leased property	9,786	10,847	11,974	328	-	**32,935**
Adjusted balance as at 1 January 2019	**(190,742)**	**(147,701)**	**(16,546)**	**(5,714)**	**-**	**(360,703)**
Charge for the period	(20,068)	(13,615)	(2,092)	(815)	-	**(36,590)**
Disposals	11,149	4,538	432	289	-	**16,408**
Revaluation	922	-	-	-	-	**922**
30 June 2019	**(198,739)**	**(156,778)**	**(18,206)**	**(6,240)**	**-**	**(379,963)**
1 January 2020	**(218,097)**	**(180,428)**	**(20,008)**	**(6,994)**	**-**	**(425,527)**
Charge for the period	(18,300)	(18,937)	(1,538)	(1,675)	-	**(40,450)**
Disposals	1,021	6,416	469	880	-	**8,786**
30 June 2020	**(235,376)**	**(192,949)**	**(21,077)**	**(7,789)**	**-**	**(457,191)**
Carrying amount						
1 January 2019	**1,172,253**	**154,982**	**27,604**	**7,186**	**50,702**	**1,412,727**
30 June 2019	**1,022,945**	**145,047**	**8,087**	**9,188**	**51,033**	**1,236,300**
1 January 2020	**1,065,163**	**144,707**	**7,362**	**9,716**	**36,673**	**1,263,621**
30 June 2020	**1,056,912**	**131,658**	**6,911**	**11,813**	**30,589**	**1,237,883**

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation of property, plant and equipment in the condensed consolidated interim statement of profit or loss and other comprehensive income is allocated to the following items:

	For the six-month period ended 30 June	
	2020	**2019**
Cost of goods and services sold and interest expenses	2,717	2,368
Administrative and selling expenses	37,733	34,222
Total depreciation	**40,450**	**36,590**

As at 30 June 2020 and 31 December 2019 the historical cost of fully depreciated but still used items of property, plant and equipment amounted to BYN 143,356 thousand and BYN 122,626 thousand, respectively.

As at 30 June 2020 and 31 December 2019 the carrying value of pledged property, plant and equipment amounted to BYN 115,416 thousand and BYN 154,937 thousand, respectively. As at 30 June 2020 and 31 December 2019 the carrying value of pledged property, plant and equipment under open undrawn credit lines amounted to BYN 559,574 thousand and BYN 116,395 thousand, respectively.

Buildings and constructions are accounted under the revaluation method. Revaluations are made with a sufficient regularity to ensure that the carrying amount does not significantly differ from that which would be determined using fair value at the end of the reporting period. The Group has analyzed the trends in the market of trade real estate and concluded that its value has not changed significantly as compared to the beginning of the reporting period. The Group plans to conduct a revaluation at the end of 2020 in order to present buildings at their fair value as at 31 December 2020.

13. RIGHT-OF-USE ASSETS AND LEASED PROPERTY

	Buildings and constructions	Trade, production and warehouse equipment	Vehicles	Office and other equipment	Right-of-use assets	Total
1 January 2019	**124,545**	**19,190**	**18,601**	**1,400**	**328,968**	**492,704**
New lease agreements	21,165	999	5,307	81	39,472	**67,024**
Modifications of lease agreements terms	-	-	-	-	21,186	**21,186**
Amortization of right-of-use assets and leased property	(420)	(1,623)	(2,933)	(89)	(40,852)	**(45,917)**
Property buy-back	(89,775)	(3,232)	(3,493)	(406)	-	**(96,906)**
30 June 2019	**55,515**	**15,334**	**17,482**	**986**	**348,774**	**438,091**
1 January 2020	**-**	**5,677**	**14,522**	**889**	**313,767**	**334,855**
New lease agreements	-	-	-	-	26,081	**26,081**
Modifications of lease agreements terms	-	-	-	-	45,410	**45,410**
Amortization of right-of-use assets and leased property	-	(567)	(2,216)	(93)	(42,839)	**(45,715)**
Property buy-back	-	(1,465)	(277)	(742)	-	**(2,484)**
30 June 2020	**-**	**3,645**	**12,029**	**54**	**342,419**	**358,147**

"Right-of-use assets" include leased commercial, warehouse and subsidiary premises without purchase option with lease term significantly less than their useful life. Before 1 January 2019 such lease agreements were classified as operating leases.

For the six-month periods ended 30 June 2020 and 30 June 2019 leased property ownership rights in the amount of BYN 2,484 thousand and BYN 96,906 thousand, respectively, was transferred to the Group.

14. LOANS GRANTED

Breakdown by type of client

	30 June 2020	31 December 2019
Loans granted to corporate clients by the Bank	9,594	12,099
Consumer loans granted to individuals by the Bank	47,063	56,836
Loans granted to third parties	457	410
Total loans granted before allowance for impairment	**57,114**	**69,345**
Allowance for impairment	(1,055)	(1,314)
Total loans granted	**56,059**	**68,031**
Short-term loans granted	16,978	19,875
Long-term loans granted	39,081	48,156

Security for loans

In order to reduce credit risk, the Bank requires the provision of security, the size and type of which depends on the assessment of the credit risk of the counterparty.

The main types of security received for loans to legal entities and individual entrepreneurs are real estate, equipment, cars, goods in circulation, the right to receivables and lease payments. Loans to individuals are secured by guarantees of individuals. The Bank has no overdue and unimpaired loans granted.

Movement in allowance for impairment on loans granted

	2020	2019
1 January	**1,314**	**2,188**
Change for the period	(259)	97
30 June	**1,055**	**2,285**

15. INVENTORIES

	30 June 2020	31 December 2019
Goods for sale located at retail outlets	189,027	193,003
Goods for sale located at the warehouse	131,377	127,377
Raw and other materials	19,716	20,746
Tare and packing materials	6,941	6,521
Other inventories	21,550	21,337
Total inventories	**368,611**	**368,984**

As at 30 June 2020 and 31 December 2019 the Group pledged inventories as additional security for bank loans and guarantees in the amount of BYN 198,016 thousand and BYN 219,740 thousand respectively.

16. TRADE AND OTHER RECEIVABLES

	30 June 2020	31 December 2019
Trade receivables	94,535	112,311
Allowance for impairment	(2,232)	(1,942)
Total trade receivables, net	**92,303**	**110,369**
Other receivables	40,465	43,817
Allowance for impairment	(4,179)	(2,985)
Total other receivables, net	**36,286**	**40,832**
Total trade and other receivables, net	**128,589**	**151,201**

The movement of allowance for impairment of trade and other receivables is as follows:

	2020	2019
1 January	**4,927**	**5,222**
Movement in allowance	1,484	(218)
30 June	**6,411**	**5,004**

17. PREPAYMENTS

	30 June 2020	31 December 2019
Prepayments for inventory	27,143	15,452
Prepayments for services	9,664	8,209
Prepayments for utilities	9,319	11,411
Prepayments for taxes, except for income tax	3,285	3,407
Other prepayments	2,293	1,692
Total prepayments	**51,704**	**40,171**

18. CASH AND CASH EQUIVALENTS

	30 June 2020	31 December 2019
Call deposits	182,600	216,239
Cash in transit	13,771	29,963
Cash in hand	12,619	19,337
Cash on current accounts with banks	5,730	5,333
Balances with the National Bank of the Republic of Belarus	2,774	15,168
Total cash and cash equivalents	**217,494**	**286,040**

Cash in transit is represented by cash collected by the banks, as well as by cash received from credit card settlements.

19. EQUITY

The only shareholder of the Company is Eurotorg Holding PLC (formerly known as Curgil Ventures Limited) which was incorporated in Cyprus on 19 February 2009 as a private limited liability company under the Cyprus Companies Law, Cap. 113 with registration number 246155. On 10 September 2018 Curgil Ventures Limited changed its status to a public company (PLC) and registered a change of its legal name to Eurotorg Holding PLC.

In accordance with the Belarusian legislation the Group distributes its profits in the form of dividends or transfers profits to reserves in the manner provided for by the Belarusian accounting standards.

During the six-month period ended 30 June 2020 the Company declared and paid dividends in the amount BYN 41,950 thousand. During the six-month period ended 30 June 2019 no dividends were declared.

Participants	**30 June 2020**	**31 December 2019**
Eurotorg Holding PLC, Cyprus	100%	100%
Total participants' interest	**100%**	**100%**

The ultimate beneficial owners of the Company are Mr. Sergey Litvin, Mr. Uladzimir Vasilko, Mr. Alexander Litvin and Mr. Andrey Zubkou, all being citizens of the Republic of Belarus. All participants' stakes in the Company are fully contributed.

20. LOANS AND BORROWINGS

Loans and borrowings as at 30 June 2020 were as follows:

	Currency	Rate	Maturity	30 June 2020
Bonds	USD	8.75%	2021-2022	572,945
Bonds	RUB	9.45%-10.95%	2023-2025	514,590
Bank loan	EUR	1.95%-4.30%	2020-2024	158,737
Bank loan	RUB	7.32%-9.60%	2021-2024	154,377
Bank loan	USD	7.50%	2025	3
Other loans	BYN	-	2022	3
Total loans and borrowings				**1,400,655**
Less the short-term part				(89,704)
Total long-term part				**1,310,951**

Loans and borrowings as at 31 December 2019 were as follows:

	Currency	Rate	Maturity	31 December 2019
Bonds	USD	8.75%	2021-2022	546,426
Bonds	RUB	10.95%	2023-2024	340,430
Bonds	USD	3.50%	2023	1,466
Bonds	BYN	11.00%	2023	2,270
Bank loan	RUB	8.42%-9.60%	2021-2024	160,002
Bank loan	USD	5.00%	2023-2025	132,422
Bank loan	EUR	1.95%-3.00%	2020-2024	14,101
Other loans	BYN	-	2022	3
Total loans and borrowings				**1,197,120**
Less the short-term part				(1,785)
Total long-term part				**1,195,335**

The Group pledged property, plant and equipment and inventories (Notes 12, 15) to secure bank loans.

In November 2019 the Group concluded a cross currency interest rate swap agreement for its bonds in the amount of RUB 5 billion, according to which the Group receives interest payments at the rate 10.95% and makes interest payments at the rate 4.8% of bonds principal and a cross currency interest rate swap agreement for its bonds at the amount of 500 million RUB, according to which the Group receives interest payments at the rate 9.6% and makes interest payments at the rate 3.75% of bonds principal. Under these agreements the Group receives principal payments in Russian rubles and makes principal payments in Euro as at EUR/RUB exchange rate equal to 70.55 (See Note 26, 27).

As at 30 June 2020 the fair value of derivatives in an amount BYN 12,401 thousand was recognized as part of non-current liabilities (as at 31 December 2019: BYN 15,297 thousand was recognized as part of non-current asset).

21. LEASE LIABILITIES

Lease agreements of the Group include agreements with purchase option, which were classified as finance lease in accordance with IAS 17 before 1 January 2019 (see "Liabilities under finance leases" in the table below) and agreements without purchase option, which were classified as operating lease in accordance with IAS 17 before 1 January 2019 (see "Right-of-use liabilities").

	Liabilities under finance leases	Right-of-use liabilities	Total
1 January 2020	**16,399**	**349,689**	**366,088**
New lease agreements	-	26,081	26,081
Modifications of lease agreements terms	-	45,410	45,410
Interest expenses under lease agreements	646	19,101	19,747
Loss from foreign exchange differences	1,912	54,475	56,387
Repayment of lease liabilities and interests	(5,089)	(65,589)	(70,678)
30 June 2020	**13,868**	**429,167**	**443,035**
including short-term part	5,228	110,137	**115,365**
including long-term part	8,640	319,030	**327,670**

Repayments under right-of-use agreements the six-month period ended 30 June 2020 amounted to BYN 65,589 thousand and consisted of:

- payments relating to rent expenses for the above-noted period in the amount of BYN 66,860 thousand
- deduction of payments for the prepayments paid in 2019 in the amount of BYN 1,271 thousand (decreased payments for the above-noted period)

	Liabilities under finance leases	Right-of-use liabilities	Total
1 January 2019	**74,784**	**395,822**	**470,606**
New lease agreements	27,552	39,472	67,024
Modifications of lease agreements terms	-	21,186	21,186
Interest expenses under lease agreements	4,988	16,765	21,753
Profit from foreign exchange differences	(2,398)	(21,587)	(23,985)
Repayment of lease liabilities and interests	(49,105)	(68,550)	(117,655)
30 June 2019	**55,821**	**383,108**	**438,929**
including short-term part	13,512	104,128	**117,640**
including long-term part	42,309	278,980	**321,289**

21. LEASE LIABILITIES (continued)

Repayments under right-of-use agreements the six-month periods ended 30 June 2019 amounted to BYN 68,550 thousand and consisted of:

- payments relating to rent expenses for the above-noted period in the amount of BYN 62,998 thousand
- repayment of payables created in 2018 in the amount of BYN 1 504 thousand (increased payments for the above-noted period)
- prepayments in the above-noted period in the amount of BYN 4,048 thousand (increased payments for the above-noted period)

22. TRADE AND OTHER PAYABLES

	30 June 2020	31 December 2019
Trade accounts payable	464,629	671,291
Bank customers' accounts	18,383	79,157
Payables for services	8,465	11,053
Payables for property, plant and equipment	1,484	6,225
Settlements with construction contractors	157	311
Other accounts payable	11,671	13,741
Total trade and other accounts payable	**504,789**	**781,778**

As at 30 June 2020 trade accounts payable included BYN 57,219 thousand (31 December 2019: BYN 50,501 thousand) under reverse factoring agreements with suppliers. According to these agreements the factor (a bank) agreed to pay amounts to the supplier in respect of invoices owed by the Group (customer), receiving settlement from the customer at a later date (usually 10-45 days).

The management of the Group considered the appropriate presentation in the consolidated statement of financial position of amounts related to reverse factoring arrangements with suppliers, including whether the headings and line items should be adapted to suit the particular circumstances. The management of the Group believes that the nature or function of the financial liability arising from the reverse factoring arrangement is not substantially different from a trade payable based on the following:

1) the principal business purpose of the reverse factoring arrangement is to provide funding to the supplier or to facilitate efficient payment processing (rather than to provide funding to the customer);
2) the arrangement does not significantly extend payment terms beyond the normal terms agreed with other suppliers;
3) the arrangement does not require additional collateral or a guarantee.

22. TRADE AND OTHER PAYABLES (continued)

As at 30 June 2020 trade accounts payable included BYN 114,733 thousand (31 December 2019: BYN 137,018 thousand) at letter of credit arrangements with maturity from 2 to 10 months and interest rate varying from 3.14% to 5.00% on uncovered letters of credit. Under these arrangements a bank issues a letter of credit for the specific amount on behalf of its customer ("Eurotorg" LLC) identifying a foreign supplier as the beneficiary. Under the terms of the letter of credit, the bank promises to pay this specific amount to the beneficiary on presentation of documentary proof that it has shipped the goods to the customer. After the bank pays the beneficiary, it collects the payment from the customer at a later date, in line with the agreed payment terms.

The management of the Group considered the appropriate presentation in the statement of financial position of amounts related to the letter of credit arrangements. The management of the Group believes that the nature or function of the financial liability arising from the letter of credit arrangement is not substantially different from a trade payable based on the following:

1) the principal business purpose of the financing under the letter of credit arrangement is to provide additional guarantee to the supplier (rather than to provide funding to the customer);

2) the arrangement does not significantly extends payments terms beyond the normal terms agreed with other suppliers.

23. OTHER CURRENT LIABILITIES

	30 June 2020	31 December 2019
Taxes payable other than income taxes	43,762	34,424
Amounts payable to employees	19,057	10,607
Accruals for unused vacations	17,729	19,976
Prepayments received from third parties	10,858	16,669
Salary taxes and social security fund payable	2,382	3,667
Total other current liabilities	**93,788**	**85,343**

24. TRANSACTIONS WITH RELATED PARTIES

The Group sells goods and performs other transactions with related parties in the ordinary course of business. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence on the other party when making financial and operational decisions.

Related parties in this condensed consolidated interim financial information comprise the shareholders of the Group, companies which are under common control with the Group, key management personnel of the Group and the companies under their control, their close family members and companies that are controlled or significantly influenced by shareholders.

24. TRANSACTIONS WITH RELATED PARTIES (continued)

Balances with related parties are as follows:

	30 June 2020	31 December 2019
Entities owned by the Shareholders of the Company		
Trade and other receivables	83,337	88,166
Loans granted	457	429
Prepayments for non-current assets	4,186	4,184
Prepayments	859	1,515
Trade and other payables	(9,551)	(16,174)
Other current liabilities	(3,341)	(2,735)
Lease liabilities	(12,374)	(13,302)

Information about the Group's transactions with related parties for the six-month periods ended 30 June 2020 and 30 June 2019 is presented below:

	For the six-month period ended 30 June	
Entities owned by the Shareholders of the Company	**2020**	**2019**
Purchase of goods	43,109	54,005
Revenue	121,193	66,121
Other income from property, plant and equipment sale	140	462
Administrative and selling expenses	2,809	4,976
Acquisition of property, plant and equipment	694	1,215
Key management personnel		
Remuneration to key management personnel	5,783	3,187

All outstanding balances with these related parties are to be settled in cash within two to twelve months from the reporting date. None of the balances are secured. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

The Group sells goods to the companies owned by the Shareholders of the Company, which, in their turn, sell goods to ultimate customers through online grocery service and drogerie retail chain. These companies were established in 2014-2017 and still in the stage of development. Agreements on sale of goods with these companies stipulate a delay of payment up to 365 days. The companies are generating profit and have no overdue debts payable to the Group. The management analyzed budgets of these companies and concluded that receivables from them as at 30 June 2020 in the amount of BYN 69,094 thousand (31 December 2019: BYN 84,079 thousand) will be fully repaid. The Group assesses the exposure to credit risk and ECLs for trade receivables under the agreements with these companies on the individual basis.

25. COMMITMENTS AND CONTINGENCIES

Legal claims

In the course of the Group's activities, customers and counterparties may lodge claims against the Group. Management believes that, as a result of the proceedings, the Group will not incur significant losses and accordingly no provision has been made in the financial statements.

Taxation contingencies in Belarus

The taxation system in Belarus is characterised by complexity and frequent changes in legislation, official pronouncements and authorities' decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. However, there is no extensive court practice in Belarus on tax issues.

Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities during five subsequent calendar years, and in certain cases this period is unlimited.

The current tax authority initiatives in Belarus continue to elaborate taxation regulations vis-à-vis related-party and cross-border transactions. The most significant concepts in this respect include a limitation on "deductible" expenses on controlled debts (interest, management fees, etc.), the concept of the beneficial ownership of income, and restrictions on the deductibility from the tax base of so-called "economically unjustified costs". Due to the introduction in 2019 of a new "unreasonable tax benefit" concept, uncertainties have increased in relation to tax planning and strategy optimisation. Any strategy where the main goal is to minimise tax charges is not permitted under this new tax concept, and respective operations should be taxed based on conditions that existed before implementing such strategy.

The application practice of the recently changed legislation is still evolving and should be considered based on the actual circumstances. Due to uncertainty the Group's tax position could be potentially impacted and additional tax risks going forward could arise.

All these circumstances may create tax risks in Belarus that could be more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Belarussian tax legislation, official pronouncements and tax authorities' decisions. However, the interpretations of the tax authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Credit-related commitments

In the course of its activities, the Bank uses financial instruments with off-balance sheet risks to meet the needs of its customers. These instruments carrying credit risks to various extents, are not reflected in the statement of financial position. The Bank's maximum exposure to contingent financial liabilities and credit commitments in the event of non-performance by the second party to the transaction and the impairment of all counterclaims and pledge is the same as the contractual value of these instruments. The Bank applies the same credit policy in respect of contingent liabilities as for financial instruments recorded in the statement of financial position.

25. COMMITMENTS AND CONTINGENCIES (continued)

The credit-related commitments of the Bank were as follows:

	30 June 2020	31 December 2019
Guarantees issued	2,470	2,216
Total credit-related commitments	**2,470**	**2,216**
Provision for credit-related commitments	(120)	(131)
Net credit-related commitments	**2,350**	**2,085**

As at 30 June 2020 the actual credit-related commitment of the Group relating to the surety agreement with the company "Euroopt" CJSC, amounted to BYN 41,161 thousand (31 December 2019: BYN 35,237 thousand).

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Management of risk and capital is an essential element of the Group's operations. The main financial risk inherent to the Group's operations is the liquidity risk. A description of the Group's risk management policies in relation to this liquidity risk follows. Credit risk exposures, market movements in interest rates and foreign exchange rates are not significant in the reporting period.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group's current liabilities as at 30 June 2020 exceeded current assets by BYN 41,704 thousand (as at 31 December 2019: by BYN 105,986 thousand). The excess of the Group's current liabilities over its current assets is mainly due to the current lease liabilities under agreements that were treated as operating lease before 1 January 2019 in the amount of BYN 110,137 thousand as at 30 June 2020 and 97,047 as at 31 December 2019.

The Group's approach in managing liquidity risk is to maintain sufficient level of cash and other financial assets that can be converted into cash within short period of time to be able to discharge its obligations when they fall due, and avoid unnecessary costs and risk of damage to the Group's reputation.

As of 30 June 2020, the majority of principal repayments under the Group's loans and borrowings (about 87%) is scheduled after 2021. The Group had open undrawn credit lines totaling USD 300 million (equivalent of BYN 725 million) in different currencies from several banks and intended to negotiate additional loan agreements. The Group's expected net operating inflows are sufficient to service its debt, so management does not anticipate any significant cash flow gaps in the next few years.

The Company undertakes a number of efforts to control liquidity risk through optimization of debt portfolio: reducing the average interest rate, cutting the share of secured debt, improving repayment schedule and diversifying sources of financing.

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk (continued)

Information concerning contractual maturity dates of financial liabilities as at 30 June 2020 including interest payments is presented below:

	Carrying amount	Contractual cash flows	Up to 1 year	1 to 5 years	Over 5 years
Non-derivative financial liabilities					
Loans and borrowings	(1,400,655)	(1,762,175)	(209,795)	(1,552,380)	-
Trade and other payables	(504,789)	(504,789)	(504,789)	-	-
Lease liabilities	(443,035)	(539,947)	(125,948)	(336,578)	(77,421)
Accrued interest	(19,228)	(19,228)	(19,228)	-	-
Derivatives					
Cross-currency and interest rate swaps					
Inflow	202,377	253,079	20,376	232,703	-
Outflow	(214,778)	(242,550)	(10,028)	(232,522)	-
Total liabilities	**(2,380,108)**	**(2,815,610)**	**(849,412)**	**(1,888,777)**	**(77,421)**

Information concerning contractual maturity dates of financial liabilities as at 31 December 2019 including interest payments is presented below:

	Carrying amount	Contractual cash flows	Up to 1 year	1 to 5 years	Over 5 years
Non-derivative financial liabilities					
Loans and borrowings	(1,197,120)	(1,543,825)	(106,936)	(1,428,149)	(8,740)
Trade and other payables	(781,778)	(781,778)	(781,778)	-	-
Lease liabilities	(366,088)	(452,668)	(114,505)	(278,311)	(59,852)
Accrued interest	(17,541)	(17,541)	(17,541)	-	-
Derivatives					
Cross-currency and interest rate swaps					
Inflow	202,652	261,250	20,222	241,028	-
Outflow	(187,355)	(215,406)	(8,727)	(206,679)	-
Total liabilities	**(2,347,230)**	**(2,749,968)**	**(1,009,265)**	**(1,672,111)**	**(68,592)**

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

As at 30 June 2020 the fair value of financial assets and liabilities of the Group compared with the corresponding carrying amount in the consolidated statement of financial position of the Group is presented below:

	Carrying amount			Fair value			
	Financial assets at amortised cost	**Other financial liabilities**	**Fair value - hedging instruments**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets not measured at fair value							
Loans granted	56,059	-	-				
Trade and other receivables	128,589	-	-				
Cash and cash equivalents	217,494	-	-				
Total	**402,142**	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities not measured at fair value							
Loans and borrowings	-	(1,400,655)	-	-	(1,126,193)	(305,079)	**(1,431,272)**
Accrued interest	-	(19,228)	-				
Lease liabilities	-	(443,035)	-	-	-	(479,657)	**(479,657)**
Trade and other payables	-	(504,789)	-				
Total	**-**	**(2,367,707)**	**-**	**-**	**(1,126,193)**	**(784,736)**	**(1,910,929)**
Derivatives measured at fair value							
Cross-currency and interest rate swaps	-	-	(12,401)	-	(12,401)	-	**(12,401)**
Total	**-**	**-**	**(12,401)**	**-**	**(12,401)**	**-**	**(12,401)**

27. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

As at 31 December 2019 the fair value of financial assets and liabilities of the Group compared with the corresponding carrying amount in the consolidated statement of financial position of the Group is presented below:

	Carrying amount			Fair value			
	Financial assets at amortised cost	**Other financial liabilities**	**Fair value - hedging instruments**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets not measured at fair value							
Loans granted	68,031	-	-				
Trade and other receivables	151,201	-	-				
Cash and cash equivalents	286,040	-	-				
Other investments	201	-	-	-	-	201	**201**
Total	**505,473**	**-**	**-**	**-**	**-**	**201**	**201**
Financial liabilities not measured at fair value							
Loans and borrowings	-	(1,197,120)	-	-	(962,776)	(309,229)	**(1,272,005)**
Accrued interest	-	(17,541)	-	-	-	-	-
Lease liabilities	-	(366,088)	-	-	-	(403,077)	**(403,077)**
Trade and other payables	-	(781,778)	-				
Total	**-**	**(2,362,527)**	**-**	**-**	**(962,776)**	**(712,306)**	**(1,675,082)**
Derivatives measured at fair value							
Cross-currency and interest rate swaps	-	-	15,297	-	15,297	-	**15,297**
Total	**-**	**-**	**15,297**	**-**	**15,297**	**-**	**15,297**

The Group did not perform measurement of fair value for cash and cash equivalents, deposits, trade and other receivables and other payables, as due to short-term nature of these financial instruments their carrying values are approximately equivalent to their fair values.

The following table shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs
Financial assets at amortised cost	Discounted cash flows	Market interest rates published by the National Bank of the Republic of Belarus
Other financial liabilities	Discounted cash flows	

There were no transfers between fair value hierarchy levels in 2020 and 2019.

28. GOODWILL

As at the reporting date the goodwill by each company is as follows:

Company	30 June 2020	31 December 2019
CJSC "Dzerzhinsky Meat Factory"	3,103	3,103
JSC "Statusbank"	2,667	2,667
Other	462	495
Total	**6,232**	**6,265**

29. OPERATING SEGMENTS

The Group has the following two strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. The following summary describes the operations of each reportable segment.

Reportable segments	Operations
Retail and wholesale	Retail trade with food and other consumer goods on the territory of Belarus.
Banking business	Attraction of deposits from legal entities, issuance of loans to private individuals and legal entities; opening and operation of accounts for private individuals and legal entities; purchase and sale of foreign currency and securities; issuance of bank guarantees.

Information on the reportable segments is presented below:

30 June 2020	Retail and wholesale	Banking business	Consolidation entries	Total
Segment assets	2,449,907	91,260	(48,291)	2,492,876
Segment liabilities	2,465,799	22,524	(2,307)	2,486,016

31 December 2019	Retail and wholesale	Banking business	Consolidation entries	Total
Segment assets	2,510,455	163,362	(61,214)	2,612,603
Segment liabilities	2,375,269	96,583	(15,230)	2,456,622

For the six-month period ended 30 June 2020	Retail and wholesale	Banking business	Consolidation entries	Total
External revenues	2,459,433	9,669	-	2,469,102
Inter-segment revenue	682	62	(744)	-
Interest income	1,397	-	(55)	1,342
Interest expense	54,823	59	(12)	54,870
Depreciation and amortization	87,301	563	-	87,864
Segment profit before tax	**(107,507)**	**2,724**	**-**	**(104,783)**

29. OPERATING SEGMENTS (continued)

For the six-month period ended 30 June 2019	Retail and wholesale	Banking business	Consolidation entries	Total
External revenues	2,326,168	8,969	-	2,335,137
Inter-segment revenue	786	125	(911)	-
Interest income	202	-	(12)	190
Interest expense	58,811	-	(111)	58,700
Depreciation and amortization	84,127	508	-	84,635
Segment profit before tax	**107,896**	**936**	**-**	**108,832**

30. SUBSEQUENT EVENTS

On 9 August 2020 the election of the President of the Republic of Belarus took place, which grew into broad peaceful protests, and the largest country entities went on strike. The current situation has not yet had any material effect on the operating or financial results of the Company. The management of the Company expect that the current political situation will gradually return to normal. Apart from the above, there were no other material events after the reporting period, which have a bearing on the understanding of this financial information.

31. OTHER DISCLOSURES

The disclosures below are prepared in addition to the disclosures presented in Note 29 to present the detailed financial performance, financial position and cash flows indicators of the Group's reporting segments.

Condensed consolidated interim statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2020:

	Retail and wholesale	Banking business	Consolidation	Total
Revenue, interest and commission income	2,459,433	9,669	(744)	2,468,358
Cost of goods and services sold and interest expenses	(1,856,422)	(2,172)	55	(1,858,539)
Gross profit	**603,011**	**7,497**	**(689)**	**609,819**
Administrative and selling expenses	(413,017)	(8,227)	697	(420,547)
Change in allowance for impairment of financial assets	(1,484)	259	-	(1,225)
Other income	1,903	3,602	(15)	5,490
Other expenses	(11,218)	(570)	-	(11,788)
Operating profit	**179,195**	**2,561**	**(7)**	**181,749**
Finance income	1,397	-	(55)	1,342
Finance costs	(288,099)	163	62	(287,874)
Net finance costs	**(286,702)**	**163**	**7**	(286,532)
Profit/(loss) before income tax	**(107,507)**	**2,724**	**-**	**(104,783)**
Income tax expenses	(1,622)	(767)	-	(2,389)
Profit/(loss) for the period	**(109,129)**	**1,957**	**-**	**(107,172)**

31. OTHER DISCLOSURES (continued)

Condensed consolidated interim statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2019:

	Retail and wholesale	Banking business	Consolidation	Total
Revenue, interest and commission income	2,326,168	8,969	(911)	2,334,226
Cost of goods and services sold and interest expenses	(1,763,666)	(1,904)	3	(1,765,567)
Gross profit	**562,502**	**7,065**	**(908)**	**568,659**
Administrative and selling expenses	(423,466)	(8,199)	648	(431,017)
Change in allowance for impairment of financial assets	218	(97)	-	121
Other income	4,572	2,864	-	7,436
Other expenses	(7,836)	(538)	1	(8,373)
Operating profit	**135,990**	**1,095**	**(259)**	**136,826**
Finance income	59,640	-	(35)	59,605
Finance costs	(87,734)	(159)	294	(87,599)
Net finance costs	**(28,094)**	**(159)**	**259**	**(27,994)**
Profit before income tax	**107,896**	**936**	**-**	**108,832**
Income tax expenses	(22,553)	(77)	-	(22,630)
Profit for the period	**85,343**	**859**	**-**	**86,202**

Information about depreciation of property, plant and equipment and amortisation of intangible assets is presented below:

	Retail and wholesale	Banking business	Consolidation	Total
For the six-month period ended 30 June 2020				
Depreciation of property, plant and equipment	40,232	218	-	40,450
Amortization of intangible assets	1,434	265	-	1,699
Amortization of right-of-use assets and leased property	45,635	80	-	45,715
Total depreciation and amortisation	**87,301**	**563**	**-**	**87,864**
For the six-month period ended 30 June 2019				
Depreciation of property, plant and equipment	36,344	246	-	36,590
Amortization of intangible assets	1,866	262	-	2,128
Amortization of right-of-use assets and leased property	45,917	-	-	45,917
Total depreciation and amortisation	**84,127**	**508**	**-**	**84,635**

31. OTHER DISCLOSURES (continued)

Condensed consolidated interim statement of financial position as at 30 June 2020:

	Retail and wholesale	Banking business	Consolidation	Total
Assets				
Property, plant and equipment	1,236,414	1,469	-	1,237,883
Right-of-use assets and leased property	358,028	119	-	358,147
Prepayments for non-current assets	10,708	-	-	10,708
Intangible assets	15,568	1,902	-	17,470
Goodwill	3,565	-	2,667	6,232
Loans granted	385	38,696	-	39,081
VAT recoverable	2,455	-	-	2,455
Other investments	48,651	-	(48,651)	-
Deferred tax assets	34,283	-	-	34,283
Total non-current assets	**1,710,057**	**42,186**	**(45,984)**	**1,706,259**
Inventories	368,491	120	-	368,611
Trade and other receivables	128,452	263	(126)	128,589
Current tax asset	13	-	-	13
VAT recoverable	3,228	-	-	3,228
Prepayments	50,430	1,274	-	51,704
Loans granted	434	16,544	-	16,978
Cash and cash equivalents	188,802	30,873	(2,181)	217,494
Total current assets	**739,850**	**49,074**	**(2,307)**	**786,617**
Total assets	**2,449,907**	**91,260**	**(48,291)**	**2,492,876**
Equity				
Share capital	132,242	52,817	(52,817)	132,242
Revaluation reserve	274,472	-	-	274,472
Retained earnings/(Accumulated loss)	(422,452)	15,919	6,501	(400,032)
Equity attributable to owners of the Company	**(15,738)**	**68,736**	**(46,316)**	**6,682**
Non-controlling interests	(154)	-	332	178
Total equity	**(15,892)**	**68,736**	**(45,984)**	**6,860**
Liabilities				
Loans and borrowings	1,310,951	-	-	1,310,951
Lease liabilities	327,613	57	-	327,670
Derivatives	12,401	-	-	12,401
Deferred income	3,434	-	-	3,434
Deferred tax liabilities	187	1,174	-	1,361
Other non-current liabilities	1,727	151	-	1,878
Total non-current liabilities	**1,656,313**	**1,382**	**-**	**1,657,695**

31. OTHER DISCLOSURES (continued)

	Retail and wholesale	Banking business	Consolidation	Total
Liabilities (continued)				
Loans and borrowings	89,704	-	-	89,704
Accrued interest	19,228	-	-	19,228
Lease liabilities	115,281	84	-	115,365
Trade and other payables	486,198	20,772	(2,181)	504,789
Current tax liabilities	4,540	5	-	4,545
Deferred income	901	1	-	902
Other current liabilities	93,634	280	(126)	93,788
Total current liabilities	**809,486**	**21,142**	**(2,307)**	**828,321**
Total liabilities	**2,465,799**	**22,524**	**(2,307)**	**2,486,016**
Total equity and liabilities	**2,449,907**	**91,260**	**(48,291)**	**2,492,876**

Condensed consolidated interim statement of financial position as at 31 December 2019:

	Retail and wholesale	Banking business	Consolidation	Total
Assets				
Property, plant and equipment	1,261,713	1,908	-	1,263,621
Right-of-use assets and leased property	334,548	307	-	334,855
Prepayments for non-current assets	14,111	2	-	14,113
Intangible assets	14,402	1,743	-	16,145
Goodwill	3,598	-	2,667	6,265
Derivatives	15,297	-	-	15,297
Loans granted	366	47,790	-	48,156
VAT recoverable	3,285	-	-	3,285
Other investments	48,852	-	(48,651)	201
Deferred tax assets	25,863	-	-	25,863
Total non-current assets	**1,722,035**	**51,750**	**(45,984)**	**1,727,801**
Inventories	368,909	75	-	368,984
Trade and other receivables	150,996	391	(186)	151,201
Current tax asset	6,044	263	-	6,307
VAT recoverable	12,167	-	-	12,167
Prepayments	39,263	908	-	40,171
Loans granted	356	23,961	(4,442)	19,875
Cash and cash equivalents	210,685	85,957	(10,602)	286,040
Non-current assets held for sale	-	57	-	57
Total current assets	**788,420**	**111,612**	**(15,230)**	**884,802**
Total assets	**2,510,455**	**163,362**	**(61,214)**	**2,612,603**

31. OTHER DISCLOSURES (continued)

	Retail and wholesale	Banking business	Consolidation	Total
Equity				
Share capital	132,242	52,817	(52,817)	132,242
Revaluation reserve	274,472	-	-	274,472
Retained earnings/(Accumulated loss)	(271,443)	13,962	6,510	(250,971)
Equity attributable to owners of the Company	**135,271**	**66,779**	**(46,307)**	**155,743**
Non-controlling interests	(85)	-	323	238
Total equity	**135,186**	**66,779**	**(45,984)**	**155,981**
Liabilities				
Loans and borrowings	1,191,599	3,736	-	1,195,335
Lease liabilities	262,953	108	-	263,061
Derivatives	-	-	-	-
Deferred income	3,760	-	-	3,760
Deferred tax liabilities	177	908	-	1,085
Other non-current liabilities	2,084	509	-	2,593
Total non-current liabilities	**1,460,573**	**5,261**	**-**	**1,465,834**
Loans and borrowings	6,185	-	(4,400)	1,785
Accrued interest	17,465	118	(42)	17,541
Lease liabilities	102,825	202	-	103,027
Trade and other payables	702,177	90,239	(10,638)	781,778
Current tax liabilities	236	-	-	236
Deferred income	1,076	2	-	1,078
Other current liabilities	84,732	761	(150)	85,343
Total current liabilities	**914,696**	**91,322**	**(15,230)**	**990,788**
Total liabilities	**2,375,269**	**96,583**	**(15,230)**	**2,456,622**
Total equity and liabilities	**2,510,455**	**163,362**	**(61,214)**	**2,612,603**

“Eurotorg” LLC

Consolidated Financial Statements

as at and for the year ended

31 December 2019

“Eurotorg” LLC

Consolidated financial statements
as at and for the year ended 31 December 2019

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Independent Auditors' Report

To the Management and Participants of "Eurotorg" LLC

Opinion

We have audited the consolidated financial statements of the Limited Liability Company "Eurotorg" ("the Company") and its subsidiaries ("the Group") which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Belarus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the International Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audited entity: "Eurotorg" LLC

Registration details: Registered by the Minsk City Executive Committee on September 7, 2000. Registration number in the Unified State Register of entities and individual entrepreneurs № 101166731

Legal address: 52a-22, Kazintca str., 220099, Minsk, Republic of Belarus.

Independent auditor: KPMG, a Limited liability company registered in accordance with the legislation of the Republic of Belarus and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Member of the Self-regulated organization of auditors in Belarus "Chamber of Auditors".

Registered in the Unified State Register of entities and individual entrepreneurs under No. 191434140.

Legal address: 49-26/7 Platonova str., 220012, Minsk, Republic of Belarus.

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.

Revaluation of property, plant and equipment

Please refer to Note 16 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2019 the Group has 171 buildings accounted for at revalued amount in accordance with International Accounting Standard (IAS) 16 "Property, plant and equipment". Due to the unstable economic situation in Belarus as well as the volatility of the real estate market in recent years, management annually engages independent appraisers to estimate the market value of buildings and constructions. Due to the absence of an active market for commercial real estate, appraisers apply judgment in relation to the following key assumptions when performing the valuation: market rental rates, discount rates and weighted average cost of capital, terminal value of future cash flows. We paid particular attention to these key judgement areas due to the fact that in the process of forecasting and discounting future cash flows a significant inherent uncertainty exists.	We assessed the objectivity and competence of independent appraisers engaged by the Group. We involved our internal valuation specialists to assess the assumptions and methodology applied by independent appraisers of the Group. In particular, our specialists compared the rates of economic growth, inflation, rental rates, used in the model, with publicly available sources, and assessed the key input data for calculating the discount rate and capitalization rate and recalculated the model. We evaluated the assumptions underlying the forecasted cash flows using our own expectations based on our knowledge of the Group's business and the industry in which it operates. We checked the mathematical accuracy of the valuation models. We also evaluated whether the information disclosed by the Group in Note 16 regarding the main assumptions used in the revaluation of buildings and construction is appropriate and sufficient.

IFRS 16 Lease	
Please refer to Note 8 to the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
The Group initially applied IFRS 16 *Leases* as at 1 January 2019. IFRS 16 introduced a new lease accounting model where lessees are required to recognise a right-of-use asset and a lease liability arising from a lease on its balance sheet which had a material impact on the Group's consolidated financial statements. The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated. On transition to the new standard significant judgment is required in the assumptions and estimates made in order to determine the right-of-use asset and lease liability. The assumptions and estimates include assessment of lease term and the determination of appropriate discount rates. Due to the high level of judgment involved, the complexity of the new standard and the impact of its initial application, we considered this to be a key audit matter.	We evaluated the Group's accounting policies to determine whether the accounting policies are in accordance with IFRS 16. We inspected on a sample basis lease agreements and recalculated right-of-use assets and lease liabilities. We also tested the list of lease agreements provided to us for completeness by reconciling it to actual lease charges for the year. Also, we performed tests of details over new lease agreements and modifications to existing lease agreements by testing on a sample basis the additions to the list of lease agreements to the underlying contracts. We assessed management's judgment in respect of lease term, including how the penalties were determined and whether management appropriately concluded that it is reasonably certain that renewal options will be exercised. We further performed substantive analytical procedure over depreciation charges on right-of-use assets and interest expenses on lease liabilities. We developed an expectation of the current year depreciation charges based on our view of the key factors and relationships between right-of-use assets and lease term and an expectation of the interest expenses based on lease liabilities and discount rates. In addition we also assessed whether the information disclosed by the Group in the Notes 8, 17 and 25 in respect of transition to the new standard and in respect of right-of-use assets and lease liabilities is appropriate and sufficient.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance is responsible for overseeing the Group's financial reporting process.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 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 auditors' 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.

The engagement partner on the audit resulting in this independent auditors' report is:

Vasyl Pavlenko
Director

LLC «KPMG»
Minsk

14 April 2020

"Eurotorg" LLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019
(in thousands of Belarusian Rubles)

	Note	For the year ended 31 December 2019	2018
Revenue, interest and commission income	9	4,758,693	4,402,839
Cost of goods and services sold and interest expenses	10	(3,619,092)	(3,248,025)
Gross profit		**1,139,601**	**1,154,814**
Administrative and selling expenses	11	(879,705)	(847,352)
Change in allowance for impairment of financial assets	18, 20	1,169	6,621
Other income	12	13,186	15,609
Other expenses	13	(20,906)	(16,300)
Operating profit		**253,345**	**313,392**
Finance income		31,757	872
Finance costs		(179,128)	(215,032)
Net finance costs	14	**(147,371)**	**(214,160)**
Profit before income tax		**105,974**	**99,232**
Income tax expenses	15	(52,560)	(30,837)
Profit for the year		**53,414**	**68,395**
Other comprehensive (loss)/income			
Items that will never be reclassified to profit or loss			
Revaluation of property, plant and equipment	16	(46,763)	125,144
Related tax	15	8,418	(21,951)
Items that are or may be reclassified subsequently to profit or loss			
Foreign operations - foreign currency translation differences		48	(145)
Total other comprehensive (loss)/income		**(38,297)**	**103,048**
Total comprehensive income for the year		**15,117**	**171,443**
Profit/(loss) attributable to:			
Owners of the Company		53,516	68,356
Non-controlling interests		(102)	39
		53,414	**68,395**
Total comprehensive income/(loss) attributable to:			
Owners of the Company		15,219	171,404
Non-controlling interests		(102)	39
		15,117	**171,443**

On behalf of the Management:

Chief Executive Officer
Andrei Zubkou

Chief Financial Officer
Alesia Sapunova

2 April 2020

The notes on pages 15-78 are an integral part of these consolidated financial statements

"Eurotorg" LLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
(in thousands of Belarusian Rubles)

	Note	31 December 2019	31 December 2018
Assets			
Property, plant and equipment	16	1,263,621	1,412,727
Right-of-use assets and leased property	17	334,855	-
Prepayments for non-current assets		14,113	28,525
Intangible assets		16,145	11,626
Goodwill	32	6,265	6,359
Derivatives	24	15,297	-
Loans granted	18	48,156	51,036
VAT recoverable		3,285	12,214
Other investments		201	1,613
Deferred tax assets	15	25,863	51,172
Total non-current assets		**1,727,801**	**1,575,272**
Inventories	19	368,984	381,475
Trade and other receivables	20	151,201	161,226
Current tax assets		6,307	1,107
VAT recoverable		12,167	18,012
Prepayments	21	40,171	51,539
Loans granted	18	19,875	27,608
Other investments		-	5,530
Cash and cash equivalents	22	286,040	161,942
Non-current assets held for sale		57	65
Total current assets		**884,802**	**808,504**
Total assets		**2,612,603**	**2,383,776**
Equity			
Share capital		132,242	132,242
Revaluation reserve	16	274,472	340,375
Accumulated loss		(250,971)	(236,549)
Equity attributable to owners of the Company		**155,743**	**236,068**
Non-controlling interests		238	340
Total equity		**155,981**	**236,408**
Liabilities			
Loans and borrowings	24	1,195,335	1,163,574
Lease liabilities	25	263,061	61,766
Deferred income		3,760	2,635
Deferred tax liabilities	15	1,085	1,592
Other non-current liabilities		2,593	13,531
Total non-current liabilities		**1,465,834**	**1,243,098**

The notes on pages 15-78 are an integral part of these consolidated financial statements.

"Eurotorg" LLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
(in thousands of Belarusian Rubles)

	Note	31 December 2019	31 December 2018
Liabilities (continued)			
Loans and borrowings	24	1,785	9,453
Accrued interest		17,541	11,652
Lease liabilities	25	103,027	13,018
Trade and other payables	26	781,778	786,562
Current tax liabilities		236	3,290
Deferred income		1,078	2,436
Other current liabilities	27	85,343	77,859
Total current liabilities		**990,788**	**904,270**
Total liabilities		**2,456,622**	**2,147,368**
Total equity and liabilities		**2,612,603**	**2,383,776**

On behalf of the Management:

Chief Executive Officer
Andrei Zubkou

Chief Financial Officer
Alesia Sapunova

2 April 2020

The notes on pages 15-78 are an integral part of these consolidated financial statements.

"Eurotorg" LLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019
(in thousands of Belarusian Rubles)

	Note	Attributable to owners of the Company					
		Share capital	Revaluation reserve	Accumulated loss	Total	Non-controlling interests	Total equity
As at 1 January 2018		**132,242**	**238,088**	**(281,670)**	**88,660**	**301**	**88,961**
Total comprehensive income for the year							
Profit for the year		-	-	68,356	**68,356**	39	**68,395**
Other comprehensive income for the year							
Foreign currency translation differences		-	-	(145)	**(145)**	-	**(145)**
Revaluation of property, plant and equipment	16	-	125,144	-	**125,144**	-	**125,144**
Related tax	15	-	(21,951)	-	**(21,951)**	-	**(21,951)**
Revaluation reserve transfer due to disposal of items of property, plant and equipment		-	(906)	906	-	-	-
Total comprehensive income for the year		-	**102,287**	**69,117**	**171,404**	**39**	**171,443**
Transactions with owners of the Group							
Dividends	23	-	-	(23,996)	**(23,996)**	-	**(23,996)**
Total transactions with owners of the Group		-	-	**(23,996)**	**(23,996)**	-	**(23,996)**
As at 31 December 2018		**132,242**	**340,375**	**(236,549)**	**236,068**	**340**	**236,408**

The notes on pages 15-78 are an integral part of these consolidated financial statements.

"Eurotorg" LLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019
(in thousands of Belarusian Rubles)

	Note	Attributable to owners of the Company					
		Share capital	Revaluation reserve	Accumulated loss	Total	Non-controlling interests	Total equity
As at 1 January 2019		132,242	340,375	(236,549)	236,068	340	236,408
Adjustment on initial application of IFRS 16 (net of tax)	8	-	-	(54,820)	(54,820)	-	(54,820)
Adjusted balance as at 1 January 2019		132,242	340,375	(291,369)	181,248	340	181,588
Comprehensive income/(loss) for the year							
Profit/(loss) for the period		-	-	53,516	53,516	(102)	53,414
Other comprehensive loss for the year							
Foreign currency translation differences		-	-	48	48	-	48
Revaluation of property, plant and equipment	16	-	(46,763)	-	(46,763)	-	(46,763)
Related tax	15	-	8,418	-	8,418	-	8,418
Revaluation reserve transfer due to disposal of items of property, plant and equipment		-	(27,558)	27,558	-	-	-
Total comprehensive income/(loss) for the year		-	(65,903)	81,122	15,219	(102)	15,117
Transactions with owners of the Group							
Dividends	23	-	-	(40,724)	(40,724)	-	(40,724)
Total transactions with owners of the Group		-	-	(40,724)	(40,724)	-	(40,724)
As at 31 December 2019		132,242	274,472	(250,971)	155,743	238	155,981

On behalf of the Management:

Chief Executive Officer
Andrei Zubkou

Chief Financial Officer
Alesia Sapunova

"Eurotorg" LLC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019
(in thousands of Belarusian Rubles)

	Note	For the year ended 31 December 2019	2018
Cash flows from operating activities:			
Profit for the year		53,414	68,395
Adjustments for:			
Income tax expenses	15	52,560	30,837
Depreciation of property, plant and equipment	16	86,935	80,069
Amortization of intangible assets	11	4,390	2,892
Amortization of right-of-use assets and leased property	17	90,260	-
Net finance costs	12	147,371	214,160
Impairment/(reversal of impairment) of property, plant and equipment	11	1,149	(3,507)
Loss/(gain) on disposal of property, plant and equipment	13, 14	6,805	(4,391)
Change in allowance for impairment of financial assets	18, 20	(1,169)	(6,621)
Cash flows from operating activities before changes in operating assets and liabilities		**441,715**	**381,834**
Changes in:			
Inventories		12,491	(82,445)
Trade and other receivables		1,206	(54,134)
VAT recoverable		14,774	(1,207)
Prepayments		4,814	(10,597)
Non-current assets held for sale		8	22
Deferred income		(233)	(775)
Trade and other payables		(12,706)	206,798
Loans granted by the Bank		10,685	(22,537)
Other investments		5,530	25,330
Other liabilities		22,807	17,870
Cash generated from operating activities		**501,091**	**460,159**
Income taxes paid		(12,563)	(15,049)
Net cash from operating activities		**488,528**	**445,110**
Cash flows from investing activities:			
Sale/purchase of investments		865	(471)
Proceeds from sale of property, plant and equipment		105,361	18,317
Acquisition of property, plant and equipment		(80,421)	(80,448)
Deposit interests received		1,066	872
Acquisition of intangible assets		(8,909)	(8,024)
Loans granted		(589)	-
Net cash from/(used in) investing activities		**17,373**	**(69,754)**

The notes on pages 15-78 are an integral part of these consolidated financial statements.

"Eurotorg" LLC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019
(in thousands of Belarusian Rubles)

	Note	For the year ended 31 December 2019	2018
Cash flows from financing activities:			
Share capital increase		-	-
Proceeds from loans and borrowings		879,947	1,266,639
Repayment of loans and borrowings		(868,626)	(1,462,799)
Interest paid on loans and borrowings		(112,304)	(121,273)
Sale and leaseback financing		-	35,707
Repayment of lease liabilities		(221,302)	(71,351)
Repayment of VAT under lease agreements		(18,220)	(11,724)
Dividends paid	23	(40,724)	(25,017)
Net cash used in financing activities		**(381,229)**	**(389,818)**
Net change in cash and cash equivalents		**124,672**	**(14,462)**
Cash and cash equivalents at the beginning of the year	22	**161,942**	**173,906**
Effect of movements in exchange rates on cash held		(574)	2,498
Cash and cash equivalents at the end of the year	22	**286,040**	**161,942**

On behalf of the Management:

Chief Executive Officer
Andrei Zubkou

Chief Financial Officer
Alesia Sapunova

2 April 2020

The notes on pages 15-78 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

(a) Organisation

“Eurotorg” LLC (“the Company”) operates in the Republic of Belarus since October 28, 1996. The Company’s registered office is located at 52a-22, Kazintsa str., 220099, Minsk, Republic of Belarus.

The principal activities of the Group include retail trade with food and other consumer goods. These activities include sale of domestic and imported goods on the territory of the Republic of Belarus. The Company has minor operations in banking and other businesses.

“Eurotorg” LLC operates its retail grocery stores under the Euroopt and Hit! brands, in four formats: rural convenience stores, urban convenience stores, supermarkets and hypermarkets. As at 31 December 2019, the Group’s retail store portfolio consisted of 150 rural convenience stores, 584 urban convenience stores, 98 supermarkets and 38 hypermarkets.

Thus, as at 31 December 2019 the retail chain comprised 870 grocery stores in 327 settlements of Belarus, including 141 owned stores and 729 leased ones. Also the Group operates 22 household appliances and electronics stores under "TEKHNOPLYUS" brand in 15 cities of Belarus.

Most stores of the retail chain of "Eurotorg" LLC were located in Minsk Region - 174 stores, in Minsk City - 154, in Vitebsk Region – 142, in Brest Region – 122, stores in Gomel Region - 96, in Grodno Region – 94 and in Mogilev Region - 88.

As at 31 December 2019 the total space of the retail chain was 835,759 sq. m., selling space 342,362 sq. m. The share of owned space in total space is 43.8%, in selling space 36.9%.

As at 31 December 2018, the Group’s retail store portfolio consisted of 141 rural convenience stores, 489 urban convenience stores, 94 supermarkets and 38 hypermarkets. Thus, as at 31 December 2018 the retail chain comprised 762 grocery stores in 297 settlements of Belarus including 116 owned stores and 646 leased ones; and 25 stores of household appliances and electronics stores under " TEKHNOPLYUS " in 16 cities of Belarus.

Most stores of the retail chain of LLC «Eurotorg» were located in Minsk Region - 157 stores, in Minsk City - 133, in Vitebsk Region – 114, in Brest Region – 106, stores in Gomel Region - 92, in Mogilev Region - 82 and in Grodno Region - 78.

As at 31 December 2018 the total space of the retail chain was 836,855 sq. m., selling space 320,123 sq. m. The share of owned space in total space is 48.5%, in selling space 40.4%.

The actual number of employees of the Group as at 31 December 2019 and 31 December 2018 was 35,060 and 37,602 respectively.

1. GENERAL INFORMATION (continued)

(a) Organisation (continued)

The Company is the parent entity to the following companies:

Name	Country of operation	Type of operations	Ownership interest as at 31 December 2019	Ownership interest as at 31 December 2018	Date of acquisition
Bonitron Designated Activity Company	Ireland	Special purpose entity designed to list bonds on Irish Stock Exchange	Special purpose entity[1]	Special purpose entity	21.08.2017
“Retail Bel Finance” LLC	Russian Federation	Special purpose entity designed to list bonds on Moscow Stock Exchange	Special purpose entity[1]	-	12.04.2019
“BRKompani” LLC	Russian Federation	Construction	100.00%	100.00%	19.03.2012
“PakHaus” Unitary enterprise	Belarus	Packaging	100.00%	100.00%	06.12.2012
“Yulain” ALC	Belarus	Production of meat products	100.00%	100.00%	24.01.2012
“Eurooptavto” LLC	Belarus	Transportation services	100.00%	100.00%	02.03.2012
“Retorsia-invest” LLC	Belarus	Construction	100.00%	100.00%	07.09.2010
“Sotrudnichestvo” OJSC	Belarus	Construction	100.00%	100.00%	20.05.2010
“Diskontnyi club” LLC	Belarus	Retail sales	100.00%	100.00%	26.12.2012
“Dzerzhinskii myasokombinat” CJSC	Belarus	Production of meat products	100.00%	100.00%	13.06.2013
“Barentsevo” LLC	Belarus	Production of seafood	100.00%	100.00%	28.06.2012
“UniStor Trading” LLC	Belarus	Wholesale	100.00%	100.00%	19.10.2011
“ElitPartner” LLC	Belarus	Production of bakery products	100.00%	100.00%	02.04.2013
“EurooptAgro” LLC	Belarus	Poultry	100.00%	100.00%	09.04.2014
“UyutCity” LLC	Belarus	Wholesale	100.00%	-	01.10.2019
”Statusbank” OJSC (hereinafter - “the Bank”)	Belarus	Banking	99.52%	99.52%	22.05.2012
“Tekhno Media Treid” LLC	Belarus	Retail sales	96.50%	96.50%	06.12.2012
“Ravidus” LLC	Belarus	Retail sales	Merged	100.00%	29.12.2018
“SitiBalt” LLC	Belarus	Construction	-	100.00%	01.06.2010
“E-market” LLC	Belarus	Wholesale	-	100.00%	15.10.2014
“Vladalinoks” LLC	Belarus	Wholesale	-	100.00%	28.10.2016

[1] The entity is controlled by the Group (Note 4).

1. GENERAL INFORMATION (continued)

(a) Organisation (continued)

In October 2019 the Company sold the controlling interests in the “Vladalinoks” LLC. At the end of 2019, the Company decided to close part of construction business, presented by “SitiBalt” LLC, and part of wholesale business, presented by “E-market” LLC. In October 2019 the Company acquired the controlling interests in the “UyutCity” LLC. One-off expenses from these operations in the amount of BYN 2,230 thousand are recognized in other expenses.

In 2018 “AVA-stail” LLC was merged with “Eurotorg” LLC. In 2018 the Group acquired additional interests in “Vladalinoks” LLC, having increased its share of ownership in this company to 100%. During 2018 the Group purchased 100% share of ownership and, following the purchases, merged with the following companies: “Abilio” Unitary Enterprise, “Buzina” LLC. During 2018 the Group purchased 100% share of ownership in “Ravidus” LLC.

(b) Business environment

The Group’s operations are primarily located in Belarus. Consequently, the Group is exposed to the economic and financial markets of Belarus, which display emerging market characteristics. The legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes, which, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in Belarus. The monetary policy regulations, adopted by the National Bank of the Republic of Belarus and effective over the past several years, have resulted in reduced inflation and a less-volatile Belarusian Rouble.

The consolidated financial statements reflect management’s assessment of how the Belarusian business environment has impacted the operations and financial position of the Group. The business environment in the future may differ from management’s assessment.

2. BASIS OF ACCOUNTING

The consolidated financial statements for the year ended 31 December 2019 consist of the financial statements of the Company and its subsidiaries (which together referred to as “the Group”).

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards.

These consolidated financial statements were authorized for issue by the Management 2 April 2020.

3. FUNCTIONAL AND PRESENTATION CURRENCY

The national currency of Belarus is the Belarusian Ruble (BYN) and the same currency is the functional currency of the Company, as well as the currency in which these consolidated financial statements are presented. The functional currency of the Russian company is the Russian ruble (RUB), the Irish company – US dollar (USD). All figures in these consolidated financial statements are presented in Belarusian rubles (BYN) and are rounded to the nearest thousand, except where otherwise indicated.

The results and financial position of subsidiaries whose functional currency is different from the presentation currency are translated into presentation currency using the following procedures:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement presenting profit or loss and other comprehensive income shall be translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences shall be recognised in other comprehensive income.

4. USE OF ESTIMATES AND JUDGEMENTS

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed for necessity of changes on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

At the reporting date key assumptions, judgements concerning the future performance of the Group and other key sources of estimation uncertainty are the following:

Useful life of property, plant and equipment

The Group evaluates and re-evaluates the useful life of fixed assets annually based on the planned value of the remaining period of use, information on technology changes, physical condition of property and equipment. The depreciation policy applied is set out below in Note 6 (i) to these consolidated financial statements.

Determination of control

In 2017 a special purpose enterprise, the Bonitron Designated Activity Company, was established for bonds issuance on the Irish Stock Exchange. In 2019 a special purpose enterprise “Retail Bel Finance” LLC was established for bonds issuance on Moscow Stock Exchange. Both these companies are under control of the Group, therefore, the management decided to consolidate these entities.

4. USE OF ESTIMATES AND JUDGEMENTS (continued)

Fair value of buildings

Based on the judgment that the fair value of buildings, which are owned or leased by the Group, will be more representative than their historical cost, the Group’s management decided to recognize buildings at revalued amount, representing fair value less subsequent accumulated depreciation and subsequent accumulated impairment losses, starting from 2007. The fair value of buildings is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers.

The Group estimates impairment by assessing whether factors indicating impairment exist, e.g. adverse trends in Belarusian economy, decrease in sales of individual supermarkets. If the impairment is identified, the Group will test the expenses related to impairment of property, plant and equipment (see Note 6 (m)).

Smallest cash generating unit

A cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Identification of such assets (or groups of assets) involves significant judgement. The management prepares financial budgets for revenue and profits for separate retail stores. Cash-generating units were determined at the level of each component (legal entity) included in the Group, except for the “Eurotorg” LLC. Cash-generating units for “Eurotorg” LLC are determined at the level of each store.

Deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. The estimate of probability is based on the Group’s management forecasts in relation to the future taxable profit and includes a significant degree of judgment of the Group’s management (Note 15).

Measurement of fair values

A number of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

4. USE OF ESTIMATES AND JUDGMENTS (continued)

Measurement of fair values (continued)

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

5. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared on historical cost basis, except for buildings accounted for using revaluation method and derivatives which are measured at fair value.

6. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently for all years presented in these consolidated financial statements, and have been applied consistently by Group entities, except if mentioned otherwise (see Note 8).

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(i) Business combinations (continued)

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree’s identifiable net assets at the acquisition date.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as measured at FVOCI financial asset depending on the level of influence retained.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(vi) Transactions with owners of the Group

The dividends paid to the owners of the Group are recognized directly in equity once the decision on the payment takes place. The transfer of assets to the related parties (companies owned by the Group’s ultimate shareholders) or other benefits to such related parties are recognized on the basis of balance sheet amounts according to Group’s accounting data directly in equity as distribution to the owners of the Company.

(b) Revenue

The Group has three main streams of revenue recognized under IFRS 15: retail revenue, wholesale revenue.

(i) **Retail revenue**

The retail revenue is recognised by the Group when control over the goods is transferred to the customer which occurs in the stores at the point of sale. Payment is due immediately when the customer purchases goods. Typically, the customers have a right of return which is regulated by the Belarusian legislation and is possible within up to 14 days since the purchase took place with the exception for certain categories of goods. Because the number of products returned has not changed significantly for years, it is highly probable that a significant reversal in the cumulative revenue recognised previously will not occur. This assumption is reassessed at each reporting date.

Customer loyalty program

The Group offers a number of customer loyalty programs. Historically, the amount of allocated portion of revenue to a separate performance obligation was immaterial. Therefore, The Group did not defer revenue for the purposes of these consolidated financial statements.

(ii) **Wholesale revenue**

Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

The control over goods sold by the Group is transferred to the customer upon shipment. The Group has no guarantee liabilities. The sales are short term in nature (the payments are due within 90 days). The customers have a right to return some of goods typically not later than two months before the expiration date. Due to the immaterial historical amount of returns, the Group did not defer revenue recognition.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Finance income and finance costs

The Group’s finance income and finance costs include:

- interest income;
- interest expense;
- bank commissions;
- the net gain or loss on financial assets at FVTPL;
- the foreign currency gain or loss on financial assets and financial liabilities;

Interest income or expense is recognised using the effective interest method.

The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency (continued)

(i) Foreign currency transactions (continued)

Foreign currency differences arising in translation are recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- an investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss).

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the presentation currency at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such item form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

(e) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. To the extent that the Group’s contributions to social programs benefit the community at large and are not restricted to the Group’s employees, they are recognised in profit or loss as incurred.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Employee benefits (continued)

(ii) Pension liabilities

In accordance with the requirements of the legislation of the Republic of Belarus and the Russian Federation, the Group withholds amounts of pension contributions from employee salaries and pays them to the State pension fund. Such pension system provides for calculation of current payments by the employer as a percentage of current total disbursements to staff. Such expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by the state. The Group does not have any pension arrangements separate from the state pension system of the Republic of Belarus. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

(f) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

6. SIGIFICANT ACCOUNTING POLICIES (continued)

(f) Income tax (continued)

(ii) Deferred tax (continued)

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In accordance with the tax legislation of the Belarus, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Assets held for sale or distribution

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution.

Such assets, or disposal group, are generally measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group’s other accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment, except for buildings and constructions, are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of buildings at 1 January 2007, the Group’s date of transition to IFRSs, was determined by reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bring the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve as revaluation surplus is transferred to retained earnings.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Revaluation of buildings and constructions

Buildings and constructions are measured at fair value, based on periodic valuation by external independent valuers. A revaluation increase on buildings and constructions is recognised directly under the heading of revaluation surplus in other comprehensive income. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

A revaluation decrease on buildings and constructions is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(iv) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its estimated residual value.

Depreciation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property, plant and equipment (continued)

(iv) Depreciation (continued)

The estimated useful lives of significant items of property, plant and equipment for the current and comparative periods are as follows:

- Buildings and constructions 15-100 years;
- Trade and warehouse equipment 5-50 years;
- Vehicles 5-13 years;
- Office and other equipment 4-37 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Intangible assets

(i) Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the profit or loss as incurred.

(iv) Amortisation

Amortisation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset.

Amortisation is based on the cost of the asset less its estimated residual value. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in OCI. This election is made on an investment-by-investment basis. All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group’s continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features).

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest (continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(iii) Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as ‘substantial modification’), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

The Group performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Group assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In making this evaluation the Group analogizes to the guidance on the derecognition of financial liabilities.

The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial asset;
- change in collateral or other credit enhancement;
- change of terms of financial asset that lead to non-compliance with SPPI criterion (e.g. inclusion of conversion feature).

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(iii) Modification of financial assets and financial liabilities (continued)

Financial liabilities (continued)

If a modification (or exchange) does not result in the derecognition of the financial liability the Group applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Group recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

Changes in cash flows on existing financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in fixed interest rates initiated by banks due to changes in the key rate set by the National Bank of the Republic of Belarus, if the loan contract entitles banks to do so and and the Group have an option to either accept the revised rate or redeem the loan at par without penalty. The Group treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

Group performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(iv) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(vi) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Share capital

Share capital and retained earnings (accumulated loss) of the Company are represented in equity.

Charter of the “Eurotorg” LLC incorporated as Limited Liability Company provides that each participant may unilaterally withdraw from the company. In this case, the company is obliged to pay to participant his share of net assets as at the moment of withdrawal not later than one month from the application date. Value of the retired participant’s share in the company’s net assets is specified on the basis of the company’s net assets calculated under the Company’s financial statements prepared according to Belarusian legislation.

IFRS (IAS) 32 "Puttable financial instruments and obligations arising on liquidation" issued in February 2008 amended IFRS (IAS) 32 "Financial instruments: Presentation" and IFRS (IAS) 1 "Presentation of Financial Statements". Amendments become effective for annual periods from 1 January 2009. The effect of differences between Belarussian accounting principles and IFRS on equity is temporary and it is expected to be reduced to zero during the lifetime of the instrument. Consequently, the contributions of the participants are classified as share capital.

(m) Impairment

(i) Non-derivative financial assets

Financial instruments and contract assets

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment (continued)

(i) Non-derivative financial assets (continued)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’. The Group considers this to be Baa3 or higher per Moody’s or BBB- or higher per S&P and Fitch agencies.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment (continued)

(i) Non-derivative financial assets (continued)

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(ii) Non-financial assets

The carrying amounts of the Group’s non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination. Cash-generating units were determined at the level of each component (legal entity) included in the Group, except for the “Eurotorg” LLC. Cash-generating units for the “Eurotorg” LLC are determined at the level of each store.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment (continued)

(ii) Non-financial assets (continued)

The Group’s corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(o) Leases

The Group has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated. The Group has disclosed accounting policies under both IFRS 16 (for the current period) and IAS 17 (for the comparative period presented) in order for users to understand the current period as well as comparative information and changes in significant accounting policies.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Leases (continued)

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the 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 interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources, own loan portfolio and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Leases (continued)

Policy applicable from 1 January 2019 (continued)

(i) As a lessee (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in “Right-of-use assets and leased property” and lease liabilities in “Lease liabilities” in the statement of financial position.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

In accordance with IFRS 16 variable payments which do not depend on index or rate, i.e. do not reflect changes in market rental rates, should not be included in calculation of lease liability. In respect of government land leases where the lease payments are based on cadastral value of the land plot and do not change until the next potential revision of that value or payments (or both) by the authorities, the Group determined that these lease payments are not considered as either variable (that depend on an index or rate or reflect changes in market rental rates) or in-substance fixed, and therefore these payments are not be included in the measurement of the lease liability.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Leases (continued)

Policy applicable from 1 January 2019 (continued)

(i) As a lessee (continued)

In determining the enforceable period of the lease the Group considers the broader economics of the contract, and not only contractual termination payments, like significant leasehold improvements undertaken (or expected to be undertaken) over the term of the contract. If either party has an economic incentive not to terminate the lease such that it would incur a penalty on termination that is more than insignificant, the contract is enforceable beyond the date on which the contract can be terminated; and if each of the parties has the right to terminate the lease without permission from the other party with no more than an insignificant penalty, the contract is not enforceable beyond the date on which the contract can be terminated. The Group has not identified any significant incentives to extend (or not to terminate) a lease and consider that the contract term is agreed lease term until new terms are agreed with lessor by new contract.

If an entity concludes that the contract is enforceable beyond the notice period of a cancellable lease (or the initial period of a renewable lease), it assess whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, an entity shall consider all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group has not identified any enforceable period of the lease beyond the contractual term, which generally is about 5 years.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of “Rental revenues”.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Leases (continued)

Policy applicable from 1 January 2019 (continued)

(ii) As a lessor (continued)

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

(i) As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group’s statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Leases (continued)

Policy applicable before 1 January 2019 (continued)

(ii) As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

(p) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components. All operating segments’ operating results are reviewed regularly by the Group’s management to make decisions about resources to be allocated to the segment and assess its performance.

Segment results that are reported to the Group’s management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group’s headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

7. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group’s consolidated financial statements.

- *Amendments to References to Conceptual Framework in IFRS Standards.*
- *Definition of a Business (Amendments to IFRS 3).*
- *Definition of Material (Amendments to IAS 1 and IAS 8).*
- *IFRS 17 Insurance Contracts.*

8. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Group initially applied IFRS 16 Leases from 1 January 2019.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

A. Definition of a lease

Previously, the Group determined at a contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

B. As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

At inception or on reassessment of a contract that contains a lease component, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

However, the Group has elected not to recognize right-of-use assets and lease liabilities for some leases of low-value assets (e.g. production equipment). The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

i. Transition

Previously, the Group classified property leases as operational leases under IAS 17. These include commercial, warehouse and subsidiary premises, production equipment and vehicles. The leases typically run for a period of five to ten years with the right of subsequent extension. Lease payments are regularly reviewed in accordance with market rates based on additional agreements revising the original lease contract conditions and therefore accounted for as lease modifications.

8. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

B. As a lessee (continued)

i. Transition (continued)

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee’s incremental borrowing rate at the date of initial application.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term;
- Excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- Applied a single discount rate to portfolios of leases with similar characteristics;
- Used hindsight in lease term assessment on a lease-by-lease basis.

The Group leases a number of vehicles, property, production and other equipment. These leases were classified as financial leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

C. As a lessor

The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. However, when the Group is an immediate lessor the sub-leases are classified with reference to the right-of-use assets arising from the head lease, not with reference to the underlying asset.

The group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

D. Impacts on financial statements

On transition to IFRS 16, the Group recognized additional right-of-use assets and additional lease liabilities, recognizing the difference in retained earnings. The impact on transition is summarized below:

	1 January 2019
Right-of-use assets and leased property	328,968
Deferred tax assets	12,034
Lease liabilities	395,822
Accumulated loss	(54,820)

8. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Impacts on financial statements

1 January 2019 the Group reclassified the carrying value of property, plant and equipment acquired under finance leases in the amount of 163,736 thousand BYN from “Property, plant and equipment” to “Right-of-use assets and leased property” of the consolidated statement of finance position.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 11.44 % for leases denominated in BYN and 8.48% for leases denominated in EUR and USD.

Operating lease commitment at 31 December 2018 as disclosed in the Group’s consolidated financial statements	**28,873**
Discounted using the increments borrowing rate at 1 January 2019	**28,340**
Finance lease liabilities recognised as at 31 December 2018	74,784
Recognition exemption for leases with less than 12 months of lease term	(1,572)
Recognition exemption for leases of low-value assets	(914)
Extension options reasonably certain to be exercised	369,968
Lease liabilities recognised at 1 January 2019	**470,606**

The impact of applying IFRS 16 “Leases” on the items of Statement of profit or loss and other comprehensive income and Statement of cash flows is the following:

- In relation to the leases under IFRS 16 the Group has recognised items “Amortization of right-of-use assets and leased property” in Administrative and selling expenses and “Interest expenses under lease agreements” and “Profit/(loss) from foreign exchange differences” in Finance income/(costs) instead of operating lease expense (“Rent”) (Notes 11, 12).
- Repayment under lease agreements is included into cash used in financing activities (previously these outflows were included into cash flows used in operating activities) and comprises principal and interest repayment.

Other standards

A number of other new standards and amendments to the existing standards are effective from 1 January 2019 but they do not have a material effect on the Group’s consolidated financial statements, except those described above.

9. REVENUE, INTEREST AND COMMISSION INCOME

The major portion of revenue includes sales of goods and services by the stores. In the following table, revenue is disaggregated by major products and service lines:

	For the year ended 31 December	
	2019	**2018**
Retail sales	4,257,363	3,999,228
Wholesale	440,723	344,230
Other revenue	15,691	13,780
Total revenue from contracts with customers	**4,713,777**	**4,357,238**
Rental revenues	31,260	32,983
Interest income of the Bank	13,656	12,618
Total rental revenue, interest and commission income of the Bank	**44,916**	**45,601**
Total revenue, interest and commission income	**4,758,693**	**4,402,839**

Most of the Group’s revenue comes from Belarus which is the primary geographical market of the Group.

The Group is not subject to significant seasonal fluctuations.

The major portion of revenue from contracts with customers recognized in the year ended 31 December 2019 and 31 December 2018 is resulted from transfer of products and services at a point in time.

In 2019 rental revenues relating to rights-of-use assets sublease agreements amounted to BYN 5,937 thousand.

Interest and commission income of the Bank is related to Banking business which is a reportable segment of the Group (Note 33).

10. COST OF GOODS AND SERVICES SOLD AND INTEREST EXPENSES

	For the year ended 31 December	
	2019	**2018**
Cost of purchased and produced goods	3,533,295	3,164,398
Transportation costs and handling operations	79,795	77,927
Bank interest expenses	4,803	3,238
Other costs	1,199	2,462
Total cost of goods and services sold and interest expenses	**3,619,092**	**3,248,025**

11. ADMINISTRATIVE AND SELLING EXPENSES

	For the year ended 31 December	
	2019	**2018**
Employee benefits	334,395	298,940
Social security contributions	107,036	96,057
Utility costs	93,509	91,562
Amortization of right-of-use assets and leased property	90,260	-
Depreciation of property, plant and equipment	79,967	73,397
Marketing and advertising	38,994	49,220
Professional services	37,822	28,863
Taxes other than income tax	32,442	33,053
Other materials and stationery	21,452	29,107
Repairs and maintenance	10,580	10,046
Amortization of intangible assets	4,390	2,892
Rent	4,290	114,302
Impairment/(reversal of impairment losses) of property, plant and equipment	1,149	(3,507)
Auditors’ remuneration	339	241
Other expenses	23,080	23,179
Total administrative and selling expenses	**879,705**	**847,352**

In 2019 the Group incurred one-off legal expenses related to the project of the IPO of global depositary receipts for the Group’s stocks in the amount of BYN 1,513 thousand. In 2018 the Group also incurred one-off legal expenses related to the IPO project in the amount of BYN 4,603 thousand. These expenses were recognized as Professional services.

In 2019 rent expenses recognized on a straight-line basis over the lease term included expenses relating to leases of low-value assets and short-term leases in the amount of BYN 1,427 thousand and variable payments dependent on some retail stores sales turnover in the amount of BYN 2,863 thousand.

12. OTHER INCOME

	For the year ended 31 December	
	2019	**2018**
Gain on sale of materials	7,066	5,010
Purchase/sale of foreign currency of the Bank	4,570	3,568
Gain on sale of property, plant and equipment	-	4,391
Other income	1,550	2,640
Total other income	**13,186**	**15,609**

13. OTHER EXPENSES

	For the year ended 31 December	
	2019	**2018**
Charity	9,389	9,467
Loss on disposal of property, plant and equipment	6,805	-
Fines and penalties	609	840
Other expenses	4,103	5,993
Total other expenses	**20,906**	**16,300**

14. NET FINANCE COSTS

	For the year ended 31 December	
	2019	**2018**
Change in fair value of derivatives	15,297	-
Profit from foreign exchange differences	10,189	-
Effect from early repayment of lease agreement	3,919	-
Profit from purchase/sale of foreign currency	1,286	-
Interest income on bank deposits	1,066	872
Total finance income	**31,757**	**872**
Interest expenses	(120,331)	(117,717)
Interest expenses under lease agreements	(43,164)	(13,374)
Bank commissions	(12,209)	(11,696)
Bonds redemption expenses	(3,424)	(668)
Loss from purchase/sale of foreign currency	-	(530)
Loss from foreign exchange differences	-	(71,047)
Total finance costs	**(179,128)**	**(215,032)**
Net finance costs	**(147,371)**	**(214,160)**

15. INCOME TAX

The Group calculates current tax based on the statutory tax accounts maintained and prepared in accordance with the Belarusian statutory tax regulations. In the Republic of Belarus the income tax rate constitutes 18%. The income tax for banks in the Republic of Belarus constitutes 25%.

Deferred tax reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2019 and 31 December 2018 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

	Assets		**Liabilities**		**Net**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Property, plant and equipment	20,880	44,647	(508)	(610)	**20,372**	**44,037**
Intangible assets	-	-	(975)	(509)	**(975)**	**(509)**
Derivatives	-	-	(2,753)	-	**(2,753)**	**-**
Trade and other receivables	1,398	501	(1,291)	(983)	**107**	**(482)**
Trade and other payables	-	-	(116)	-	**(116)**	**-**
Loans and borrowings	(1)	-	(1,106)	(1,567)	**(1,107)**	**(1,567)**
Lease liabilities	4,324	2,192	(19)	-	**4,305**	**2,192**
Inventories	450	3,210	(43)	-	**407**	**3,210**
Prepayments	2,985	828	(1,135)	(1,165)	**1,850**	**(337)**
Deferred income (lease)	-	912	(1)	-	**(1)**	**912**
Other investments	737	120	(926)	(933)	**(189)**	**(813)**
Other current liabilities	2,883	2,942	(5)	(5)	**2,878**	**2,937**
Net tax assets/(liabilities)	**33,656**	**55,352**	**(8,878)**	**(5,772)**	**24,778**	**49,580**
Deferred tax assets					25,863	51,172
Deferred tax liabilities					(1,085)	(1,592)

Reconciliation of tax based on the taxable income and the tax based on accounting profits for the years ended 31 December 2019 and 31 December 2018 respectively is presented as follows:

	2019		**2018**	
Profit before income tax		**105,974**		**99,232**
Theoretical tax charge at the statutory tax rate	(18.00%)	(19,075)	(18.00%)	(17,862)
Non-deductible expenses	(6.33%)	(6,707)	(8.57%)	(8,505)
Effect of banking tax rate	(0.13%)	(137)	(0.57%)	(567)
Non-taxable income	0.99%	1,044	1.16%	1,155
Effect of statutory revaluation adjustment	(26.12%)	(27,685)	(5.10%)	(5,058)
Total income tax expense	**(49.59%)**	**(52,560)**	**(31.08%)**	**(30,837)**

15. INCOME TAX (continued)

Relationship between income tax expenses and other comprehensive income before income tax for the years ended 31 December 2019 and 31 December 2018 respectively is presented as follows:

	2019		2018	
Other comprehensive (loss)/income before income tax		**(46,763)**		**125,144**
Theoretical tax charge at the statutory tax rate	(18.00%)	8,418	(18.00%)	(22,526)
Foreign currency translation differences	-	-	0.46%	575
Income tax income/(expense) in other comprehensive (loss)/income	**(18.00%)**	**8,418**	**(17.54%)**	**(21,951)**

Components of income tax expense, recognized in profit or loss were as follows:

	2019	2018
Current tax expense	(7,285)	(16,596)
Change in deferred tax	(45,275)	(14,241)
Total income tax expense	**(52,560)**	**(30,837)**

The movement in deferred tax balances is as follows:

	2019	2018
Deferred tax asset at the beginning of the year, net	49,580	85,724
Effect from initial application of IFRS 16	12,034	-
Foreign currency translation differences	21	48
Recognised in profit or loss	(45,275)	(14,241)
Recognised in other comprehensive income	8,418	(21,951)
Deferred tax asset at the year end, net:	**24,778**	**49,580**
Deferred tax assets	25,863	51,172
Deferred tax liabilities	(1,085)	(1,592)

Recognised deferred tax assets are measured at the tax rates enacted as at 31 December 2019. They are recognised in the amount that under the management’s estimates is probable to bring taxable profits against which the deductible amounts can be utilized. In determining estimated future taxable profit against which the deductible amounts can be utilised, management has considered the existence of taxable temporary differences that will reverse in the same period. Taxable profit is determined according to the local accounting standards. According to the statutory financial statements accounting standards in Belarus the Group is generally profitable and has sufficient taxable profits to utilise the deferred tax assets.

For the year ended 31 December 2019 the main companies of the Group received a pre-tax profit of BYN 7,645 thousand. In 2019 the Group incurred one-off expenses associated with the sale of the mall. Adjusted pre-tax profit was BYN 36,086 thousand. Therefore, management believes that the Group has sufficient taxable profits to use deferred tax assets, and also the receipt of future taxable profits, against which the Group could use the respective tax benefits, is highly probable.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings and constructions	Trade, production and warehouse equipment	Vehicles	Office and other equipment	Construction in progress and equipment not installed	Total
Cost						
1 January 2018	**1,197,338**	**272,697**	**42,909**	**9,686**	**48,713**	**1,571,343**
Additions	23,009	9,131	11,270	636	68,810	**112,856**
Transfers	14,008	37,606	4,684	3,228	(59,526)	**-**
Acquisitions through business combinations	-	5	-	-	-	**5**
Disposals	(4,287)	(5,909)	(2,739)	(322)	(7,469)	**(20,726)**
Revaluation	142,713	-	-	-	174	**142,887**
31 December 2018	**1,372,781**	**313,530**	**56,124**	**13,228**	**50,702**	**1,806,365**
Transfer to rights-of-use assets and leased property	(134,331)	(30,036)	(30,576)	(1,728)	-	**(196,671)**
1 January 2019 adjusted	**1,238,450**	**283,494**	**25,548**	**11,500**	**50,702**	**1,609,694**
Additions and property buy-back	109,456	23,261	1,544	684	117,212	**252,157**
Transfers	87,634	28,521	1,034	5,070	(122,259)	**-**
Disposals	(103,304)	(10,141)	(756)	(544)	(8,982)	**(123,727)**
Revaluation	(48,976)	-	-	-	-	**(48,976)**
31 December 2019	**1,283,260**	**325,135**	**27,370**	**16,710**	**36,673**	**1,689,148**
Accumulated depreciation and impairment losses						
1 January 2018	**(152,016)**	**(127,565)**	**(21,920)**	**(4,628)**	**-**	**(306,129)**
Charge for the year	(35,285)	(34,402)	(8,709)	(1,673)	-	**(80,069)**
Acquisitions through business combinations	-	(4)	-	-	-	**(4)**
Disposals	1,009,	3,423,	2,109,	259,	-	**6,800,**
Revaluation	(14,236)	-	-	-	-	**(14,236)**
31 December 2018	**(200,528)**	**(158,548)**	**(28,520)**	**(6,042)**	**-**	**(393,638)**
Transfer to rights-of-use and leased property	9,786	10,846	11,975	328	-	**32,935**
1 January 2019 adjusted	**(190,742)**	**(147,702)**	**(16,545)**	**(5,714)**	**-**	**(360,703)**
Charge for the year	(41,979)	(38,767)	(4,230)	(1,959)	-	**(86,935)**
Disposals	13,560	6,041	767	679	-	**21,047**
Revaluation	2,213	-	-	-	-	**2,213**
Impairment	(1,149)	-	-	-	-	**(1,149)**
31 December 2019	**(218,097)**	**(180,428)**	**(20,008)**	**(6,994)**	**-**	**(425,527)**
Carrying amount						
1 January 2018	**1,045,322**	**145,132**	**20,989**	**5,058**	**48,713**	**1,265,214**
31 December 2018	**1,172,253**	**154,982**	**27,604**	**7,186**	**50,702**	**1,412,727**
31 December 2019	**1,065,163**	**144,707**	**7,362**	**9,716**	**36,673**	**1,263,621**
Carrying amount at historical IFRS cost						
1 January 2018	**833,373**	**145,138**	**20,989**	**5,054**	**48,713**	**1,053,267**
31 December 2018	**832,353**	**154,988**	**27,604**	**7,182**	**50,702**	**1,072,829**
31 December 2019	**773,175**	**144,713**	**7,362**	**9,712**	**36,673**	**971,635**

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation of property, plant and equipment in the consolidated statement of profit or loss and other comprehensive income is allocated to the following items:

	For the year ended 31 December	
	2019	**2018**
Cost of goods and services sold and interest expenses	6,968	6,672
Administrative and selling expenses	79,967	73,397
Total depreciation	**86,935**	**80,069**

As at 31 December 2019 and 31 December 2018, the historical cost of fully depreciated but still used items of property, plant and equipment amounted to BYN 122,626 thousand and BYN 87,692 thousand respectively.

As at 31 December 2019 and 31 December 2018 the carrying value of pledged property, plant and equipment amounted to BYN 154,937 thousand and BYN 945,405 thousand respectively.

Buildings and constructions are accounted under the revaluation method. The Group conducted a revaluation in the end of 2019 in order to present buildings at their fair value as at 31 December 2019.

The fair value of buildings was classified within Level 3 of the fair value hierarchy based on the inputs for the applied assessment methods. The fair value of buildings is determined by the market and discounted cash flows methods based on the report of the qualified professional appraisers. In most cases, the fair value is determined by the weighted average of these two methods in a ratio of 50%/50%. However, the results of the two methods are usually comparable.

Accumulated revaluation reserve for buildings net of tax effects amounted to BYN 274,472 thousand and BYN 340,375 thousand as at 31 December 2019 and 31 December 2018 respectively.

Schedule of the revaluation of buildings and constructions is presented below:

	Note	**31 December 2019**	**31 December 2018**
Carrying amount of the buildings and constructions before revaluation		1,113,075	1,043,602
Net change as a result of revaluation and impairment, including		(47,912)	128,651
Changes in revaluation reserve		*(46,763)*	*125,144*
Reversal on impairment of property, plant and equipment	11	-	*3,507*
Impairment in excess of the accumulated revaluation reserve	11	*(1,149)*	-
Net impairment of property, plant and equipment		**(1,149)**	**-**
Carrying amount of the buildings and constructions after revaluation		**1,065,163**	**1,172,253**

17. RIGHT-OF-USE ASSETS AND LEASED PROPERTY

	Buildings and constructions	Trade, production and warehouse equipment	Vehicles	Office and other equipment	Right-of-use assets	Total
1 January 2019	**124,545**	**19,190**	**18,601**	**1,400**	**328,968**	**492,704**
New lease agreements *	23,748	1,120	2,590	83	52,345	**79,886**
Modifications of lease agreements terms	-	-	-	-	16,086	**16,086**
Amortization of right-of-use assets and leased property	-	(991)	(5,456)	(181)	(83,632)	**(90,260)**
Property buy-back	(148,293)	(13,417)	(1,439)	(412)	-	**(163,561)**
31 December 2019	**-**	**5,902**	**14,296**	**890**	**313,767**	**334,855**

** The amount of property, plant and equipment acquired under finance leases in 2018 was BYN 68,983 thousand (including BYN 42,563 thousand under sale and leaseback transactions agreement).*

“Right-of-use assets” include leased commercial, warehouse and subsidiary premises without purchase option with lease term significantly less than their useful life. Before 1 January 2019 such lease agreements were classified as operating leases.

In 2019 leased property in the amount of BYN 163,561 thousand was transferred to “Property, plant and equipment” in connection with lease agreements termination and transfer of ownership to the Group.

18. LOANS GRANTED

Breakdown by type of client

	31 December 2019	31 December 2018
Loans granted to corporate clients by the Bank	12,099	27,859
Consumer loans granted to individuals by the Bank	56,836	52,973
Loans granted to third parties	410	-
Total loans granted before allowance for impairment	**69,345**	**80,832**
Allowance for impairment	(1,314)	(2,188)
Total loans granted	**68,031**	**78,644**
Short-term loans granted	19,875	27,608
Long-term loans granted	48,156	51,036

Security for loans

In order to reduce credit risk, the Bank requires the provision of security, the size and type of which depends on the assessment of the credit risk of the counterparty.

The main types of security received for loans to legal entities and individual entrepreneurs are real estate, equipment, cars, goods in circulation, the right to receivables and lease payments. Loans to individuals are secured by guarantees of individuals.

The Bank has no overdue and unimpaired loans granted.

18. LOANS GRANTED (continued)

Movement in allowance for impairment on loans granted

	2019	2018
1 January	**2,188**	**7,573**
Movement in allowance	(874)	(5,385)
31 December	**1,314**	**2,188**

19. INVENTORIES

	31 December 2019	31 December 2018
Goods for sale located at retail outlets	193,003	200,017
Goods for sale located at the warehouse	127,377	131,956
Raw and other materials	20,746	26,040
Tare and packing materials	6,521	5,961
Other inventories	21,337	17,501
Total inventories	**368,984**	**381,475**

For the year ended 31 December 2019 inventories have been reduced by BYN 42,198 thousand (BYN 21,491 thousand for the year ended 31 December 2018) as a result of the write-down to net realizable value. Their write-down was recognized as an expense during 2018. The write-down is included in the “Cost of goods and services sold and interest expenses”.

As at 31 December 2019 and 31 December 2018 the Group pledged inventories as additional security for bank loans and guarantees in the amount of BYN 219,740 thousand and BYN 228,295 thousand respectively.

20. TRADE AND OTHER RECEIVABLES

	31 December 2019	31 December 2018
Trade receivables	112,311	104,315
Allowance for impairment	(1,942)	(1,998)
Total trade receivables, net	**110,369**	**102,317**
Other receivables	43,817	62,133
Allowance for impairment	(2,985)	(3,224)
Total other receivables, net	**40,832**	**58,909**
Total trade and other receivables, net	**151,201**	**161,226**

The movement of allowance for impairment of trade and other receivables is as follows:

	2019	2018
1 January	**5,222**	**6,458**
Movement in allowance	(295)	(1,236)
31 December	**4,927**	**5,222**

20. TRADE AND OTHER RECEIVABLES (continued)

The Group uses an allowance matrix to measure the ECLs of trade and other receivables which comprise a very large number of small balances. Loss rates are calculated using a “roll-rate” method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

The following table provides information about the exposure to credit risk and ECLs for trade and other receivables as at 31 December 2019:

	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
Current (not past due)	0.17%	76,994	(134)	No
1-30 days past due	0.36%	8,885	(32)	No
31-60 days past due	0.46%	7,576	(35)	No
61-90 days past due	0.75%	7,152	(53)	No
More than 90 days past due	8.42%	55,521	(4,673)	Yes
		156,128	**(4,927)**	

21. PREPAYMENTS

	31 December 2019	31 December 2018
Prepayments for utilities	11,411	14,560
Prepayments for inventory	9,030	14,113
Prepayments for services	8,209	9,172
Prepayments for taxes, except for income tax	3,407	1,825
Prepayments for rent of premises and land	-	7,269
Other prepayments	8,114	4,600
Total prepayments	**40,171**	**51,539**

22. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Call deposits	216,239	55,057
Cash in transit	29,963	78,568
Cash in hand	19,337	13,780
Balances with the National Bank of the Republic of Belarus	15,168	7,532
Cash on current accounts with banks	5,333	7,005
Total cash and cash equivalents	**286,040**	**161,942**

Cash in transit is represented by cash collected by the banks, as well as by cash received from credit card settlements.

23. EQUITY

The only shareholder of the Company is Eurotorg Holding PLC which was incorporated in Cyprus on 19 February 2009 as a private limited liability company under the Cyprus Companies Law, Cap. 113 with registration number 246155. On 10 September 2018 Curgil Ventures Limited changed its status to a public company (PLC) and registered a change of its legal name to Eurotorg Holding PLC.

In accordance with the Belarusian legislation the Group distributes its profits in the form of dividends or transfers profits to reserves in the manner provided for by the Belarusian accounting standards.

In 2019 the Company declared and paid dividends in the amount BYN 40,724 thousand. In 2018 the Company declared dividends in the amount BYN 23,996 thousand and paid in the amount BYN 25,017 thousand.

The ultimate beneficial owners of the Company are Mr. Sergey Litvin, Mr. Uladzimir Vasilko, Mr. Alexander Litvin and Mr. Andrey Zubkou, all being citizens of the Republic of Belarus. All participants’ stakes in the Company are fully contributed.

24. LOANS AND BORROWINGS

Loans and borrowings as at 31 December 2019 were as follows:

	Currency	Rate	Maturity	31 December 2019
Bonds	USD	8.75%	2021-2022	546,426
Bonds	RUB	10.95%	2023-2024	340,430
Bonds	USD	3.50%	2023	1,466
Bonds	BYN	11.00%	2023	2,270
Secured bank loan	RUB	8.42%-9.60%	2021-2024	160,002
Secured bank loan	USD	5.00%	2023-2025	132,422
Secured bank loan	EUR	1.95%-3.00%	2020-2024	14,101
Other loans	BYN	-	2022	3
Total loans and borrowings				**1,197,120**
Less the short-term part				(1,785)
Total long-term part				**1,195,335**

The loans and borrowings as at 31 December 2018 were as follows:

	Currency	Rate	Maturity	31 December 2018
Bonds	USD	8.75%	2021-2022	655,617
Bonds	USD	6.00%	2020	358
Bonds	USD	3.50%	2023	648
Bonds	BYN	11.00%	2023	1,770
Bank loan	BYN	11.20%-12.50%	2019-2024	432,628
Bank loan	RUB	10.04%	2023	32,534
Bank loan	EUR	4.50%	2023	49,468
Other loans	BYN	-	2022	4
Total loans and borrowings				**1,173,027**
Less the short-term part				(9,453)
Total long-term part				**1,163,574**

24. LOANS AND BORROWINGS (continued)

The Group pledged property, plant and equipment and inventories (Notes 16, 19) to secure bank loans. As at 31 December 2019 and 31 December 2018 the Group performed its contractual obligations under the loan agreements.

As at 31 December 2019 the Group had cross currency interest rate swap agreement for its bonds in the amount of RUB 5 billion, according to which the Group receives interest payments at the rate 10.95% and makes interest payments at the rate 4.8% of bonds principal. Besides, as at 31 December 2019 the Group had cross currency interest rate swap agreement for its bonds at the amount of 500 million RUB, according to which the Group receives interest payments at the rate 9.6% and makes interest payments at the rate 3.75% of bonds principal. Under these agreements the Group receives principal payments in Russian rubles and makes principal payments in Euro as at EUR/RUB exchange rate equal to 70.55 (See Note 30, 31). As at 31 December 2019 fair value of derivative in the amount BYN 15,297 thousand was recognized.

Reconciliation of changes in liabilities and financial transactions from financial activities for the year ended 31 December 2019:

	Liabilities			Equity	
	Loans and borrowings	**Accrued interest**	**Lease liabilities**	**Accumulated loss**	**Total**
As at 1 January 2019	**1,173,027**	**11,652**	**74,784**	**(236,549)**	**1,022,914**
Adjustment on initial application of IFRS 16 (Note 8)	-	-	395,822	(54,820)	341,002
Adjusted balance as at 1 January 2019	**1,173,027**	**11,652**	**470,606**	**(291,369)**	**1,363,916**
Changes from financing cash flows					
Proceeds from loans and borrowings	879,947	-	-	-	879,947
Repayment of loans and borrowings	(868,626)	-	-	-	(868,626)
Interest paid on loans and borrowings	-	(112,304)	-	-	(112,304)
Repayment of lease liabilities	-	-	(178,138)	-	(178,138)
Interest expenses paid under lease agreements	-	-	(43,164)	-	(43,164)
Repayment of VAT under lease agreements	-	-	(18,220)	-	(18,220)
Dividends paid	-	-	-	(40,724)	(40,724)
Total changes due to cash flows from financing activities	**11,321**	**(112,304)**	**(239,522)**	**(40,724)**	**(381,229)**
Effect of changes in foreign exchange rates	**10,543**	**91**	**(21,799)**	**-**	**(11,165)**
Other changes					
Related to liabilities					
Transactions from/to other liabilities	-	-	18,220	-	18,220
New agreements and modifications of lease agreements	-	-	95,419	-	95,419
Interest expenses	2,229	118,102	43,164	-	163,495
Total other changes related to liabilities	**2,229**	**118,102**	**156,803**	**-**	**277,134**
Total other changes related to equity	**-**	**-**	**-**	**81,122**	**81,122**
As at 31 December 2019	**1,197,120**	**17,541**	**366,088**	**(250,971)**	**1,329,778**

24. LOANS AND BORROWINGS (continued)

Reconciliation of changes in liabilities and financial transactions from financial activities for the year ended 31 December 2018:

	Liabilities			Equity	
	Loans and borrowings	**Accrued interest**	**Lease liabilities**	**Accumulated loss**	**Total**
As at 1 January 2018	**1,285,427**	**14,363**	**81,060**	**(281,670)**	**1,099,180**
Changes from financing cash flows					
Proceeds from loans and borrowings	1,266,639	-	-	-	1,266,639
Sale and leaseback financing	-	-	35,707	-	35,707
Repayment of loans and borrowings	(1,462,799)	-	-	-	(1,462,799)
Interest paid on loans and borrowings	-	(121,273)	-	-	(121,273)
Repayment of lease liabilities	-	-	(57,977)	-	(57,977)
Interest expenses paid under lease agreements	-	-	(13,374)	-	(13,374)
Repayment of VAT under lease agreements	-	-	(11,724)	-	(11,724)
Dividends paid	-	-	-	(25,017)	(25,017)
Total changes due to cash flows from financing activities	**(196,160)**	**(121,273)**	**(47,368)**	**(25,017)**	**(389,818)**
Effect of changes in foreign exchange rates	**79,743**	**1,439**	**538**	**-**	**81,720**
Other changes					
Related to liabilities					
Transactions from/to other liabilities	1,575	1,137	-	-	2,712
New financial lease agreements	-	-	27,180	-	27,180
Accrued expenses for compensation to lessors	-	-	13,374	-	13,374
Interest expenses	2,442	115,986	-	-	118,428
Total other changes related to liabilities	**4,017**	**117,123**	**40,554**	**-**	**161,694**
Total other changes related to equity	**-**	**-**	**-**	**70,138**	**70,138**
As at 31 December 2018	**1,173,027**	**11,652**	**74,784**	**(236,549)**	**1,022,914**

25. LEASE LIABILITIES

Lease agreements of the Group include agreements with purchase option, which were classified as finance lease in accordance with IAS 17 before 1 January 2019 (see “Liabilities under finance leases” in the table below) and agreements without purchase option, which were classified as operating lease in accordance with IAS 17 before 1 January 2019 (see “Right-of-use liabilities”).

	Liabilities under finance leases	Right-of-use liabilities	Total
1 January 2019	**74,784**	**395,822**	**470,606**
New lease agreements	27,541	52,345	79,886
Modifications of lease agreements terms	-	15,533	15,533
Interest expenses under lease agreements	7,044	36,120	43,164
Profit from foreign exchange differences	(2,283)	(19,516)	(21,799)
Repayment of lease liabilities	(90,687)	(130,615)	(221,302)
31 December 2019	**16,399**	**349,689**	**366,088**
Short-term part	5,980	97,047	103,027
Long-term part	10,419	252,642	263,061

Repayments under right-of-use agreements for the year ended 31 December 2019 consist of payments relating to rent expenses accrued for the year ended 31 December 2019 in the amount of BYN 123,315 thousand, repayments of payables relating to rent expenses accrued for the period ended 31 December 2018 in the amount of BYN 2,980 thousand and prepayments for rent expenses for the periods starting from 1 January 2020 in the amount of BYN 4,320 thousand.

26. TRADE AND OTHER PAYABLES

	31 December 2019	31 December 2018
Trade accounts payable	671,291	689,399
Bank customers’ accounts	79,157	46,129
Payables for services	11,053	27,653
Payables for property, plant and equipment	6,225	11,801
Settlements with construction contractors	311	658
Other accounts payable	13,741	10,922
Total trade and other accounts payable	**781,778**	**786,562**

As at 31 December 2019 trade accounts payable included BYN 50,501 thousand (31 December 2018: BYN 48,752 thousand) under reverse factoring agreements with suppliers. According to these agreements the factor (a bank) agreed to pay amounts to the supplier in respect of invoices owed by the Group (customer), receiving settlement from the customer at a later date (usually 10-45 days).

26. TRADE AND OTHER PAYABLES (continued)

The management of the Group considered the appropriate balance sheet presentation of amounts related to reverse factoring arrangements with suppliers, including whether the headings and line items should be adapted to suit the particular circumstances. The management of the Group believes that the nature or function of the financial liability arising from the reverse factoring arrangement is not substantially different from a trade payable based on the following:

1) the principal business purpose of the reverse factoring arrangement is to provide funding to the supplier or to facilitate efficient payment processing (rather than to provide funding to the customer);
2) the arrangement does not significantly extend payments terms beyond the normal terms agreed with other suppliers;
3) the arrangement does not require additional collateral or a guarantee.

As at 31 December 2019 trade accounts payable included BYN 137,018 thousand (31 December 2018: BYN 133,075 thousand) as letter of credit arrangements with maturity from 2 to 12 months and interest rate varying from 2.80% to 13.50% (31 December 2018: 3.60% to 19.90%) on uncovered letters of credits. Under these arrangements a bank issues a letter of credit for the specific amount on behalf of its customer (“Eurotorg” LLC) identifying a foreign supplier as the beneficiary. Under the terms of the letter of credit, the bank promises to pay this specific amount to the beneficiary on presentation of documentary proof that it has shipped the goods to the customer. After the bank pays the beneficiary, it collects the payment from the customer at a later date, in line with the agreed payment terms. Typically letter of credit arrangements are covered.

The management of the Group considered the appropriate presentation in the statement of financial position of amounts related to the letter of credit arrangements. The management of the Group believes that the nature or function of the financial liability arising from the letter of credit arrangement is not substantially different from a trade payable based on the following:

1) the principal business purpose of the financing under the letter of credit arrangement is to provide additional guarantee to the supplier (rather than to provide funding to the customer);
2) the arrangement does not significantly extend payments terms beyond the normal terms agreed with other suppliers.

27. OTHER CURRENT LIABILITIES

	31 December 2019	31 December 2018
Taxes payable other than income taxes	34,424	33,074
Amounts payable to employees	19,976	19,580
Accruals for unused vacations	16,669	15,288
Prepayments received from third parties	10,607	6,126
Salary taxes and social security fund payable	3,667	3,791
Total other current liabilities	**85,343**	**77,859**

28. TRANSACTIONS WITH RELATED PARTIES

The Group sells goods and performs other transactions with related parties in the ordinary course of business. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence on the other party when making financial and operational decisions.

Related parties in these consolidated financial statements comprise the shareholders of the Group, companies which are owned by the ultimate beneficial owners of the Company, key management personnel of the Group and the companies under their control, their close family members and companies that are controlled or significantly influenced by shareholders. Declared and paid dividends are disclosed in Note 23.

Balances with related parties are as follows:

Entities owned by the Shareholders of the Company	**31 December 2019**	**31 December 2018**
Trade and other receivables	88,166	78,725
Loans granted	429	5,000
Prepayments for non-current assets	4,184	8,461
Prepayments	1,515	-
Other investments	-	274
Trade and other payables	(16,174)	(29,651)
Other current liabilities	(2,735)	-
Lease liabilities	(13,302)	-

Information about the Group’s transactions with related parties for the year ended 31 December 2019 and 31 December 2018 is presented below:

Entities owned by the Shareholders of the Company	**2019**	**2018**
Purchase of goods	126,467	107,954
Revenue	161,789	108,418
Other income from property, plant and equipment sale	877	3,416
Administrative and selling expenses	8,978	14,253
Acquisition of property, plant and equipment	1,271	1,216
Key management personnel		
Remuneration to key management personnel	7,396	6,289

All outstanding balances with these related parties are to be settled in cash within two to twelve months from the reporting date. None of the balances are secured. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

The Group sells goods to the companies owned by the Shareholders of the Company, which, in its turn, sells goods to ultimate customers through online grocery service and drogerie retail chain. These companies were established in 2014-2017 and still in the stage of development. Agreements on sale of goods with these companies stipulate a delay of payment up to 365 days. The companies are generating profit and has had no overdue debts payable to the Group. The management analyzed budgets of these companies and concluded that receivables from them as at 31 December 2019 in the amount of BYN 84,079 thousand (2018: BYN 71,127 thousand) will be fully repaid. The Group assesses the exposure to credit risk and ECLs for trade receivables under the agreements with these companies on the individual basis.

29. COMMITMENTS AND CONTINGENCIES

Legal claims

In the course of the Group's activities, customers and counterparties may lodge claims against the Group. Management believes that, as a result of the proceedings, the Group will not incur significant losses and accordingly no provision has been made in the consolidated financial statements.

Taxation contingencies in Belarus

The taxation system in Belarus is characterised by complexity and frequent changes in legislation, official pronouncements and authorities’ decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. However, there is no extensive court practice in Belarus on tax issues.

Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities during five subsequent calendar years, and in certain cases this period is unlimited.

The latest tax initiatives in Belarus include regulation of related-party and cross-border transactions. The most significant concepts in this respect include a limitation on “deductible” expenses on controlled debts (interest, management fees, etc.), the concept of the beneficial ownership of income, and restrictions on the deductibility from the tax base of so-called "economically unjustified costs". Due to the introduction in 2019 of a new “unjustified tax benefit” concept, uncertainties have increased in relation to tax planning and strategy optimisation. Any transaction where the main goal is to minimise tax charges may be challenged under this new tax concept, and additional taxes may be accrued.

The application practice of the recently changed legislation is still evolving and should be considered based on the actual circumstances. Due to uncertainty the Group’s tax position could be potentially impacted and additional tax risks going forward could arise.

All these circumstances may create tax risks in Belarus that could be more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Belarussian tax legislation, official pronouncements and tax authorities’ decisions. However, the interpretations of the tax authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Credit-related commitments

In the course of its activities, the Bank uses financial instruments with off-balance sheet risks to meet the needs of its customers. These instruments carrying credit risks to various extents, are not reflected in the statement of financial position. The Bank's maximum exposure to contingent financial liabilities and credit commitments in the event of non-performance by the second party to the transaction and the impairment of all counterclaims and pledge is the same as the contractual value of these instruments.

The Bank applies the same credit policy in respect of contingent liabilities as for financial instruments recorded in the statement of financial position.

29. COMMITMENTS AND CONTINGENCIES (continued)

Credit-related commitments (continued)

The credit-related commitments of the Bank were as follows:

	31 December 2019	31 December 2018
Guarantees issued	2,216	729
Total credit-related commitments	**2,216**	**729**
Provision for credit-related commitments	(131)	(33)
Net credit-related commitments	**2,085**	**696**

As at 31 December 2019 the actual credit-related commitment of the Group relating to the surety agreement with the company “Euroopt” CJSC, amounted to BYN 35,237 thousand.

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Management of risk and capital is an essential element of the Group’s operations. The main financial risk inherent to the Group’s operations is the liquidity risk. A description of the Group’s risk management policies in relation to the liquidity risk follows. Credit risk exposures, market movements in interest rates and foreign exchange rates are not significant in the reporting period.

Credit risk

The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group performs the evaluation of creditworthiness for each customer individually and determines the delay of payments based on internal assessment of the solvency and significance of the customer. The terms of payments are reviewed on a regular basis, at least once a year.

The Group’s maximum exposure to credit risk is generally equal to the carrying amounts of financial assets and contingent liabilities. For guarantees issued maximum exposure to credit risk is equal to contractual amount of the guarantee.

As at 31 December 2019 and 31 December 2018 the maximum exposure to credit risk, taking into account impairment losses, was as follows:

	31 December 2019	31 December 2018
Cash and cash equivalents	286,040	161,942
Trade and other receivables	151,201	161,226
Loans granted	68,031	78,644
Other investments	201	7,143
Total	**505,473**	**408,955**

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk (continued)

Credit risk related to financial instruments not included in the statement of financial position is assessed as a probability of losses incurred if one party to a financial instrument will fail to discharge an obligation. As for credit risk related to commitments under loans granted, the Bank is potentially exposed to losses amounting to the total amount of unused commitments. However, the estimated amount of losses is less than the total amount of unused commitments, since most of the commitments under loans granted depend on customers who maintain certain credit standards. The Bank applies the same credit policy in respect of contingencies as it does for financial instruments recorded in the statement of financial position, based on the procedures of transaction approvals, risk restricting limits and monitoring. The Bank controls the maturity of credit-related commitments not reflected in the statement of financial position, as the longer the maturity of contingencies, the higher the credit risk. The amount of unused credit-related commitments and financial guarantees is disclosed in Note 29.

Current and correspondent accounts in banks are mainly balances with Belarusian banks with international long-term ratings of at least “B” or not having an international rating, assigned by international rating agencies S&P and/or Fitch, as at 31 December 2019. The Group permanently review the financial results of the banks and asses their credit risk as low.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group’s current liabilities as at 31 December 2019 exceeded current assets by BYN 105,986 thousand (as at 31 December 2018: by BYN 95,766 thousand). The increase in the Group’s current liabilities is mainly due to the initial recognition of IFRS 16 Lease in 2019. The Group’s current liabilities include the current lease liabilities under agreements that were treated as operating lease before 1 January 2019 in the amount of BYN 97,047 thousand.

The Group’s approach in managing liquidity risk is to maintain sufficient level of cash and other financial assets that can be converted into cash within short period of time to be able to discharge its obligations when they fall due, and avoid unnecessary costs and risk of damage to the Group’s reputation.

The Group monitors liquidity by preparing monthly cash flow forecasts. If a significant depreciation of the Belarussian ruble is expected, the Group prepares a stress test for its forecasts. According to historical data, the Group faced significant depreciation in 2015-2016 and maintained stable gross and operating margins during that period. Most of the Group’s product range is local products; for the rest, the Group either has no currency risk (because distributors assume this risk for some products) or is able to adjust prices promptly (as consumers have low price sensitivity for such goods). Depreciation of the Belarussian ruble is expected to affect rent and utilities expenses. The Group intends to offset this partly by increasing rental revenues and by negotiating a reduction in its rental rates. Accordingly, no significant decrease in gross and operating margins is expected based on the most recent stress test.

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk (continued)

As of 31 December 2019, the majority of principal repayments under the Group's loans and borrowings (about 85%) is scheduled after 2022. The Group had open undrawn credit lines totaling USD 120 million (equivalent of BYN 252 million) in different currencies from several banks and intended to negotiate additional loan agreements. The Group's expected net operating inflows are sufficient to service its debt, so management does not anticipate any significant cash flow gaps in the next few years.

The Group undertakes a number of efforts to control liquidity risk through optimization of debt portfolio: reducing the average interest rate, cutting the share of secured debt, improving repayment schedule and diversifying sources of financing.

Information concerning contractual maturity dates of financial liabilities as at 31 December 2019 including interest payments is presented below:

	Carrying amount	Contractual cash flows	Up to 1 year	1 to 5 years	Over 5 years
Non-derivative financial liabilities					
Loans and borrowings	(1,197,120)	(1,543,825)	(106,936)	(1,428,149)	(8,740)
Trade and other payables	(781,778)	(781,778)	(781,778)	-	-
Lease liabilities	(366,088)	(452,668)	(114,505)	(278,311)	(59,852)
Accrued interest	(17,541)	(17,541)	(17,541)	-	-
Derivative financial liabilities					
Cross-currency and interest rate swaps (Note 24)					
Inflow	202,652	261,250	20,222	241,028	-
Outflow	(187,355)	(215,406)	(8,727)	(206,679)	-
Total liabilities	**(2,347,230)**	**(2,749,968)**	**(1,009,265)**	**(1,672,111)**	**(68,592)**

Information concerning contractual maturity dates of financial liabilities as at 31 December 2018 including interest payments is presented below:

	Carrying amount	Contractual cash flows	Up to 1 year	1 to 5 years	Over 5 years
Non-derivative financial liabilities					
Loans and borrowings	(1,173,027)	(1,592,754)	(125,929)	(1,442,551)	(24,274)
Trade and other payables	(786,562)	(786,562)	(786,562)	-	-
Lease liabilities	(74,784)	(103,621)	(22,783)	(73,289)	(7,549)
Accrued interest	(11,652)	(11,652)	(11,652)	-	-
Total liabilities	**(2,046,025)**	**(2,494,589)**	**(946,926)**	**(1,515,840)**	**(31,823)**

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Purchases from a number of suppliers are settled in foreign currencies. For this reason the Group attracts bank loans in respective currencies while sale proceeds are denominated in Belarusian Rubles, which represents a currency risk. The Group manages currency risk in the process of determination of sale prices for goods.

As at 31 December 2019 the Company’s exposure to the currency risk was as follows:

	USD	EUR	RUB	Other	Total
Financial assets					
Trade and other receivables	509	1,288	2,031	14	**3,842**
Other investments	-	-	-	-	**-**
Loans granted	-	410	-	-	**410**
Cash and cash equivalents	15,036	11,764	1,175	-	**27,975**
Total financial assets	**15,545**	**13,462**	**3,206**	**14**	**32,227**
Financial liabilities					
Loans and borrowings	(680,314)	(14,101)	(500,432)	-	**(1,194,847)**
Accrued interest	(8,291)	(11)	(9,125)	-	**(17,427)**
Lease liabilities	(103,271)	(242,570)	(837)	-	**(346,678)**
Trade and other payables	(37,596)	(146,989)	(41,802)	-	**(226,387)**
Total financial liabilities	**(829,472)**	**(403,671)**	**(552,196)**	**-**	**(1,785,339)**
Derivatives					
Cross-currency and interest rate swaps (Note 24)					
Inflow	-	-	189,412	-	**189,412**
Outflow	-	(184,326)	-	-	**(184,326)**
Total derivatives	**-**	**(184,326)**	**189,412**	**-**	**5,086**
Net exposure	**(813,927)**	**(574,535)**	**(359,578)**	**14**	**(1,748,026)**

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Currency risk (continued)

As at 31 December 2018 the Company’s exposure to the currency risk was as follows:

	USD	EUR	RUB	Other	Total
Financial assets					
Trade and other receivables	6,961	1,743	4,037	14	**12,755**
Loans granted	4,002	232	-	-	**4,234**
Cash and cash equivalents	2,297	1,603	1,062	-	**4,962**
Total financial assets	**13,260**	**3,578**	**5,099**	**14**	**21,951**
Financial liabilities					
Loans and borrowings	(656,623)	(49,468)	(32,534)	-	**(738,625)**
Accrued interest	(9,873)	(495)	(159)	-	**(10,527)**
Lease liabilities	(3,220)	(35,633)	(1,095)	-	**(39,948)**
Trade and other payables	(37,118)	(81,205)	(31,406)	-	**(149,729)**
Total financial liabilities	**(706,834)**	**(166,801)**	**(65,194)**	**-**	**(938,829)**
Net exposure	**(693,574)**	**(163,223)**	**(60,095)**	**14**	**(916,878)**

As a rule, loans are denominated in currencies that do not correspond to the currency in which cash flows are generated by the relevant transactions of the Group, mainly in EUR and USD. The management of the Group as quickly as possible adjusts the prices of goods in line with changing exchange rates, and the potential risks of a significant devaluation of the national currency are offset by a significant difference between the interest rates for loans in foreign currency and Belarusian rubles.

Currency risk sensitivity analysis

The following tables detail the Group’s sensitivity to increase and decrease of exchange rates of US dollar, Euro and Russian Ruble to Belarusian Ruble. In the context of forthcoming devaluation of Belarussian Ruble management’s assessment of the possible change in foreign currency exchange rates is 30% increase/5% decrease for USD and EUR and 10% increase/decrease for RUB which are used as the sensitivity rate used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis for equity as at 31 December 2019 and 31 December 2018 was calculated using the income tax rate of 18%.

	31 December 2019		31 December 2018	
	USD/BYN 30%	USD/BYN -5%	USD/BYN 10%	USD/BYN -10%
Effect on profit or loss before income taxes	(244,178)	40,696	(69,357)	69,357
Effect on net equity	(200,226)	33,371	(56,873)	56,873

	31 December 2019		31 December 2018	
	EUR/BYN 30%	EUR/BYN -5%	EUR/BYN 15%	EUR/BYN -15%
Effect on profit or loss before income taxes	(172,361)	28,727	(24,483)	24,483
Effect on net equity	(141,336)	23,556	(20,076)	20,076

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Currency risk sensitivity analysis (continued)

	31 December 2019		31 December 2018	
	RUB/BYN 10%	RUB/BYN -10%	RUB/BYN 10%	RUB/BYN -10%
Effect on profit or loss before income taxes	(35,958)	35,958	(6,010)	6,010
Effect on net equity	(29,486)	29,486	(4,928)	4,928

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. However, there is a correlation between the assumptions and other factors.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the profit or loss or the value of the financial instruments. The main financial instruments with floating rate relate to loans received from banks and floating rate is pegged to MOSPRIME, EURIBOR rates and refinancing rate of the National Bank of the Russian Federation.

As at 31 December 2019 the structure of the Group’s financial instruments grouped by the types of nominal interest rate was as follows:

	Interest-free	Fixed rate	Floating rate	Total
Trade and other receivables	151,201	-	-	**151,201**
Loans granted	-	68,031	-	**68,031**
Cash and cash equivalents	286,040	-	-	**286,040**
Other investments	201	-	-	**201**
Loans and borrowings	(3)	(1,023,381)	(173,736)	**(1,197,120)**
Accrued interest	-	(16,912)	(629)	**(17,541)**
Lease liabilities	-	(366,088)	-	**(366,088)**
Trade and other payables	(781,778)	-	-	**(781,778)**
Total open position	**(344,339)**	**(1 338 350)**	**(174,365)**	**(1 857 054)**

As at 31 December 2018 the structure of the Group’s financial instruments grouped by the types of nominal interest rate was as follows:

	Interest-free	Fixed rate	Floating rate	Total
Trade and other receivables	161,226	-	-	**161,226**
Loans granted	-	78,644	-	**78,644**
Cash and cash equivalents	161,942	-	-	**161,942**
Other investments	1,613	5,530	-	**7,143**
Loans and borrowings	(4)	(682,876)	(490,147)	**(1,173,027)**
Accrued interest	-	(10,203)	(1,449)	**(11,652)**
Lease liabilities	-	(74,784)	-	**(74,784)**
Trade and other payables	(786,562)	-	-	**(786,562)**
Total open position	**(461,785)**	**(683,689)**	**(491,596)**	**(1,637,070)**

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest rate risk (continued)

Changes in interest rates affect mainly received loans and borrowings, changing either their fair value (fixed-rate liabilities) or future cash flows (floating rate liabilities).

The following table presents the sensitivity analysis of interest rate risk, which has been determined based on reasonably possible changes in the risk variable applied to floating rate financial instruments. The level of these changes is determined by management. The sensitivity analysis represents the effect of increase/reduction in interest rates existing as at 31 December 2019 and 31 December 2018 on the net profit/loss of the Group by 100 (one hundred) basis points assuming that the change took place at the beginning of the financial year was held constant throughout the reporting period, provided all other variables, including currency exchange rates, were held constant.

A possible change in interest rates by 100 basis points (1%) at the balance sheet date would reasonably increase/reduce the amount of equity and profit or loss for the year by the amounts before tax indicated below.

	31 December 2019		31 December 2018	
	Interest rate 1%	Interest rate -1%	Interest rate 1%	Interest rate -1%
Effect on profit or loss before income taxes	(1,744)	-	(4,916)	4,916
Effect on equity	(1,430)	-	(4,031)	4,031

Loan rates in the Republic of Belarus vary significantly at each reporting date. Changes in fair value when using fixed rate financial instruments and changes in market rates by 1% for the reporting dates were as follows:

	31 December 2019		31 December 2018	
	Interest rate 1%	Interest rate -1%	Interest rate 1%	Interest rate -1%
Changes in fair value	(13 384)	13 384	(6,837)	6,837

The Group does not account for any fixed-rate financial instruments as fair value through profit or loss or as fair value through other comprehensive income. Therefore a change in interest rates at the reporting date would not have an effect in profit or loss or in equity.

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

As at 31 December 2019 the fair value of financial assets and liabilities of the Group compared with the corresponding carrying amount in the consolidated statement of financial position of the Group is presented below:

	Carrying amount			Fair value			
	Financial assets at amortised cost	**Other financial liabilities**	**Fair value - hedging instruments**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets not measured at fair value							
Loans granted	68,031	-	-				
Trade and other receivables	151,201	-	-				
Cash and cash equivalents	286,040	-	-				
Other investments	201	-	-	-	-	201	**201**
Total	**505,473**	**-**	**-**	**-**	**-**	**201**	**201**
Financial liabilities not measured at fair value							
Loans and borrowings	-	(1,197,120)	-	-	(962,776)	(309,229)	**(1,272,005)**
Accrued interest	-	(17,541)	-				
Lease liabilities	-	(366,088)	-	-	-	(403,077)	**(403,077)**
Trade and other payables	-	(781,778)	-				
Total	**-**	**(2,362,527)**	**-**	**-**	**(962,776)**	**(712,306)**	**(1,675,082)**
Derivatives measured at fair value							
Cross-currency and interest rate swaps	-	-	15,297	-	15,297	-	**15,297**
Total	**-**	**-**	**15,297**	**-**	**15,297**	**-**	**15,297**

As at 31 December 2018 the fair value of financial assets and liabilities of the Group compared with the corresponding carrying amount in the consolidated statement of financial position of the Group is presented below:

	Carrying amount		Fair value			
	Financial assets at amortised cost	**Other financial liabilities**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets not measured at fair value						
Loans granted	78,644	-				
Trade and other receivables	161,226	-				
Cash and cash equivalents	161,942	-				
Other investments	7,143	-	-	5,530	1,613	**7,143**
Total	**408,955**	**-**	**-**	**5,530**	**1,613**	**7,143**
Financial liabilities not measured at fair value						
Loans and borrowings	-	(1,173,027)	-	(668,004)	(525,405)	**(1,193,409)**
Accrued interest	-	(11,652)				
Lease liabilities	-	(74,784)	-	-	(89,989)	**(89,989)**
Trade and other payables	-	(786,562)				
Total	**-**	**(2,046,025)**	**-**	**(668,004)**	**(615,394)**	**(1,283,398)**

31. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The Group did not perform measurement of fair value for cash and cash equivalents, deposits, trade and other receivables and other payables, as due to short-term nature of these financial instruments their carrying values are approximately equivalent to their fair values.

The following table shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs
Financial assets at amortised cost	Discounted cash flows	Market interest rates published by the National Bank of the Republic of Belarus
Other financial liabilities	Discounted cash flows	

There were no transfers between fair value hierarchy levels in 2019 and 2018.

32. GOODWILL

As at the reporting date the goodwill by each company is as follows:

Company	31 December 2019	31 December 2018
CJSC “Dzerzhinsky Meat Factory”	3,103	3,103
JSC “Statusbank”	2,667	2,667
Other	495	589
Total	**6,265**	**6,359**

For the purpose of testing goodwill for impairment, goodwill is allocated between manufacturing units that represent the lowest level within the Group at which goodwill is monitored for internal control purposes and which does not exceed the level of the Group's operating segment.

The recoverable amount of each CGU was calculated on the basis of the value in use and was determined by discounting the cash flows expected to be received from the CGU in the future as a result of its continuing use. The analysis showed that the carrying value of the corresponding CGUs does not exceed their recoverable amount.

The main assumptions used to calculate the value in use include the discount rate, the growth rate for the terminal value calculation, and the EBITDA margin.

The applied discount rate is the pre-tax weighted average cost of equity calculated on the basis of the risk-free interest rate for 10-year government bonds in the relevant market and in the same currency as cash flows. The rate was adjusted to reflect the risk premium in order to reflect both the increased risk of investing in equity securities and the systematic risk of a specific division of the Group. The weighted average cost of equity was 17.9% for industrial enterprises and retail and 11.7% for the Bank.

Within the discounted cash flow model, cash flows were forecast for the period of 3-7 years, for which no growth was considered. The growth of terminal value has not been applied.

33. OPERATING SEGMENTS

The Group has the following two strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations of each reportable segment.

Reportable segments	Operations
Retail and wholesale	Retail trade with food and other consumer goods on the territory of Belarus.
Banking business	Attraction of deposits from legal entities, issuance of loans to private individuals and legal entities; opening and operation of accounts for private individuals and legal entities; purchase and sale of foreign currency and securities; issuance of bank guarantees.

Information on the reportable segments is presented below:

31 December 2019	**Retail and wholesale**	**Banking business**	**Consolidation entries**	**Total**
Segment assets	2,510,455	163,362	(61,214)	2,612,603
Segment liabilities	2,375,269	96,583	(15,230)	2,456,622

31 December 2018	**Retail and wholesale**	**Banking business**	**Consolidation entries**	**Total**
Segment assets	2,314,705	120,147	(51,076)	2,383,776
Segment liabilities	2,097,059	55,401	(5,092)	2,147,368

For the year ended 31 December 2019	**Retail and wholesale**	**Banking business**	**Consolidation entries**	**Total**
External revenues	4,740,114	18,579	-	4,758,693
Inter-segment revenue	1,202	604	(1,806)	-
Interest income	1,218	-	(152)	1,066
Interest expense	120,353	474	(496)	120,331
Depreciation and amortization	180,677	908	-	181,585
Segment profit before tax	**104,879**	**1,095**	**-**	**105,974**

For the year ended 31 December 2018	**Retail and wholesale**	**Banking business**	**Consolidation entries**	**Total**
External revenues	4,385,673	17,166	-	4,402,839
Inter-segment revenue	1,311	161	(1,472)	-
Interest income	899	-	(27)	872
Interest expense	117,829	-	(112)	117,717
Depreciation and amortization	82,224	737	-	82,961
Segment profit before tax	**91,126**	**8,106**	**-**	**99,232**

34. SUBSEQUENT EVENTS

The first months of 2020 have seen significant global market turmoil triggered by the outbreak of the coronavirus. Together with other factors, this has resulted in a sharp decrease in the oil price and the stock market indices, as well as a depreciation of the Belarussian Ruble. These developments are further increasing the level of uncertainty in the Belarus business environment.

Nevertheless, as the principal activities of the Group include retail trade with food and other essentials, any significant decrease in the Group’s sales is not expected, but the comprehensive estimation of its financial effects cannot be made at current point of time. Online orders for groceries and other consumables have surged due to spread of COVID-2019, so E-commerce segment is expected to absorb some sales from bricks-and-mortar stores.

For the period from 31 December 2019 to the date of approval of these financial statements the refinance rate of the National Bank of Republic of Belarus has decreased from 9.00% to 8.75%.

From 31 December 2019 to the date of approval of these financial statements the Belarusian Rouble was strengthened against RUB by 3.45% and weaken against EUR and USD by 21.06% and 23.47%, respectively.

Apart from the above, there were no other material events after the reporting period, which have a bearing on the understanding of the consolidated financial statements.

35. OTHER DISCLOSURES

The disclosures below are prepared in addition to the disclosures presented in Note 33 to present the detailed financial performance and financial position indicators of the Group’s reporting segments.

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019:

	Retail and wholesale	**Banking business**	**Consolidation entries**	**Total**
Revenue, interest and commission income	4,741,316	19,183	(1,806)	4,758,693
Cost of goods and services sold and interest expenses	(3,614,219)	(5,025)	152	(3,619,092)
Gross profit	**1,127,097**	**14,158**	**(1,654)**	**1,139,601**
Administrative and selling expenses	(863,013)	(17,894)	1,202	(879,705)
Change in allowance for impairment of financial assets	1,169	-	-	1,169
Other income	7,603	5,583	-	13,186
Other expenses	(20,702)	(204)	-	(20,906)
Operating profit	**252,154**	**1,643**	**(452)**	**253,345**
Finance income	31,909	-	(152)	31,757
Finance costs	(179,184)	(548)	604	(179,128)
Net finance costs	**(147,275)**	**(548)**	**452**	**(147,371)**
Profit before income tax	**104,879**	**1,095**	**-**	**105,974**
Income tax expenses	(52,624)	64	-	(52,560)
Profit for the year	**52,255**	**1,159**	**-**	**53,414**

35. OTHER DISCLOSURES (continued)

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018:

	Retail and wholesale	Banking business	Consolidation entries	Total
Revenue, interest and commission income	4,386,984	17,327	(1,472)	4,402,839
Cost of goods and services sold and interest expenses	(3,244,723)	(3,302)	-	(3,248,025)
Gross profit	**1,142,261**	**14,025**	**(1,472)**	**1,154,814**
Administrative and selling expenses	(833,584)	(15,037)	1,269	(847,352)
Change in allowance for impairment of financial assets	1,236	5,385	-	6,621
Other income	11,141	4,468	-	15,609
Other expenses	(15,141)	(1,161)	2	(16,300)
Operating profit	**305,913**	**7,680**	**(201)**	**313,392**
Finance income	996	-	(124)	872
Finance costs	(215,783)	426	325	(215,032)
Net finance costs	**(214,787)**	**426**	**201**	**(214,160)**
Profit before income tax	**91,126**	**8,106**	**-**	**99,232**
Income tax expenses	(29,177)	(1,660)	-	(30,837)
Profit for the year	**61,949**	**6,446**	**-**	**68,395**

Information about depreciation of property, plant and equipment and amortisation of intangible assets is presented below:

	Retail and wholesale	Banking business	Consolidation entries	Total
For the year ended 31 December 2019				
Depreciation of property, plant and equipment	86,653	282	-	86,935
Amortization of intangible assets	3,947	443	-	4,390
Amortization of right-of-use assets and leased property	90,077	183	-	90,260
Total depreciation and amortization	**180,677**	**908**	**-**	**181,585**
For the year ended 31 December 2018				
Depreciation of property, plant and equipment	79,652	417	-	80,069
Amortization of intangible assets	2,572	320	-	2,892
Total depreciation and amortization	**82,224**	**737**	**-**	**82,961**

35. OTHER DISCLOSURES (continued)

Consolidated statement of financial position as at 31 December 2019:

	Retail and wholesale	Banking business	Consolidation entries	Total
Assets				
Property, plant and equipment	1,261,713	1,908	-	1,263,621
Right-of-use assets and leased property	334,548	307	-	334,855
Prepayments for non-current assets	14,111	2	-	14,113
Intangible assets	14,402	1,743	-	16,145
Goodwill	3,598	-	2,667	6,265
Derivatives	15,297	-	-	15,297
Loans granted	366	47,790	-	48,156
VAT recoverable	3,285	-	-	3,285
Other investments	48,852	-	(48,651)	201
Deferred tax assets	25,863	-	-	25,863
Total non-current assets	**1,722,035**	**51,750**	**(45,984)**	**1,727,801**
Inventories	368,909	75	-	368,984
Trade and other receivables	150,996	391	(186)	151,201
Current tax assets	6,044	263	-	6,307
VAT recoverable	12,167	-	-	12,167
Prepayments	39,263	908	-	40,171
Loans granted	356	23,961	(4,442)	19,875
Cash and cash equivalents	210,685	85,957	(10,602)	286,040
Non-current assets held for sale	-	57	-	57
Total current assets	**788,420**	**111,612**	**(15,230)**	**884,802**
Total assets	**2,510,455**	**163,362**	**(61,214)**	**2,612,603**
Equity				
Share capital	132,242	52,817	(52,817)	132,242
Revaluation reserve	274,472	-	-	274,472
Retained earnings/(accumulated loss)	(271,443)	13,962	6,510	(250,971)
Equity attributable to owners of the Company	**135,271**	**66,779**	**(46,307)**	**155,743**
Non-controlling interests	(85)	-	323	238
Total equity	**135,186**	**66,779**	**(45,984)**	**155,981**
Liabilities				
Loans and borrowings	1,191,599	3,736	-	1,195,335
Lease liabilities	262,953	108	-	263,061
Deferred income	3,760	-	-	3,760
Deferred tax liabilities	177	908	-	1,085
Other non-current liabilities	2,084	509	-	2,593
Total non-current liabilities	**1,460,573**	**5,261**	**-**	**1,465,834**
Loans and borrowings	6,185	-	(4,400)	1,785
Accrued interest	17,465	118	(42)	17,541
Lease liabilities	102,825	202	-	103,027
Trade and other payables	702,177	90,239	(10,638)	781,778
Current tax liabilities	236	-	-	236
Deferred income	1,076	2	-	1,078
Other current liabilities	84,732	761	(150)	85,343
Total current liabilities	**914,696**	**91,322**	**(15,230)**	**990,788**
Total liabilities	**2,375,269**	**96,583**	**(15,230)**	**2,456,622**
Total equity and liabilities	**2,510,455**	**163,362**	**(61,214)**	**2,612,603**

35. OTHER DISCLOSURES (continued)

Consolidated statement of financial position as at 31 December 2018:

	Retail and wholesale	Banking business	Consolidation entries	Total
Assets				
Property, plant and equipment	1,410,793	1,934	-	1,412,727
Prepayments for non-current assets	28,525	-	-	28,525
Intangible assets	10,129	1,497	-	11,626
Goodwill	3,692	-	2,667	6,359
Loans granted	-	51,036	-	51,036
VAT recoverable	12,214	-	-	12,214
Other investments	50,264	-	(48,651)	1,613
Deferred tax assets	51,172	-	-	51,172
Total non-current assets	**1,566,789**	**54,467**	**(45,984)**	**1,575,272**
Inventories	381,415	60	-	381,475
Trade and other receivables	160,807	535	(116)	161,226
Current tax assets	821	286	-	1,107
VAT recoverable	18,012	-	-	18,012
Prepayments	50,824	715	-	51,539
Loans granted	120	31,927	(4,439)	27,608
Other investments	-	5,530	-	5,530
Cash and cash equivalents	135,917	26,562	(537)	161,942
Non-current assets held for sale	-	65	-	65
Total current assets	**747,916**	**65,680**	**(5,092)**	**808,504**
Total assets	**2,314,705**	**120,147**	**(51,076)**	**2,383,776**
Equity				
Share capital	132,242	52,817	(52,817)	132,242
Revaluation reserve	340,375	-	-	340,375
Retained earnings/(accumulated loss)	(254,999)	11,929	6,521	(236,549)
Equity attributable to owners of the Company	**217,618**	**64,746**	**(46,296)**	**236,068**
Non-controlling interests	28	-	312	340
Total equity	**217,646**	**64,746**	**(45,984)**	**236,408**
Liabilities				
Loans and borrowings	1,160,798	2,776	-	1,163,574
Lease liabilities	61,766	-	-	61,766
Deferred income	2,635	-	-	2,635
Deferred tax liabilities	609	983	-	1,592
Other non-current liabilities	9,820	3,711	-	13,531
Total non-current liabilities	**1,235,628**	**7,470**	**-**	**1,243,098**
Loans and borrowings	13,853	-	(4,400)	9,453
Accrued interest	11,579	112	(39)	11,652
Lease liabilities	13,018	-	-	13,018
Trade and other payables	739,948	47,153	(539)	786,562
Current tax liabilities	3,271	19	-	3,290
Deferred income	2,433	3	-	2,436
Other current liabilities	77,329	644	(114)	77,859
Total current liabilities	**861,431**	**47,931**	**(5,092)**	**904,270**
Total liabilities	**2,097,059**	**55,401**	**(5,092)**	**2,147,368**
Total equity and liabilities	**2,314,705**	**120,147**	**(51,076)**	**2,383,776**

“Eurotorg” LLC

Consolidated Financial Statements

as at and for the year ended

31 December 2018

“Eurotorg” LLC

Consolidated financial statements
as at and for the year ended 31 December 2018

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Independent Auditors' Report

To the Management and Participant of "Eurotorg" LLC

Opinion

We have audited the consolidated financial statements of the Limited Liability Company "Eurotorg" ("the Company") and its subsidiaries ("the Group") which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Belarus, 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.

Revaluation of property, plant and equipment

Please refer to Note 16 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2018 the Group has 145 buildings accounted for at revalued amount in accordance with International Accounting Standard (IAS) 16 "Property, plant and equipment". Due to the unstable economic situation in Belarus as well as the volatility of the real estate market in recent years, management annually engages independent appraisers to estimate the market value of buildings and constructions. Due to the lack of active trade real estate market, appraisers use judgments in relation to the main assumptions when measuring the value of items under evaluation: market rental rates, discount rates and weighted average cost of capital, terminal value of future cash flows. We paid particular attention to these key judgement areas due to the fact that in the process of forecasting and discounting future cash flows a significant inherent uncertainty exists.	We involved our internal valuation specialists to evaluate the assumptions and methodology applied by independent appraisers of the Group. We challenged on a sample basis the key assumptions of the appraisers. In particular, our specialists compared the rates of economic growth, inflation, rental rates, used in the model, with publicly available sources, evaluated the key initial data for calculating the discount rate and capitalization rate and recalculated the model. We also checked the mathematical accuracy of the valuation reports. We evaluated the assumptions applied by the Group using our own expectations based on knowledge of the Group's business and the industry in which it operates. We assessed the objectivity and competence of independent appraisers engaged by the Group. We also evaluated whether the information disclosed by the Group in Note 16 regarding the main assumptions used in the revaluation of buildings and construction is appropriate and sufficient.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance is responsible for overseeing the Group's financial reporting process.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

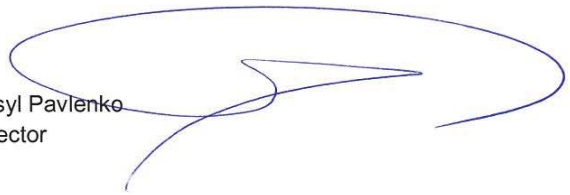
— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

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 auditors' 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.

The engagement partner on the audit resulting in this independent auditors' report is:



Vasyl Pavlenko
Director

LLC «KPMG»
Minsk

29 April 2019

"Eurotorg" LLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 December 2018
(in thousands of Belarusian Rubles)

	Note	For the year ended 31 December 2018	2017
Revenue, interest and commission income	9	4,478,890	3,932,801
Cost of goods and services sold and interest expenses	10	(3,324,076)	(2,910,087)
Gross profit		**1,154,814**	**1,022,714**
Administrative and selling expenses	11	(848,408)	(728,811)
Impairment loss on trade and other receivables	20	(1,216)	(1,774)
Other income	12	19,117	15,762
Other expenses	13	(16,300)	(24,337)
Operating profit		**308,007**	**283,554**
Finance income		5,589	1,089
Finance costs		(214,364)	(167,681)
Net finance costs	14	**(208,775)**	**(166,592)**
Profit before income tax		**99,232**	**116,962**
Income tax expense	15	(30,837)	(14,445)
Profit for the year		**68,395**	**102,517**
Other comprehensive income/(loss)			
Items that will never be reclassified to profit or loss			
Revaluation of property, plant and equipment	16	125,144	(142,746)
Related tax	15	(21,951)	25,694
Items that are or may be reclassified to profit or loss			
Foreign operations - Effect of foreign currency translation differences		(145)	(230)
Total other comprehensive income/(loss)		**103,048**	**(117,282)**
Total comprehensive income/(loss) for the year		**171,443**	**(14,765)**
Profit attributable to:			
Owners of the Company		68,356	102,484
Non-controlling interests		39	33
		68,395	**102,517**
Total comprehensive income/(loss) attributable to:			
Owners of the Company		171,404	(14,798)
Non-controlling interests		39	33
		171,443	**(14,765)**

On behalf of the Management:

Chief Executive Officer
Andrei Zubkou

Chief Financial Officer
Alesia Sapunova

26 April 2019

The notes on pages 14-78 are an integral part of these consolidated financial statements

"Eurotorg" LLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018
(in thousands of Belarusian Rubles)

	Note	31 December 2018	31 December 2017
Assets			
Property, plant and equipment	16	1,412,727	1,265,214
Prepayments for non-current assets		28,525	28,970
Intangible assets		11,626	6,494
Goodwill	32	6,359	7,055
Loans granted	17	51,036	41,206
VAT recoverable		12,214	7,994
Other investments	18	1,613	816
Deferred tax assets	15	51,172	88,961
Total non-current assets		**1,575,272**	**1,446,710**
Inventories	19	381,475	299,673
Trade and other receivables	20	158,774	105,227
Current tax asset		1,107	708
VAT recoverable		18,012	21,003
Prepayments	21	53,991	41,264
Loans granted	17	27,608	11,412
Other investments	18	5,530	30,291
Cash and cash equivalents	22	161,942	173,906
Non-current assets held for sale		65	87
Total current assets		**808,504**	**683,571**
Total assets		**2,383,776**	**2,130,281**
Equity			
Share capital	23	132,242	132,242
Revaluation reserve	23	340,375	238,088
Accumulated loss		(236,549)	(281,670)
Equity, attributable to owners of the Company		**236,068**	**88,660**
Non-controlling interests		340	301
Total equity		**236,408**	**88,961**
Liabilities			
Loans and borrowings	24	1,163,574	1,264,556
Liabilities under finance leases	25	61,766	70,257
Deferred income		2,635	4,303
Deferred tax liabilities	15	1,592	3,237
Other non-current liabilities		13,531	9,713
Total non-current liabilities		**1,243,098**	**1,352,066**

The notes on pages 14-78 are an integral part of these consolidated financial statements.

"Eurotorg" LLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018
(in thousands of Belarusian Rubles)

	Note	31 December 2018	31 December 2017
Liabilities (continued)			
Loans and borrowings	24	9,453	20,871
Accrued interest		11,652	14,363
Liabilities under finance leases	25	13,018	10,803
Trade and other payables	26	786,562	572,091
Current income tax liabilities		3,290	1,891
Deferred income		2,436	1,543
Other current liabilities	27	77,859	67,692
Total current liabilities		**904,270**	**689,254**
Total liabilities		**2,147,368**	**2,041,320**
Total liabilities and equity		**2,383,776**	**2,130,281**

On behalf of the Management:

Chief Executive Officer
Andrei Zubkou

Chief Financial Officer
Alesia Sapunova

26 April 2019

The notes on pages 14-78 are an integral part of these consolidated financial statements.

"Eurotorg" LLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousands of Belarusian Rubles)

	Note	Attributable to owners of the Company				Non-controlling interests	Total equity
		Share capital	Revaluation reserve	Accumulated loss	Total		
As at 1 January 2017		**132,242**	**355,140**	**(363,692)**	**123,690**	**346**	**124,036**
Total comprehensive loss for the year							
Profit for the year		-	-	102,484	**102,484**	**33**	**102,517**
Other comprehensive loss for the year							
Foreign currency translation differences		-	-	(230)	**(230)**	**-**	**(230)**
Change in revaluation reserve	16	-	(142,746)	-	**(142,746)**	**-**	**(142,746)**
Tax effect of decrease in revaluation reserve	15	-	25,694	-	**25,694**	**-**	**25,694**
Total comprehensive loss for the year		**-**	**(117,052)**	**102,254**	**(14,798)**	**33**	**(14,765)**
Transactions with owners of the Company							
Change in non-controlling interests	23	-	-	45	**45**	**(78)**	**(33)**
Dividends	23	-	-	(20,277)	**(20,277)**	**-**	**(20,277)**
Total transactions with owners of the Company		**-**	**-**	**(20,232)**	**(20,232)**	**(78)**	**(20,310)**
As at 31 December 2017		**132,242**	**238,088**	**(281,670)**	**88,660**	**301**	**88,961**

The notes on pages 14-78 are an integral part of these consolidated financial statements.

"Eurotorg" LLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousands of Belarusian Rubles)

	Note	Attributable to owners of the Company				Non-controlling interests	Total equity
		Share capital	Revaluation reserve	Accumulated loss	Total		
As at 1 January 2018		**132,242**	**238,088**	**(281,670)**	**88,660**	**301**	**88,961**
Total comprehensive income for the year							
Profit for the year		-	-	68,356	**68,356**	39	**68,395**
Other comprehensive income for the year							
Foreign currency translation differences		-	-	(145)	**(145)**	-	**(145)**
Change in revaluation reserve	16	-	125,144	-	**125,144**	-	**125,144**
Tax effect of increase in revaluation reserve	15	-	(21,951)	-	**(21,951)**	-	**(21,951)**
Revaluation reserve recovery due to disposal of items of property, plant and equipment		-	(906)	906	-	-	-
Total comprehensive income for the year		-	**102,287**	**69,117**	**171,404**	**39**	**171,443**
Transactions with owners of the Company							
Dividends	23	-	-	(23,996)	**(23,996)**	-	**(23,996)**
Total transactions with owners of the Company		-	-	**(23,996)**	**(23,996)**	-	**(23,996)**
As at 31 December 2018		**132,242**	**340,375**	**(236,549)**	**236,068**	**340**	**236,408**

On behalf of the Management:

Chief Executive Officer
Andrei Zubkou

Chief Financial Officer
Alesia Sapunova

26 April 2019

The notes on pages 14-78 are an integral part of these consolidated financial statements.

"Eurotorg" LLC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousands of Belarusian Rubles)

	Note	For the year ended 31 December 2018	2017
Cash flow from operating activities:			
Profit for the year		68,395	102,517
Adjustments for:			
Income tax expense	15	30,837	14,445
Depreciation	16	80,069	86,109
Amortisation	11	2,892	2,021
Net finance costs	14	208,775	166,592
(Reversal of)/impairment loss on property, plant and equipment	16	(3,507)	193
(Gain)/loss on disposal of property, plant and equipment	12,13	(4,391)	363
Change in allowance for impairment of trade and other receivables	16	1,216	1,774
Cash flows from operating activities before changes in operating assets and liabilities		**384,286**	**374,014**
Changes in:			
Inventories		(82,445)	(60,407)
Trade and other receivables		(54,130)	(14,722)
VAT recoverable		(1,207)	2,765
Prepayments		(13,048)	1,362
Assets held for sale		22	(87)
Deferred income		(775)	(780)
Trade and other payables		206,798	(57,202)
Loans granted		(22,537)	(379)
Proceeds from sale/(purchase of) bonds		25,330	(12,340)
Other liabilities		17,870	18,793
Cash generated from operating activities		**460,164**	**251,017**
Income taxes paid		(15,049)	(11,454)
Net cash from operating activities		**445,115**	**239,563**
Cash flow from investing activities:			
Acquisition of subsidiaries, net of cash acquired		(471)	(33)
Proceeds from sale of property, plant and equipment		18,317	3,978
Acquisition of property, plant and equipment		(80,448)	(45,166)
Deposit interests received		872	149
Acquisition of intangible assets		(8,024)	(3,060)
Net cash used in investing activities		**(69,754)**	**(44,132)**

The notes on pages 14-78 are an integral part of these consolidated financial statements.

"Eurotorg" LLC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousands of Belarusian Rubles)

	Note	For the year ended 31 December 2018	2017
Cash flow from financing activities:			
Proceeds from loans and borrowings		1,266,639	1,494,385
Repayment of loans and borrowings		(1,462,799)	(1,420,186)
Interest paid on loans and borrowings		(121,273)	(119,514)
Sale and leaseback financing	23	35,707	-
Principal repayment under finance leases agreements		(57,880)	(17,195)
Interest repayment under finance leases agreements		(13,471)	(8,151)
Repayment of VAT under finance leases agreements		(11,724)	(5,069)
Dividends paid		(25,017)	(19,256)
Net cash used in financing activities		**(389,818)**	**(94,986)**
Net (decrease)/increase in cash and cash equivalents		**(14,457)**	**100,445**
Cash and cash equivalents, beginning of the year	22	**173,906**	**74,511**
Effect of movements in exchange rates on cash held		2,493	(1,050)
Cash and cash equivalents, end of the year	22	**161,942**	**173,906**

On behalf of the Management:

Chief Executive Officer
Andrei Zubkou

Chief Financial Officer
Alesia Sapunova

26 April 2019

The notes on pages 14-78 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

(a) Organisation

"Eurotorg" LLC (“the Company”) operates in the Republic of Belarus since October 28, 1996. The Company’s registered office is located at 52a-22, Kazintsa str., 220099, Minsk, Republic of Belarus.

The principal activities of the Group include retail trade with food and other consumer goods. The Company has minor operations in banking and other businesses. These activities include sale of domestic and imported goods on the territory of the Republic of Belarus.

“Eurotorg” LLC operates its retail grocery stores under the Euroopt, Hit! and Brusnichka brands, in four formats: rural convenience stores, urban convenience stores, supermarkets and hypermarkets. As at 31 December 2018, the Group’s retail store portfolio consisted of 141 rural convenience stores, 489 urban convenience stores, 94 supermarkets and 38 hypermarkets.

Thus, as at 31 December 2018 the retail chain comprised 762 grocery stores in 297 settlements of Belarus, including 116 owned stores and 646 leased ones. Also the Group operates 25 household appliances and electronics stores under "TEKHNOPLYUS" brand in 16 cities of Belarus.

Most stores of the retail chain of LLC «Eurotorg» were located in Minsk Region - 157 stores, in Minsk City - 133, in Vitebsk Region – 114, in Brest Region – 106, stores in Gomel Region - 92, in Mogilev Region - 82 and in Grodno Region - 78.

As at 31 December 2018 the total space of the retail chain was 836,855 sq. m., selling space 320,123 sq. m. The share of owned space in total space is 48.5%, in selling space 40.4%.

Beside brick-and-mortar stores, as at 31 December 2018 the Group operated 50 mobile stores under «Euroopt» brand across 17 districts of the Republic of Belarus: Braslav, Orsha, Smorgon, Volkovysk, Zhabinka, Buda-Koshelevo, Volozhin, Uzda, Nesvizh, Borisov, Minsk, Krugloye, Grodno, Molodechno, Sharkovshchinsky, Gantsevichi and Soligorsk districts. Mobile stores deliver their services across 1,738 rural settlements.

As at 31 December 2017 the retail chain comprised 500 grocery stores under the Euroopt and Brusnichka brands in 143 cities of Belarus, including 102 owned stores and 398 leased ones; and 9 stores of household appliances and electronics stores under " TEKHNOPLYUS " in 7 cities of Belarus.

Most stores of the retail chain of LLC «Eurotorg» were located in Minsk Region - 85 stores, in Minsk City - 82, in Gomel Region - 80, in Mogilev Region - 72, in Brest Region - 66, in Grodno Region - 60, in Vitebsk Region - 55 stores.

As at 31 December 2017 the total space of the retail chain was 740,608 sq. m., selling space 278,469 sq. m. The share of owned space in total space is 51.7%, in selling space 43.7%.

Beside brick-and-mortar stores, as at 31 December 2017 the Group operated 44 mobile stores under «Euroopt» brand across 17 districts of the Republic of Belarus: Braslav, Orsha, Smorgon, Volkovysk, Zhabinka, Buda-Koshelevo, Volozhin, Uzda, Nesvizh, Borisov, Minsk, Krugloye, Grodno, Molodechno, Sharkovshchinsky, Gantsevichi and Soligorsk districts. Mobile stores deliver their services across 1,352 rural settlements.

1. GENERAL INFORMATION (continued)

(a) Organisation (continued)

The actual number of employees of the Group as at 31 December 2018 and 31 December 2017 was 37,602 and 34,242 respectively.

The Company is the parent entity to the following companies:

Name	Country of operation	Type of operations	Ownership interest as at 31 December 2018	Ownership interest as at 31 December 2017	Date of acquisition
• Bonitron Designated Activity Company	Ireland	Special purpose entity designed to list bonds on Irish Stock Exchange	Special purpose entity	Special purpose entity	21.08.2017
• “BelRosKompani” LLC	Russian Federation	Construction	100.00%	100.00%	19.03.2012
• “PakHaus” Unitary enterprise	Belarus	Packaging	100.00%	100.00%	06.12.2012
• “Yulain” ALC	Belarus	Production of meat products	100.00%	100.00%	24.01.2012
• “Eurooptavto” LLC	Belarus	Transportation services	100.00%	100.00%	02.03.2012
• “Retorsia-invest” LLC	Belarus	Construction	100.00%	100.00%	07.09.2010
• “Sotrudnichestvo” OJSC	Belarus	Construction	100.00%	100.00%	20.05.2010
• “Diskontnyi club” LLC	Belarus	Retail sales	100.00%	100.00%	26.12.2012
• “Dzerzhinskii myasokombinat” CJSC	Belarus	Production of meat products	100.00%	100.00%	13.06.2013
• “Barentsevo” LLC	Belarus	Production of seafood	100.00%	100.00%	28.06.2012
• “SitiBalt” LLC	Belarus	Construction	100.00%	100.00%	01.06.2010
• “VARMINEKSPO” JLLC	Belarus	Production of meat products	100.00%	100.00%	19.10.2011
• “ElitPartner” LLC	Belarus	Production of bakery products	100.00%	100.00%	02.04.2013
• “EurooptAgro” LLC	Belarus	Poultry	100.00%	100.00%	09.04.2014
• “E-market” LLC	Belarus	Wholesale	100.00%	100.00%	15.10.2014
• “Vladalinoks” LLC	Belarus	Wholesale	100.00%	99.90%	28.10.2016
• ”Statusbank” OJSC (hereinafter - “the Bank”)	Belarus	Banking	99.52%	99.52%	22.05.2012
• “Tekhno Media Treid” LLC	Belarus	Retail sales	96.50%	96.50%	06.12.2012
• “Ravidus” LLC	Belarus	Retail sales	100.00%	-	29.12.2018
• “AVA-stail” LLC	Belarus	Construction	Merged	100.00%	26.03.2012

1. GENERAL INFORMATION (continued)

(a) Organisation (continued)

In 2018 “AVA-stail” LLC was merged with “Eurotorg” LLC. In 2018 the Group acquired additional interests in “Vladalinoks” LLC, having increased its share of ownership in this company to 100%. During 2018 the Group purchased 100% share of ownership and, following the purchases, merged with the following companies: “Abilio” Unitary Enterprise, “Buzina” LLC. During 2018 the Group purchased 100% share of ownership in “Ravidus” LLC.

In 2017 the Group acquired additional interests in companies “VARMINEKSPO” JLLC, “SitiBalt” LLC, “Barentsevo” LLC, “Dzerzhinskii myasokombinat” CJSC, “Diskontnyi club” LLC, “Sotrudnichestvo” OJSC, “Retorsia-invest” LLC, “Eurooptavto” LLC, “Yulain” ALC having increased its share of ownership in these companies to 100%. As a result of the increases in the shares in “VARMINEKSPO” JLLC and “Yulain” ALC, the Group also increased its ownership to 100% in the companies “EurooptAgro” LLC, “ElitPartner” LLC and “Barentsevo”.

(b) Business environment

The Group’s operations are primarily located in Belarus. Consequently, the Group is exposed to the economic and financial markets of Belarus, which display emerging market characteristics. The legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes, which, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in Belarus. The monetary policy regulations, adopted by the National Bank of the Republic of Belarus and effective over the past two years, have resulted in reduced inflation and a less-volatile Belarusian Ruble. However, the fairly recent devaluation of the Belarusian Ruble, and the subsequent period of high inflation, still leads to a certain level of uncertainty in the business environment.

The consolidated financial statements reflect management’s assessment of how the Belarusian business environment has impacted the operations and financial position of the Group. The business environment in the future may differ from management’s assessment.

2. BASIS OF ACCOUNTING

The consolidated financial statements for the year ended 31 December 2018 consist of the financial statements of the Company and its subsidiaries (which together referred to as “the Group”).

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards.

These consolidated financial statements were authorized for issue by the Management 26 April 2019.

3. FUNCTIONAL AND PRESENTATION CURRENCY

The national currency of Belarus is the Belarusian Ruble (BYN) and the same currency is the functional currency of the Company, as well as the currency in which these consolidated financial statements are presented. The functional currency of the Russian company is the Russian ruble (RUB), the Irish company – US dollar (USD). All figures in these consolidated financial statements presented in Belarusian rubles (BYN) and are rounded to the nearest thousand, except where otherwise indicated.

The results and financial position of subsidiaries whose functional currency is different from the presentation currency are translated into presentation currency using the following procedures:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement presenting profit or loss and other comprehensive income shall be translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences shall be recognised in other comprehensive income.

4. USE OF ESTIMATES AND JUDGMENTS

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed for necessity of changes on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

At the reporting date key assumptions, judgments concerning the future performance of the Group and other key sources of estimation uncertainty are the following:

Useful life of property, plant and equipment

The Group evaluates and re-evaluates the useful life of fixed assets annually based on the planned value of the remaining period of use, information on technology changes, physical condition of property and equipment. The depreciation policy applied is set out below in Note 6 (i) to these consolidated financial statements.

Determination of control

In 2017 a special purpose enterprise the Bonitron Designated Activity Company was established for bonds issuance on the Irish Stock Exchange. This company is owned by the Company's participants, therefore, the management decided to consolidate this entity.

Determining whether a lease is finance or operating

Management records finance lease separately from operating lease using criteria as described in Note 6 (o).

4. USE OF ESTIMATES AND JUDGMENTS (continued)

Fair value of buildings

Based on the judgment that the fair value of buildings, which are owned or leased by the Group, will be more representative than their historical cost, the Group’s management decided to recognize buildings at revalued amount, representing fair value less subsequent accumulated depreciation and subsequent accumulated impairment losses, starting from 2007. The fair value of buildings is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers.

The Group estimates impairment by assessing whether factors indicating impairment exist, e.g. adverse trends in Belarusian economy, decrease in sales of individual supermarkets. If the impairment is identified, the Group will test the expenses related to impairment of property, plant and equipment (see Note 6 (m)).

Smallest cash generating unit

A cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Identification of such assets (or groups of assets) involves significant judgment. The management prepares financial budgets for revenue and profits for separate retail stores. Cash-generating units were determined at the level of each component (legal entity) included in the Group, except for the “Eurotorg” LLC. Cash-generating units for “Eurotorg” LLC are determined at the level of each store.

Deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. The estimate of probability is based on the Group’s management forecasts in relation to the future taxable profit and includes a significant degree of judgment of the Group’s management (Note 15).

Measurement of fair values

A number of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

4. USE OF ESTIMATES AND JUDGMENTS (continued)

Measurement of fair values (continued)

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

5. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared on historical cost basis, except for buildings accounted for using revaluation method and bonds recognized within "Other investments" measured at fair value.

6. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently for all years presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group (see Note 6(a)(iii)).

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(ii) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree’s identifiable net assets at the acquisition date.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as a financial asset at fair value through profit or loss (FVTPL) or through other comprehensive income (FVOCI) depending on the level of influence retained.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(vi) Transactions with owners of the Group

The dividends paid to the owners of the Group are recognized directly in equity once the decision on the payment takes place. The transfer of assets to the related parties (companies owned by the Group’s ultimate shareholders) or other benefits to such related parties are recognized on the basis of balance sheet amounts according to Group’s accounting data directly in equity as distribution to the owners of the Company.

(b) Revenue

The Group has initially applied IFRS 15 from 1 January 2018. Information about the Group’s accounting policies relating to contracts with customers and effect of initially applying IFRS 15 are described in Note 8.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Finance income and finance costs

The Group’s finance income and finance costs include:

- interest income;
- interest expense;
- bank commissions;
- the net gain or loss on financial assets at FVTPL;
- the foreign currency gain or loss on financial assets and financial liabilities;

Interest income or expense is recognised using the effective interest method.

The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- an investment in equity securities designated as at FVOCI (2017: available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss).

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in translation are recognised in profit or loss, except for differences arising on the translation of financial assets at FVOCI which are recognised in other comprehensive income.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the presentation currency at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such item form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

(e) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Pension liabilities

In accordance with the requirements of the legislation of the Republic of Belarus and the Russian Federation, the Group withholds amounts of pension contributions from employee salaries and pays them to the State pension fund. Such pension system provides for calculation of current payments by the employer as a percentage of current total disbursements to staff. Such expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by the state. The Group does not have any pension arrangements separate from the state pension system of the Republic of Belarus. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Income tax (continued)

(ii) Deferred tax (continued)

In accordance with the tax legislation of Belarus, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Assets held for sale or distribution

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution.

Such assets, or disposal group, are generally measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group’s other accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment, except for buildings and constructions, are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of buildings at 1 January 2007, the Group's date of transition to IFRSs, was determined by reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bring the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve as revaluation surplus is transferred to retained earnings.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Revaluation of buildings and constructions

Buildings and constructions are measured at fair value, based on periodic valuation by external independent valuers. A revaluation increase on buildings and constructions is recognised directly under the heading of revaluation surplus in other comprehensive income. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

A revaluation decrease on buildings and constructions is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(iv) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its estimated residual value.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property, plant and equipment (continued)

(iv) Depreciation (continued)

Depreciation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives of significant items of property, plant and equipment for the current and comparative periods are as follows:

- Buildings and constructions 15-100 years;
- Trade and warehouse equipment 5-50 years;
- Vehicles 5-13 years;
- Office and other equipment 4-37 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Intangible assets

(i) Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the profit or loss as incurred.

(iv) Amortisation

Amortisation is based on the cost of the asset less its estimated residual value.

Amortisation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets – Business model assessment: Policy applicable from 1 January 2018

The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets – Policy applicable before 1 January 2018

The Group classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
  - held for trading;
  - derivative hedging instruments; or
  - designated as at FVTPL.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets – Subsequent measurement and gains and losses: Policy applicable before 1 January 2018

Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.
Held-to-maturity financial assets	Measured at amortised cost using the effective interest method.
Loans and receivables	Measured at amortised cost using the effective interest method.
Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The Group has fixed rate bank loans for which the banks have the option to revise the interest rate following the change of key rate set by the National Bank of the Republic of Belarus. The Group has an option to either accept the revised rate or redeem the loan at par without penalty. The Group considers these loans as in essence floating rate loans.

(iii) Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

The Group performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Group assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In making this evaluation the Group analogizes to the guidance on the derecognition of financial liabilities.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(iii) Modification of financial assets and financial liabilities (continued)

Financial assets (continued)

The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial asset;
- change in collateral or other credit enhancement;
- change of terms of financial asset that lead to non-compliance with SPPI criterion (e.g. inclusion of conversion feature).

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If a modification (or exchange) does not result in the derecognition of the financial liability the Group applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Group recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

Changes in cash flows on existing financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in fixed interest rates initiated by banks due to changes in the key rate set by the National Bank of the Republic of Belarus, if the loan contract entitles banks to do so and the Group has an option to either accept the revised rate or redeem the loan at par without penalty. The Group treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

Group performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(iii) Modification of financial assets and financial liabilities (continued)

Financial liabilities (continued)

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(iv) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Share capital

Share capital and retained earnings (accumulated loss) of the Company are represented in equity.

Charter of the “Eurotorg” LLC incorporated as Limited Liability Company provides that each participant may unilaterally withdraw from the company. In this case, the company is obliged to pay to participant his share of net assets as at the moment of withdrawal not later than one month from the application date. Value of the retired participant’s share in the company’s net assets is specified on the basis of the company’s net assets calculated under the Company’s financial statements prepared according to Belarusian legislation.

IFRS (IAS) 32 "Puttable financial instruments and obligations arising on liquidation" issued in February 2008 amended IFRS (IAS) 32 "Financial instruments: Presentation" and IFRS (IAS) 1 "Presentation of Financial Statements". Amendments become effective for annual periods from 1 January 2009. The effect of differences between Belarussian accounting principles and IFRS on equity is temporary and it is expected to be reduced to zero during the lifetime of the instrument. Consequently, the contributions of the participants are classified as share capital.

(m) Impairment

(i) Non-derivative financial assets

Policy applicable from 1 January 2018

Financial instruments and contract assets

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment (continued)

(i) Non-derivative financial assets (continued)

Policy applicable from 1 January 2018 (continued)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’. The Group considers this to be Baa3 or higher per Moody’s or BBB- or higher per S&P and Fitch agencies.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment (continued)

(i) Non-derivative financial assets (continued)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

Policy applicable before 1 January 2018

Non-derivative financial assets

Financial assets not classified as at FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer would enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there was a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity instrument, objective evidence of impairment included a significant or prolonged decline in its fair value below its cost. The Group considered a decline of 20% to be significant and a period of nine months to be prolonged.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment (continued)

(i) Non-derivative financial assets (continued)

Policy applicable before 1 January 2018 (continued)

Financial assets measured at amortised cost	The Group considered evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet individually identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.
	In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.
	An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.
Available-for-sale financial assets	Impairment losses on available-for-sale financial assets were recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified was the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increased and the increase was related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale were not reversed through profit or loss.

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment (continued)

(ii) Non-financial assets (continued)

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination. Cash-generating units were determined at the level of each component (legal entity) included in the Group, except for the “Eurotorg” LLC. Cash-generating units for the “Eurotorg” LLC are determined at the level of each store.

The Group’s corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Leases

(i) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

At inception or upon reassessment of an arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

(ii) Leased assets

Assets held by the Group under leases that transfer to the Group substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's statement of financial position.

(iii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(p) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's management to make decisions about resources to be allocated to the segment and assess its performance.

Segment results that are reported to the Group's management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

Inter-segment pricing is determined on an arm's length basis.

7. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Two new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Group's financial statements in the period of initial application.

(a) IFRS 16 Leases

The Group is required to adopt IFRS 16 Leases from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because:

- the Group has not finalised the testing and assessment of controls over its new IT systems; and
- the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

(i) Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases of warehouse and stores. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

No significant impact is expected for the Group's finance leases.

Based on the information currently available, the Group prepared approximate estimation that it will recognise additional lease liabilities of BYN 403,007 thousand as at 1 January 2019. Several bank loan agreements could be influenced by the adoption of IFRS 16 and impact its ability to comply with the loan covenants. The Group is in the process of negotiations with banks to agree additional terms for such loan agreements.

7. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (continued)

(a) IFRS 16 Leases (continued)

(i) Leases in which the Group is a lessee (continued)

The approximate assessment of the impact on the Group's assets, liabilities and equity in case the IFRS 16 requirements would have been implemented as at 1 January 2018 is as follows:

	1 January 2018*	1 January 2019
Right-of-use assets	261,900	362,659
Lease liabilities	(288,008)	(403,007)
Retained earnings	**(26,108)**	**(40,348)**
Approximate effect on the Group's consolidated financial result	**-**	**(14,240)**

**the hypothetical effect if the standard would have been implemented as at 1 January 2018*

The approximate hypothetical assessment of the impact on the Group's expenses related to lease for the year ended 31 December 2018 in case the IFRS 16 requirements would have been implemented as at 1 January 2018 is as follows:

	IAS 17	IFRS 16	Effect 2018*
Rent expenses	114,302	2,876	(111,426)
Depreciation	-	81,344	81,344
Interest expenses	-	20,747	20,747
Loss from foreign exchange differences	-	23,575	23,575
Total	**114,302**	**128,542**	**14,240**

**the hypothetical effect on financial performance for the year ended 31 December 2018 if the standard would have been implemented as at 1 January 2018*

(iii) Transition

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

7. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (continued)

(b) Other standards and interpetations

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- *IFRIC 23 Uncertainty over Tax Treatments.*
- *Prepayment Features with Negative Compensation (Amendments to IFRS 9).*
- *Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).*
- *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).*
- *Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.*
- *Amendments to References to Conceptual Framework in IFRS Standards.*
- *IFRS 17 Insurance Contracts.*

Other than as indicated, the above are expected to have no significant impact on the Group's financial statements when they become effective, unless otherwise mentioned.

8. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Group has initially applied IFRS 15 (see (A)) and IFRS 9 (see (B)) from 1 January 2018. A number of other new standards are also effective from 1 January 2018. The Group has assessed that there is no material effect of initially applying these standards on financial statements.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards, except for separately presenting impairment loss on trade and other receivables (see (b)).

The effect of initially applying these standards is generally not material, and is described in (A) and (B).

(A) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

The Group has three main streams of revenue recognized under IFRS 15: retail revenue, wholesale revenue and revenue from advertising services.

8. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

(A) IFRS 15 Revenue from Contracts with Customers (continued)

(i) Retail revenue

The retail revenue is recognised by the Group when control over the goods is transferred to the customer which occurs in the stores at the point of sale. Payment is due immediately then the customer purchases goods. Typically, the customers have a right of return which is regulated by the Belarusian legislation and is possible within up to 14 days since the purchase took place with the exception for certain categories of goods. Because the number of products returned has not changed significantly for years, it is highly probable that a significant reversal in the cumulative revenue recognised previously will not occur. This assumption is reassessed at each reporting date.

As a result, there are no changes in retail revenue recognition due to the adoption of IFRS 15.

Customer loyalty programme

The Group offers a number of customer loyalty programmes. Historically, the amount of allocated portion of revenue to a separate performance obligation was immaterial. Therefore, The Group did not defer revenue for the purposes of these consolidated financial statements.

There was no material impact on the Group’s statement of cash flows for the year ended 31 December 2018.

(ii) Wholesale revenue

Under IAS 18, revenue for wholesale contracts was recognised when a reasonable estimate of the returns could be made, provided that all other criteria for revenue recognition were met. If a reasonable estimate could not be made, then revenue recognition was deferred until the return period lapsed or a reasonable estimate of returns could be made. Under IFRS 15, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

The control over goods sold by the Group is transferred to the customer upon shipment. The Group has no guarantee liabilities. The sales are short term in nature (the payments are due within 90 days). The customers have a right to return some of goods typically not later than two months before the expiration date. Due to the immaterial historical amount of returns, the Group did not defer revenue recognition neither under IAS 18, nor under IFRS 15. As a result, the effect of applying IFRS 15 as at and for the year ended 31 December 2018 to various reporting items was immaterial.

(iii) Revenue from advertising services

The Group is involved in rendering of advertising services on its premises. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services. Revenue was previously recognised using the stage-of-completion method.

Under IFRS 15, the total consideration in the service contracts is allocated to all services based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Group sells the services in separate transactions. As the fair value and the stand-alone selling prices of the services are broadly similar, the application of IFRS 15 has not resulted in significant differences in the timing of revenue recognition for these services.

8. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

(B) IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement.*

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group’s approach was to include the impairment of trade receivables in other expenses. Consequently, the Group reclassified impairment losses amounting to BYN 1,212 thousand, recognised under IAS 39, from ‘administrative and selling expenses’ to ‘impairment loss on trade and other receivables’ in the statement of profit or loss and OCI for the year ended 31 December 2017. Impairment losses on other financial assets are presented under ‘finance costs’, similar to the presentation under IAS 39, and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

Additionally, the Group has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2018 but have not been generally applied to comparative information.

Overall impact of transition to IFRS 9 on the opening balance of reserves, retained earnings and NCI is not material for the Group.

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Group’s accounting policies related to financial liabilities. For an explanation of how the Group classifies and measures financial instruments, treats modifications and accounts for related gains and losses under IFRS 9, see Note 6 (k).

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group’s financial assets and financial liabilities as at 1 January 2018.

8. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

(B) IFRS 9 Financial Instrument (continued)

Classification and measurement of financial assets and financial liabilities (continued)

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets					
Other investments	(a)	Available-for-sale	FVOCI – debt instrument	30,291	30,291
Other investments	(b)	Available-for-sale	FVOCI – equity instrument	816	816
Trade and other receivables	(d)	Loans and receivables	Amortised cost	105,227	105,227
Loans granted		Loans and receivables	Amortised cost	52,618	52,618
Cash and cash equivalents		Loans and receivables	Amortised cost	173,906	173,906
Total financial assets				**362,858**	**362,858**

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial liabilities				
Loans and borrowings	Other financial liabilities	Other financial liabilities	1,285,427	1,285,427
Finance lease liabilities	Other financial liabilities	Other financial liabilities	81,060	81,060
Trade and other payables	Other financial liabilities	Other financial liabilities	572,091	572,091
Total financial liabilities			**1,938,578**	**1,938,578**

The Other investments categorised as available-for-sale under IAS 39 comprised of National bank bonds (see (a)) and equity securities (see (b)).

(a) Bonds of the National Bank of the Republic of Belarus are held by the Group's Bank in a separate portfolio to provide interest income, but may be sold to meet liquidity requirements arising in the normal course of business. The Group considers that these securities are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling securities. The corporate debt securities mature within one year and the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as financial assets at FVOCI under IFRS 9. On transition to IFRS 9, there was no material effects.

8. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

(B) IFRS 9 Financial Instrument (continued)

Classification and measurement of financial assets and financial liabilities (continued)

(b) Equity securities represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI. Unlike IAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

(c) Trade and other receivables and loans granted that were classified as loans and receivables under IAS 39 are now classified at amortised cost. There was no significant increase in the allowance for impairment over these receivables recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 does not lead to a material effect on these consolidated financial statements.

There is no material impact on the Group's basic or diluted EPS for the years ended 31 December 2018 and 2017.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.
- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

9. REVENUE, INTEREST AND COMMISSION INCOME

The major portion of revenue includes sales of goods and services by the stores. In the following table, revenue is disaggregated by major products and service lines:

	For the year ended 31 December	
	2018	**2017**
Retail sales	3,999,228	3,598,801
Wholesale	323,858	205,865
Revenue from advertising	78,804	65,713
Revenue of food processing companies	20,372	15,134
Other revenue	11,027	4,741
Total revenue from contracts with customers	**4,433,289**	**3,890,254**
Rental revenues	32,983	28,617
Interest income of the Bank	12,618	13,930
Total rental revenue, interest and commission income of the Bank	**45,601**	**42,547**
Total revenue, interest and commission income	**4,478,890**	**3,932,801**

Most of the Group’s revenue comes from Belarus which is the primary geographical market of the Group.

The major portion of revenue from contracts with customers recognized in the year ended 31 December 2018 is resulted from transfer of products and services at a point of time.

Interest and commission income of the Bank is related to Banking business which is a reportable segment of the Group (Note 33).

10. COST OF GOODS AND SERVICES SOLD AND INTEREST EXPENSES

	For the year ended 31 December	
	2018	**2017**
Cost of purchased goods	3,224,493	2,846,049
Transportation costs and handling operations	77,927	51,694
Cost of food processing companies	15,956	7,621
Bank interest expenses	3,238	2,838
Other costs	2,462	1,885
Total cost of goods and services sold and interest expenses	**3,324,076**	**2,910,087**

11. ADMINISTRATIVE AND SELLING EXPENSES

	For the year ended 31 December	
	2018	**2017**
Employee benefits	298,940	259,029
Rent	114,302	91,238
Social security contributions	96,057	82,428
Utility costs	91,562	80,211
Depreciation	73,397	80,724
Marketing and advertising	49,220	37,645
Taxes other than income tax	33,053	32,168
Other materials and stationery	31,683	24,531
Professional services	28,863	11,921
Repair and maintenance	10,046	9,408
Amortisation	2,892	2,021
Auditors' remuneration	241	356
Impairment of property, plant and equipment	-	193
Other expenses	18,152	16,938
Total administrative and selling expenses	**848,408**	**728,811**

An impairment loss on trade and other receivables of 1,774 thousand in the year ended 2017 was reclassified from administrative and selling expenses to a separate line item in profit or loss (see Note 8).

12. OTHER INCOME

	For the year ended 31 December	
	2018	**2017**
Gain on sale of materials	5,010	5,585
Gain on sale of property, plant and equipment	4,391	-
Purchase/sale of foreign currency by the Bank	3,568	3,938
Reversal of impairment loses on property, plant and equipment	3,507	-
Other income	2,641	6,239
Total other income	**19,117**	**15,762**

13. OTHER EXPENSES

	For the year ended 31 December	
	2018	**2017**
Charity	9,467	9,152
Fines and penalties	840	1,234
Loss on disposal of property, plant and equipment	-	363
Other expenses	5,993	13,588
Total other expenses	**16,300**	**24,337**

14. NET FINANCE COSTS

	For the year ended 31 December	
	2018	**2017**
Recovery of allowance for impairment of financial assets	4,717	940
Interest income on bank deposits	872	149
Total finance income	**5,589**	**1,089**
Interest expenses	(117,717)	(123,889)
Loss from foreign exchange differences	(71,047)	(10,654)
Finance lease expenses	(13,374)	(11,880)
Bank commissions	(11,696)	(14,159)
Purchase/sale of foreign currency	(530)	(7,099)
Total finance costs	**(214,364)**	**(167,681)**
Net finance costs	**(208,775)**	**(166,592)**

15. INCOME TAX

The Group calculates Current tax based on the statutory tax accounts maintained and prepared in accordance with the Belarusian statutory tax regulations. In the Republic of Belarus the income tax rate constitutes 18% for the periods starting from 1 January 2017. The income tax for banks in the Republic of Belarus for the periods starting from 1 January 2017 constitutes 25%.

Deferred tax reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2018 and 31 December 2017 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

	Assets		**Liabilities**		**Net**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Property, plant and equipment	44,647	79,371	(610)	(1,586)	**44,037**	**77,785**
Intangible assets	-	-	(509)	(33)	**(509)**	**(33)**
Trade and other receivables	942	724	(983)	(904)	**(41)**	**(180)**
Loans and borrowings	-	-	(1,567)	(2,054)	**(1,567)**	**(2,054)**
Liabilities under finance lease	2,192	6,529	-	-	**2,192**	**6,529**
Inventories	3,210	1,936	-	(85)	**3,210**	**1,851**
Prepaid expenses	387	116	(1,165)	(101)	**(778)**	**15**
Deferred income (lease)	912	775	-	-	**912**	**775**
Other investments	120	15	(933)	(993)	**(813)**	**(978)**
Other current liabilities	2,942	2,527	(5)	(513)	**2,937**	**2,014**
Net tax assets/(liabilities)	**55,352**	**91,993**	**(5,772)**	**(6,269)**	**49,580**	**85,724**
Deferred tax assets					51,172	88,961
Deferred tax liabilities					(1,592)	(3,237)

15. INCOME TAX (continued)

Reconciliation of tax based on the taxable income and the tax based on accounting profits for the years ended 31 December 2018 and 31 December 2017 respectively is presented as follows:

		2018		2017
Profit before tax		**99,232**		**116,962**
Theoretical tax charge at the statutory tax rate in Belarus	(18.00%)	(17,862)	(18.00%)	(21,053)
Non-deductible expenses	(8.57%)	(8,505)	(5.06%)	(5,918)
Effect of statutory revaluation adjustment	(5.10%)	(5,058)	5.24%	6,128
Non-taxable income	1.16%	1,155	7.17%	8,391
Effect of banking tax rate	(0.57%)	(567)	(0.33%)	(388)
Effect of revaluation in the statutory accounting of assets and liabilities denominated in BYN	-	-	(1.37%)	(1,605)
Total income tax expense	**(31.08%)**	**(30,837)**	**(12.35%)**	**(14,445)**

Relationship between Income tax expense and other comprehensive income before income tax for the years ended 31 December 2018 and 31 December 2017 respectively is presented as follows:

		2018		2017
Other comprehensive income/(loss) before income tax		**125,144**		**(142,746)**
Theoretical tax charge at the statutory tax rate in Belarus	17.54%	(21,951)	18.00%	25,694
Foreign operations - foreign currency translation differences	(0.04%)	48	-	-
Income taxes (expense)/income in other comprehensive income/(loss)	**17.50%**	**(21,903)**	**18.00%**	**25,694**

Components of income tax expense, recognized in profit or loss were as follows:

	2018	2017
Current tax expenses	(16,596)	(14,088)
Change in deferred tax	(14,241)	(357)
Total income tax expense	**(30,837)**	**(14,445)**

The movement in deferred tax balances is as follows:

	2018	2017
Deferred tax assets at the beginning of the year, net	85,724	60,387
Recognized in profit or loss from continuing operations	(14,241)	(357)
Recognized in other comprehensive income	(21,903)	25,694
Deferred tax liabilities at the year end, net:	**49,580**	**85,724**
Deferred tax assets	**51,172**	**88,961**
Deferred tax liabilities	**(1,592)**	**(3,237)**

15. INCOME TAX (continued)

Recognised deferred tax assets are measured at the tax rates enacted as at 31 December 2018. They are recognised in the amount that under the management’s estimates is probable to bring taxable profits against which the deductible amounts can be utilized. In determining estimated future taxable profit against which the deductible amounts can be utilised, management has considered the existence of taxable temporary differences that will reverse in the same period. Taxable profit is determined according to the local accounting standards. According to the accounting standards in Belarus the Group is profitable and has sufficient taxable profits to utilise the deferred tax assets.

For the year ended 31 December 2018 the Company received a pre-tax profit of BYN 47,207 thousand and budgeted that this indicator will further increase in the foreseeable future. Therefore management believes that the Group has sufficient taxable profits to use deferred tax assets, and also the receipt of future taxable profits, against which the Group could use the respective tax benefits, is highly probable.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings and constructions	Trade, production and warehouse equipment	Vehicles	Office and other equipment	Construction in progress and equipment not installed	Total
Acquisition cost						
1 January 2017	**1,288,424**	**255,937**	**31,991**	**9,357**	**105,642**	**1,691,351**
Effect of movements in exchange rates	2,327	22	-	-	124	**2,473**
Additions	41	9,044	9,427	221	23,977	**42,710**
Transfers	59,408	13,046	3,005	588	(76,047)	**-**
Disposals	(3,599)	(5,352)	(1,514)	(480)	(4,983)	**(15,928)**
Revaluation	(149,263)	-	-	-	-	**(149,263)**
31 December 2017	**1,197,338**	**272,697**	**42,909**	**9,686**	**48,713**	**1,571,343**
Additions	23,009	9,131	11,270	636	68,810	**112,856**
Transfers	14,008	37,606	4,684	3,228	(59,526)	**-**
Acquisitions through business combinations	-	5	-	-	-	**5**
Disposals	(4,287)	(5,909)	(2,739)	(322)	(7,469)	**(20,726)**
Revaluation	142,713	-	-	-	174	**142,887**
31 December 2018	**1,372,781**	**313,530**	**56,124**	**13,228**	**50,702**	**1,806,365**
Accumulated depreciation and impairment losses						
1 January 2017	**(117,569)**	**(96,887)**	**(14,847)**	**(3,611)**	**-**	**(232,914)**
Charge for the year	(42,798)	(33,870)	(8,164)	(1,277)	-	**(86,109)**
Disposals	2,025	3,198	1,091	256	-	**6,570**
Revaluation	6,517	-	-	-	-	**6,517**
Impairment	(193)	-	-	-	-	**(193)**
31 December 2017	**(152,018)**	**(127,559)**	**(21,920)**	**(4,632)**	**-**	**(306,129)**
Charge for the year	(35,285)	(34,402)	(8,709)	(1,673)	-	**(80,069)**
Acquisitions through business combinations	-	(4)	-	-	-	**(4)**
Disposals	1,009	3,423	2,109	259	-	**6,800**
Revaluation	(14,236)	-	-	-	-	**(14,236)**
31 December 2018	**(200,530)**	**(158,542)**	**(28,520)**	**(6,046)**	**-**	**(393,638)**
Carrying amount						
1 January 2017	**1,170,855**	**159,050**	**17,144**	**5,746**	**105,642**	**1,458,437**
31 December 2017	**1,045,320**	**145,138**	**20,989**	**5,054**	**48,713**	**1,265,214**
31 December 2018	**1,172,251**	**154,988**	**27,604**	**7,182**	**50,702**	**1,412,727**

Carrying amount at historical IFRS cost

1 January 2017	**815,969**	**159,050**	**17,144**	**5,746**	**105,642**	**1,103,551**
31 December 2017	**833,373**	**145,138**	**20,989**	**5,054**	**48,713**	**1,053,267**
31 December 2018	**832,353**	**154,988**	**27,604**	**7,182**	**50,702**	**1,072,829**

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation of property, plant and equipment in the consolidated statement of profit or loss and other comprehensive income is allocated to the following items:

	For the year ended 31 December	
	2018	**2017**
Cost of goods and services sold, interest expenses	6,672	5,385
Administrative and selling expenses	73,397	80,724
Total depreciation	**80,069**	**86,109**

As at 31 December 2018 and 31 December 2017, the historical cost of fully depreciated but still used items of property, plant and equipment amounted to BYN 87,692 thousand and BYN 3,553 thousand respectively.

The amount of property, plant and equipment acquired under finance leases in 2018 was BYN 68,983 thousand (including BYN 42,563 thousand under sale and leaseback transactions agreement) and BYN 13,795 thousand in 2017. As at 31 December 2018 and 31 December 2017 the residual value of property, plant and equipment acquired under finance leases amounted to BYN 163,736 thousand and BYN 90,809 thousand respectively .

As at 31 December 2018 and 31 December 2017 the residual value of pledged property, plant and equipment amounted to BYN 945,405 thousand and BYN 756,185 thousand respectively.

During the year ended 31 December 2018 the Group did not capitalise any borrowing costs in property, plant and equipment (the amount of borrowing costs capitalised during the year ended 31 December 2017: BYN 1,510 thousand).

Buildings and constructions are accounted under the revaluation method. The Group conducted a revaluation in the end of 2018 in order to present buildings at their fair value as at 31 December 2018.

Schedule of the revaluation of buildings and structures is presented below:

	Note	31 December 2018	31 December 2017
Carrying amount of the buildings and structures before revaluation		1,043,774	1,188,259
Net change as a result of revaluation and impairment, including		128,651	(142,939)
Changes in revaluation reserve		*125,144*	*(142,746)*
Reversal on impairment of property, plant and equipment	12	*3,507*	-
Impairment in excess of the accumulated revaluation reserve	11	-	*(193)*
Net impairment of property, plant and equipment		**-**	**(193)**
Carrying amount of the buildings and structures after revaluation		**1,172,425**	**1,045,320**

16. PROPERTY, PLANT AND EQUIPMENT (continued)

The fair value of buildings was classified within Level 3 of the fair value hierarchy based on the inputs for the applied assessment methods. The fair value of buildings is determined by the market and discounted cash flows methods based on the report of the qualified professional appraisers. In most cases, the cost is determined by the weighted average cost of these two methods in a ratio of 50%/50%. However, the results of the two methods are usually comparable.

Accumulated revaluation reserve for buildings net of tax effects amounted to BYN 340,375 thousand and BYN 238,088 thousand as at 31 December 2018 and 31 December 2017 respectively.

17. LOANS GRANTED

Breakdown by type of client

	31 December 2018	31 December 2017
Loans granted to corporate clients	26,825	23,240
Consumer loans granted to individuals	52,973	32,170
Total loans granted before allowance for impairment	**79,798**	**55,410**
Allowance for impairment	(1,154)	(2,792)
Total loans granted	**78,644**	**52,618**
Short-term loans granted	27,608	11,412
Long-term loans granted	51,036	41,206

Security for loans

In order to reduce credit risk, the Bank requires the provision of security, the size and type of which depends on the assessment of the credit risk of the counterparty.

The main types of security received for loans to legal entities and individual entrepreneurs are real estate, equipment, cars, goods in circulation, the right to receivables and lease payments. Loans to individuals are secured by guarantees of individuals.

The Bank has no overdue and unimpaired loans granted.

Movement in allowance for impairment on loans granted

	2018	2017
1 January	**2,792**	**2,106**
Change for the year	(1,638)	686
31 December	**1,154**	**2,792**

18. OTHER INVESTMENTS

	31 December 2018	31 December 2017
Non-current assets		
Equity securities		
Fair value through other comprehensive income	1,613	816
	1,613	**816**
Current assets		
National Bank bonds		
Fair value through other comprehensive income	5,530	30,291
	5,530	**30,291**

In respect to the following investments with a total carrying amount of BYN 5,530 thousand (BYN 2017: 30,291 thousand) which are represented by short-term bonds (typically 7 days bonds) of the National Bank of the Republic of Belarus, the fair value was determined based on discounted cash flows.

19. INVENTORIES

	31 December 2018	31 December 2017
Goods for sale located at retail outlets	200,017	158,823
Goods for sale located at the warehouse	131,956	105,166
Raw and other materials	26,040	19,739
Tare and packing materials	5,961	4,711
Other inventories	17,501	11,234
Total inventories	**381,475**	**299,673**

The increase in inventories is caused by the growing number of commercial stores, as well as the expansion of the range of both new items and accompanying for the already existed ones. This growth will increase the efficiency of the existing sales system, attract new customers and improve effectiveness of the work with existing customers.

For the year ended 31 December 2018 inventories have been reduced by BYN 21,491 thousand (BYN 15,349 thousand for the year ended 31 December 2017) as a result of the write-down to net realizable value. Their write-down was recognized as an expense during 2018. The write-down is included in the "Cost of goods and services sold and interest expenses".

As at 31 December 2018 and 31 December 2017 the Group pledged inventories as additional security for bank loans and guarantees in the amount of BYN 228,295 thousand and BYN 140,161 thousand respectively.

20. TRADE AND OTHER RECEIVABLES

	31 December 2018	31 December 2017
Trade receivables	119,695	74,410
Allowance for impairment	(3,879)	(2,514)
Total trade receivables, net	**115,816**	**71,896**
Other receivables	46,753	37,275
Allowance for impairment	(3,795)	(3,944)
Total other receivables, net	**42,958**	**33,331**
Total trade and other receivables, net	**158,774**	**105,227**

The movement of allowance for impairment of trade and other receivables is as follows:

1 January 2017	**4,684**
Movement in allowance	1,774
31 December 2017	**6,458**
Movement in allowance	1,216
31 December 2018	**7,674**

The Group uses an allowance matrix to measure the ECLs of trade and other receivables which comprise a very large number of small balances. Loss rates are calculated using a "roll-rate" method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

The following table provides information about the exposure to credit risk and ECLs for trade and other receivables as at 31 December 2018:

	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
Current (not past due)	0.30%	115,089	(340)	No
1-30 days past due	0.37%	24,366	(90)	No
31-60 days past due	5.97%	4,324	(258)	No
61-90 days past due	12.87%	1,973	(254)	No
More than 90 days past due	32.53%	20,696	(6,732)	Yes
		166,448	**7,674**	

21. PREPAYMENTS

	31 December 2018	31 December 2017
Prepayments for rent of premises and land	21,829	16,874
Prepayments for services	16,563	6,774
Prepayments for inventory	9,174	8,465
Prepayments for taxes, except for income tax	1,825	1,385
Other prepayments	4,600	7,766
Total prepayments	**53,991**	**41,264**

22. CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Bank deposits	55,057	79,094
Cash in transit	78,568	74,890
Cash in hand	13,780	10,567
Cash on current accounts with banks	7,005	7,576
Balances with the National Bank of the Republic of Belarus	7,532	1,779
Total cash and cash equivalents	**161,942**	**173,906**

Cash in transit is represented by cash collected by the banks, as well as by cash received from credit card settlements.

23. EQUITY

Participants	**31 December 2018**	**31 December 2017**
Litinvest Limited, Cyprus	-	49.75%
Eurotorg Holding PLC, Cyprus	100%	49.75%
Storass Limited, Cyprus	-	0.50%
Total participants’ interest	**100%**	**100%**

The company Eurotorg Holding PLC (formerly known as Curgil Ventures Limited) was incorporated in Cyprus on 19 February 2009 as a private limited liability company under the Cyprus Companies Law, Cap. 113 with registration number 246155.

On 10 September 2018 Curgil Ventures Limited changed its status to a public company (PLC) and registered a change of its legal name to Eurotorg Holding PLC.

The ultimate beneficial owners of the Company are Mr. Sergey Litvin, Mr. Uladzimir Vasilko, Mr. Alexander Litvin and Mr. Andrei Zubkou, all being citizens of the Republic of Belarus. All participants’ stakes in the Company are fully contributed.

In order to optimise the Group's shareholding structure the Company's' shareholders undertook a reorganisation of the Group between 1 May and 27 June 2018.

The above restructuring was accomplished by exchange of shares between Litinvest Limited and Storass Limited (direct shareholders of Eurotorg LLC) with Denison Finance Corp. (the only shareholder of Eurotorg Holding PLC), in order for Litinvest Limited and Storass Limited to acquire interests in Eurotorg Holding PLC in exchange for their interests in Eurotorg LLC while Denison Finance Corp’s interest in Eurotorg Holding PLC was adjusted accordingly in a manner that total investors’ interest in Eurotorg LLC remained unchanged.

In accordance with the Belarusian legislation the Group distributes its profits in the form of dividends or transfers profits to reserves in the manner provided for by the Belarusian accounting standards.

23. EQUITY (continued)

During the year ended 31 December 2018 the Company declared dividends in the amount BYN 23,996 thousand and paid in the amount BYN 25,017 thousand.

During the year ended 31 December 2017 the Company declared dividends in the amount BYN 20,277 thousand and paid in the amount BYN 19,256 thousand.

In 2017 the Group acquired additional interests in companies "VARMINEKSPO" JLLC, "SitiBalt" LLC, "Dzerzhinskii myasokombinat" CJSC, "Diskontnyi club" LLC, "Sotrudnichestvo" OJSC, "Retorsia-invest" LLC, "Eurooptavto" LLC, "Yulain" ALC having increased its share of ownership in these companies to 100%. As a result of the increase in the shares in "VARMINEKSPO" JLLC and "Yulain" ALC, the Group also increased its ownership to 100% in the companies "EurooptAgro" LLC, "ElitPartner" LLC and "Barentsevo" LLC.

24. LOANS AND BORROWINGS

Loans and borrowings as at 31 December 2018 were as follows:

	Currency	Rate	Maturity	31 December 2018
Bonds	USD	8.75%	2022	655,617
Bonds	USD	6.00%	2020	358
Bonds	USD	3.50%	2023	648
Bonds	BYN	11.00%	2023	1,770
Bank loan	BYN	11.20%-12.50%	2019-2024	432,628
Bank loan	RUB	10.04%	2023	32,534
Bank loan	EUR	4.50%	2023	49,468
Other loans	BYN	-	2022	4
Total loans and borrowings				**1,173,027**
Less the short-term part				(9,453)
Total long-term part				**1,163,574**

The loans and borrowings as at 31 December 2017 were as follows:

	Currency	Rate	Maturity	31 December 2017
Bonds	USD	6.00%-13.00%	2018-2022	721,760
Bonds	EUR	11.14%	2019	9,633
Bank loan	USD	7.50%-8.75%	2019-2023	287,746
Bank loan	BYN	9.50%-13.00%	2019-2022	237,080
Bank loan	EUR	8.00%	2022	29,206
Other loans	BYN	0.00%	2018	2
Total loans and borrowings				**1,285,427**
Less the short-term part				(20,871)
Total long-term part				**1,264,556**

24. LOANS AND BORROWINGS (continued)

The Group pledged property, plant and equipment and inventories (Notes 16, 19) to secure bank loans.

As at 31 December 2018 there were no pledged ownership interests. As at 31 December 2017 49.0% of the ownership interest of Eurotorg LLC (24.5% Curgil Ventures Limited and 24.5% Litinvest Limited) was pledged under loan agreements with "BPS-Sberbank".

As at 31 December 2017 100% of the ownership interest of the subsidiary company "BelRosKompani" LLC was pledged under loan agreements.

As at 31 December 2018 and 31 December 2017 the Group performed its contractual obligations under the loan agreements.

Reconciliation of changes in liabilities and financial transactions from financial activities for the year ended 31 December 2018:

	Note	Liabilities			Equity	Total
		Loans and borrowings	Interest liabilities	Finance lease liability	Accumulated loss	
As at 1 January 2018		**1,285,427**	**14,363**	**81,060**	**(281,670)**	**1,099,180**
Changes from financing cash flows						
Proceeds from loans and borrowings		1,266,639	-	-	-	1,266,639
Sale and leaseback financing		-	-	35,707	-	35,707
Payments on borrowings		(1,462,799)	-	-	-	(1,462,799)
Principal repayment under finance leases agreements		-	-	(57,880)	-	(57,880)
Interest repayment under finance leases agreements		-	-	(13,471)	-	(13,471)
Repayment of VAT under finance leases agreements		-	-	(11,724)	-	(11,724)
Interest paid on loans and borrowings		-	(121,273)	-	-	(121,273)
Dividends paid	23	-	-	-	(25,017)	(25,017)
Total changes due to cash flows from financing activities		**(196,160)**	**(121,273)**	**(47,368)**	**(25,017)**	**(389,818)**
Effect of changes in foreign exchange rates		**79,743**	**1,439**	**538**	**-**	**81,720**
Other changes						
Related to liabilities						
Transaction from/to other liabilities		1,575	1,137	-	-	2,712
New financial lease agreements		-	-	27,180	-	27,180
Accrued expenses for compensation to lessors		-	-	13,374	-	13,374
Interest expense	14	2,442	115,986	-	-	118,428
Total other changes related to liabilities		**4,017**	**117,123**	**40,554**	**-**	**161,694**
Total other changes related to equity		**-**	**-**	**-**	**70,138**	**70,138**
As at 31 December 2018		**1,173,027**	**11,652**	**74,784**	**(236,549)**	**1,022,914**

24. LOANS AND BORROWINGS (continued)

Reconciliation of changes in liabilities and financial transactions from financial activities for the year ended 31 December 2017:

	Note	Liabilities			Equity		Total
		Loans and borrowings	Interest liabilities	Finance lease liability	Accumulated loss	Non-controlling interest	
As at 1 January 2017		**1,187,229**	**9,659**	**98,204**	**(363,692)**	**346**	**931,746**
Changes from financing cash flows							
Proceeds from loans and borrowings		1,494,385	-	-	-	-	1,494,385
Payments on borrowings		(1,420,186)	-	-	-	-	(1,420,186)
Principal repayment under finance leases agreements		-	-	(17,195)	-	-	(17,195)
Interest repayment under finance leases agreements		-	-	(8,151)	-	-	(8,151)
Repayment of VAT under finance leases agreements		-	-	(5,069)	-	-	(5,069)
Interest paid on loans and borrowings		-	(119,514)	-	-	-	(119,514)
Dividends paid	23	-	-	-	(19,256)	-	(19,256)
Total changes due to cash flows from financing activities		**74,199**	**(119,514)**	**(30,415)**	**(19,256)**	**-**	**(94,986)**
Effect of changes in foreign exchange rates		**8,729**	**(1,196)**	**3,498**	**-**	**-**	**11,031**
Other changes							
Associated with obligations							
Translation to presentation currency effect		1,639	15	-	-	-	1,654
Transaction from/to other liabilities		13,631	-	(15,902)	-	-	(2,271)
New financial lease agreements		-	-	13,795	-	-	13,795
Capitalised borrowing costs		-	1,510	-	-	-	1,510
Accrued expenses for compensation to lessors		-	-	11,880	-	-	11,880
Acquisition of non-controlling interests	23	-	-	-	-	(33)	(33)
Interest expense	14	-	123,889	-	-	-	123,889
Total other changes related to liabilities		**15,270**	**125,414**	**9,773**	**-**	**(33)**	**150,424**
Total other changes related to equity		**-**	**-**	**-**	**101,278**	**(12)**	**101,266**
As at 31 December 2017		**1,285,427**	**14,363**	**81,060**	**(281,670)**	**301**	**1,099,481**

25. FINANCE LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Amounts payable under finance lease agreements:				
Within 12 months	22,783	20,693	13,018	10,803
Total current liabilities under finance leases	**22,783**	**20,693**	**13,018**	**10,803**
Within second year	21,069	21,302	13,244	13,207
In the third to fifth year inclusive	52,220	61,402	41,669	48,738
Over 5 years	7,549	10,326	6,853	8,312
Total long-term liabilities under finance leases	**80,838**	**93,030**	**61,766**	**70,257**
Less future short-term finance charges	(9,763)	(9,889)	-	-
Less future long-term finance charges	(19,074)	(22,774)	-	-
Total future finance charges	**(28,837)**	**(32,663)**	**-**	**-**
Total liabilities under finance lease	**74,784**	**81,060**	**74,784**	**81,060**

During the year ended 31 December 2018 the Group sold one of its property items and related equipment to a leasing company (a buyer-lessor) and immediately leased these assets back from the buyer-lessor. An initial transfer of the underlying asset from the Group to the buyer-lessor was not a sale as the Group continued to bear almost all the risks and rewards from using the underlying asset. Therefore the Group continued to recognise the underlying asset and measured a financial liability under IFRS 9 for the amount received from the buyer-lessor (the obligation under this operation presented as a financial lease liability). Net amount of cash received under the sale and leaseback transaction equaled to BYN 35,707 thousand. There were no significant differences between the fair value and net book value of the sold and leased back assets and the fair value of the liability recognised in respect of the cash received.

26. TRADE AND OTHER PAYABLES

	31 December 2018	31 December 2017
Trade accounts payable	689,399	504,282
Bank customers' accounts	46,129	36,295
Payables for services	27,653	18,487
Payables for property, plant and equipment	11,801	6,073
Settlements with construction contractors	658	1,436
Other accounts payable	10,922	5,518
Total trade and other accounts payable	**786,562**	**572,091**

As at 31 December 2018 trade accounts payable included BYN 48,752 thousand (31 December 2017: BYN 46,086 thousand) under reverse factoring agreements with suppliers. According to these agreements the factor (a bank) agreed to pay amounts to the supplier in respect of invoices owed by the Group (customer), receiving settlement from the customer at a later date (usually 10-45 days).

26. TRADE AND OTHER PAYABLES (continued)

The management of the Group considered the appropriate balance sheet presentation of amounts related to reverse factoring arrangements with suppliers, including whether the headings and line items should be adapted to suit the particular circumstances. The management of the Group believes that the nature or function of the financial liability arising from the reverse factoring arrangement is not substantially different from a trade payable based on the following:

1) the principal business purpose of the reverse factoring arrangement is to provide funding to the supplier or to facilitate efficient payment processing (rather than to provide funding to the customer);
2) the arrangement does not significantly extends payments terms beyond the normal terms agreed with other suppliers;
3) the arrangement does not require additional collateral or a guarantee.

As at 31 December 2018 trade accounts payable included BYN 133,075 thousand (31 December 2017: BYN 13,414 thousand) as letter of credit arrangements with maturity from 2 to 12 months and interest rate varying from 3.60% to 19.90% on uncovered letter of credits. Under these arrangements a bank issues a letter of credit for the specific amount on behalf of its customer (Eurotorg LLC) identifying a foreign supplier as the beneficiary. Under the terms of the letter of credit, the bank promises to pay this specific amount to the beneficiary on presentation of documentary proof that it has shipped the goods to the customer. After the bank pays the beneficiary, it collects the payment from the customer at a later date, in line with the agreed payment terms. Typically letter of credit arrangements are covered.

The management of the Group considered the appropriate presentation in the statement of financial position of amounts related to the letter of credit arrangements. The management of the Group believes that the nature or function of the financial liability arising from the letter of credit arrangement is not substantially different from a trade payable based on the following:

1) the principal business purpose of the financing under the letter of credit arrangement is to provide additional guarantee to the supplier (rather than to provide funding to the customer);
2) the arrangement does not significantly extends payments terms beyond the normal terms agreed with other suppliers.

27. OTHER CURRENT LIABILITIES

	31 December 2018	31 December 2017
Taxes payable others than income taxes	33,074	32,423
Amounts payable to employees	19,580	15,911
Accruals for unused vacations	15,288	12,104
Prepayments received from third parties	6,126	4,439
Salary taxes and social security fund payable	3,791	2,815
Total other current liabilities	**77,859**	**67,692**

28. TRANSACTIONS WITH RELATED PARTIES

The Group sells goods and performs other transactions with related parties in the ordinary course of business. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence on the other party when making financial and operational decisions.

Related parties in these consolidated financial statements comprise the shareholders of the Group, companies which are owned by the ultimate beneficial owners of the Company, companies under common control of EUROTORG HOLDING PLC, key management personnel of the Group and the companies under their control, their close family members and companies that are controlled or significantly influenced by shareholders.

Balances with related parties are as follows:

	31 December 2018	31 December 2017
Trade and other receivables	78,725	51,871
Loans granted	5,000	2,317
Trade and other payables	(29,651)	(25,943)
Prepayments	8,461	4,293
Financial investments in securities	274	274

Information about the Group’s transactions with related parties for the year ended 31 December 2018 and 31 December 2017 is presented below:

	For the year ended 31 December	
	2018	2017
Purchase of goods	107,954	92,885
Revenue	108,418	52,929
Other income from property, plant and equipment sale	3,416	3,083
Administrative and selling expenses	14,253	7,227
Acquisition of property, plant and equipment	1,216	265
Key management personnel		
Remuneration to key management personnel	8,779	6,411

Declared and paid dividends are disclosed in Note 23.

The Group sells goods to the companies owned by the Shareholders of the Company, which, in its turn, sells goods to ultimate customers through online grocery service and drogerie retail chain. These companies were established in 2014-2017 and still in the stage of development. Agreements on sale of goods with these companies stipulate a delay of payment up to 365 days. The companies are generating profit and have no overdue debts payable to the Group. The management analyzed budgets of these companies and concluded that receivables from them as at 31 December 2018 in the amount of BYN 71,127 thousand (2017: BYN 51,644 thousand) will be fully repaid. The Group assesses the exposure to credit risk and ECLs for trade receivables under the agreements with these companies on the individual basis.

29. COMMITMENTS AND CONTINGENCIES

Commitments under operating lease

The Group rents commercial, warehouse and subsidiary premises and production equipment under operating lease agreements. The lease agreement is usually initially concluded for a term of five to ten years with the right of its subsequent extension. Rent payments are regularly reviewed in accordance with market rates.

The Group rents premises and equipment with the right of early termination upon notice to the lessor provided, as a rule, at least 3 months before the date of such termination. Therefore, the Group has obligations of lease payments under operating leases.

Below are the minimum amounts of future lease payments under operating lease that cannot be cancelled in cases where the Group acts as a lessee:

	31 December 2018	31 December 2017
Payable within one year	28,263	22,219
Payable within a period from 2 to 5 years	610	-
Total liabilities under operating leases	**28,873**	**22,219**

Legal claims

In the course of the Group's activities, customers and counterparties may lodge claims against the Group. Management believes that, as a result of the proceedings, the Group will not incur significant losses and accordingly no provision has been made in the financial statements.

Credit-related commitments

In the course of its activities, the Bank uses financial instruments with off-balance sheet risks to meet the needs of its customers. These instruments carrying credit risks to various extents, are not reflected in the statement of financial position. The Bank's maximum exposure to contingent financial liabilities and credit commitments in the event of non-performance by the second party to the transaction and the impairment of all counterclaims and pledge is the same as the contractual value of these instruments.

The Bank applies the same credit policy in respect of contingent liabilities as for financial instruments recorded in the statement of financial position.

29. COMMITMENTS AND CONTINGENCIES (continued)

Credit-related commitments (continued)

The credit-related commitments of the Bank were as follows:

	31 December 2018	31 December 2017
Guarantees issued	729	6,972
Total credit-related commitments	**729**	**6,972**
Provision for credit-related commitments	(33)	(230)
Net credit-related commitments	**696**	**6,742**

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Management of risk and capital is an essential element of the Group's operations. The main financial risk inherent to the Group's operations is the liquidity risk. A description of the Group's risk management policies in relation to this liquidity risk follows. Credit risk exposures, market movements in interest rates and foreign exchange rates are not significant in the reporting period.

Credit risk

The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group performs the evaluation of creditworthiness for each customer individually and determines the delay of payments based on internal assessment of the solvency and significance of the customer. The terms of payments are reviewed on a regular basis, at least once a year.

The Group's maximum exposure to credit risk is generally equal to the carrying amounts of financial assets and contingent liabilities. For guarantees issued maximum exposure to credit risk is equal to contractual amount of the guarantee.

As at 31 December 2018 and 31 December 2017 the maximum exposure to credit risk, taking into account impairment losses, was as follows:

	31 December 2018	31 December 2017
Cash and cash equivalents	161,942	173,906
Trade and other receivables	158,774	105,227
Loans granted	78,644	52,618
Other investments	7,143	31,107
Total	**406,503**	**362,858**

Credit risk related to financial instruments not included in the statement of financial position is assessed as a probability of losses incurred if one party to a financial instrument will fail to discharge an obligation. As for credit risk related to commitments under loans granted, the Bank is potentially exposed to losses amounting to the total amount of unused commitments. However, the estimated amount of losses is less than the total amount of unused commitments, since most of the commitments under loans granted depend on customers who maintain certain credit standards. The Bank applies the same credit policy in respect of contingencies as it does for financial instruments recorded in the statement of financial position, based on the procedures of transaction approvals, risk restricting limits and monitoring. The Bank controls the maturity of credit-related commitments not reflected in the statement of financial position, as the longer the maturity of contingencies, the higher the credit risk. The amount of unused credit-related commitments and financial guarantees is disclosed in Note 29.

Current and correspondent accounts in banks are mainly balances with Belarusian banks with international long-term ratings of at least "B" or not having an international rating, assigned by international rating agencies S&P and/or Fitch, as at 31 December 2018.

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group's current liabilities as at 31 December 2018 exceeded current assets by BYN 95,766 thousand (as at 31 December 2017 the Group's current liabilities exceeded current assets by BYN 5,683 thousand).

The Group's approach in managing liquidity risk is to maintain sufficient level of cash and other financial assets that can be converted into cash within short period of time to be able to discharge its obligations when they fall due, and avoid unnecessary costs and risk of damage to the Group's reputation. The Group monitors liquidity by preparing monthly forecast statements of cash flow. Based on latest monthly forecasts the management have not revealed any significant cash flow gaps. In case a liquidity gap is expected according to the monthly forecast statements, additional loan agreements are negotiated.

The Company undertakes a number of efforts to control liquidity risk through optimization of debt portfolio: reducing the average interest rate, cutting the share of secured debt, improving repayment schedule and diversifying sources of financing.

In order to provide liquidity for the year following the reporting period, the Group intends to sell one of its trade and office buildings. As the requirements of IFRS 5 "Long term assets held for sale and discontinued operations" were not met as at the reporting date, the Group did not reclassify it as a current asset.

Information concerning contractual maturity dates of financial liabilities as at 31 December 2018 including interest payments is presented below:

	Carrying amount	Cash flows under contract	Up to 1 year	1 to 5 years	Over 5 years
Loans and borrowings	(1,173,027)	(1,592,754)	(125,929)	(1,442,551)	(24,274)
Trade and other payables	(786,562)	(786,562)	(786,562)	-	-
Finance lease liabilities	(74,784)	(103,621)	(22,783)	(73,289)	(7,549)
Accrued interests	(11,652)	(11,433)	(11,433)	-	-
Total liabilities	**(2,046,025)**	**(2,494,370)**	**(946,707)**	**(1,515,840)**	**(31,823)**

Information concerning contractual maturity dates of financial liabilities as at 31 December 2017 including interest payments is presented below:

	Carrying amount	Cash flows under contract	Up to 1 year	1 to 5 years	Over 5 years
Loans and borrowings	(1,285,427)	(1,720,281)	(129,409)	(1,554,749)	(36,123)
Trade and other payables	(572,091)	(572,091)	(572,091)	-	-
Finance lease liabilities	(81,060)	(113,723)	(20,693)	(82,704)	(10,326)
Accrued interests	(14,363)	(14,363)	(14,363)	-	-
Total liabilities	**(1,952,941)**	**(2,420,458)**	**(736,556)**	**(1,637,453)**	**(46,449)**

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Purchases from a number of suppliers are settled in foreign currencies. For this reason the Group attracts bank loans in respective currencies while sale proceeds are denominated in Belarusian Rubles, which represents a currency risk. The Group manages currency risk in the process of determination of sale prices for goods.

As at 31 December 2018 the Company's exposure to the currency risk was as follows:

31 December 2018	**USD**	**EUR**	**RUB**	**Other**	**Total**
Financial assets					
Trade and other receivables	6,961	1,743	4,037	14	**12,755**
Loans granted	4,002	232	-	-	**4,234**
Cash and cash equivalents	2,297	1,603	1,062	-	**4,962**
Total financial assets	**13,260**	**3,578**	**5,099**	**14**	**21,951**
Financial liabilities					
Loans and borrowings	(656,623)	(49,468)	(32,534)	-	**(738,625)**
Accrued interests	(9,873)	(495)	(159)	-	**(10,527)**
Liabilities under finance leases	(3,220)	(35,633)	(1,095)	-	**(39,948)**
Trade and other payables	(37,118)	(81,205)	(31,406)	-	**(149,729)**
Total financial liabilities	**(706,834)**	**(166,801)**	**(65,194)**	**-**	**(938,829)**
Total open currency position	**(693,574)**	**(163,223)**	**(60,095)**	**14**	**(916,878)**

As at 31 December 2017 the Company's exposure to the currency risk was as follows:

31 December 2017	**USD**	**EUR**	**RUB**	**Other**	**Total**
Financial assets					
Trade and other receivables	1,954	26	2,216	-	**4,196**
Loans granted	3,887	497	-	-	**4,384**
Cash and cash equivalents	82,796	2,711	2,400	6	**87,913**
Total financial assets	**88,637**	**3,234**	**4,616**	**6**	**96,493**
Financial liabilities					
Loans and borrowings	(1,009,506)	(38,839)	-	-	**(1,048,345)**
Accrued interests	(13,555)	(256)	(24)	-	**(13,835)**
Liabilities under finance leases	(24,156)	(53,491)	(1,384)	-	**(79,031)**
Trade and other payables	(12,617)	(48,203)	(27,502)	-	**(88,322)**
Total financial liabilities	**(1,059,834)**	**(140,789)**	**(28,910)**	**-**	**(1,229,533)**
Total open currency position	**(971,197)**	**(137,555)**	**(24,294)**	**6**	**(1,133,040)**

As a rule, loans are denominated in currencies that do not correspond to the currency in which cash flows are generated by the relevant transactions of the Group, mainly in EUR and USD. The management of the Group as quickly as possible adjusts the prices of goods in line with changing exchange rates, and the potential risks of a significant devaluation of the national currency are offset by a significant difference between the interest rates for loans in foreign currency and Belarusian rubles. The Group does not use financial hedging instruments.

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Currency risk (continued)

The Group is actively working with creditors to convert liabilities in foreign currencies into the national currency. During 2018 long-term currency loans in the amount of USD 133 million were converted to BYN.

This allowed to reduce currency risks and avoid uncontrolled increase in the cost of the loan portfolio servicing in case of a significant devaluation of the national currency.

Currency risk sensitivity analysis

The following tables detail the Group's sensitivity to increase and decrease of exchange rates of US dollar, Euro and Russian Ruble to Belarusian Ruble. 10%-15% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis for equity as at 31 December 2018 and 31 December 2017 was calculated using the income tax rate of 18%.

	31 December 2018		31 December 2017	
	USD/BYN 10%	USD/BYN -10%	USD/BYN 10%	USD/BYN -10%
Effect on profit or loss before income taxes	(68,804)	68,804	(97,120)	97,120
Effect on net equity	(56,419)	56,419	(79,638)	79,638

	31 December 2018		31 December 2017	
	EUR/BYN 15%	EUR/BYN -15%	EUR/BYN 15%	EUR/BYN -15%
Effect on profit or loss before income taxes	(24,483)	24,483	(20,633)	20,633
Effect on net equity	(20,076)	20,076	(16,919)	16,919

	31 December 2018		31 December 2017	
	RUB/BYN 10%	RUB/BYN -10%	RUB/BYN 10%	RUB/BYN -10%
Effect on profit or loss before income taxes	(6,010)	6,010	(2,429)	2,429
Effect on net equity	(4,928)	4,928	(1,992)	1,992

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. However, there is a correlation between the assumptions and other factors.

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the profit or loss or the value of the financial instruments. The main financial instruments with floating rate relate to loans received from banks and floating rate is pegged to MOSPRIME rate and refinancing rate of the National Bank of the Republic of Belarus.

As at 31 December 2018 the structure of the Group's financial instruments grouped by the types of nominal interest rate was as follows:

	Interest-free	Fixed rate	Floating rate	Total
Trade and other receivables	158,774	-	-	**158,774**
Loans granted	-	78,644	-	**78,644**
Cash and cash equivalents	161,942	-	-	**161,942**
Other investments	1,613	5,530	-	**7,143**
Loans and borrowings	(4)	(682,876)	(490,147)	**(1,173,027)**
Accrued interests	-	(10,203)	(1,449)	**(11,652)**
Liabilities under finance leases	-	(74,784)	-	**(74,784)**
Trade and other payables	(786,562)	-	-	**(786,562)**
Total open position	**(464,237)**	**(683,689)**	**(491,596)**	**(1,639,522)**

As at 31 December 2017 the structure of the Group's financial instruments grouped by the types of nominal interest rate was as follows:

	Interest-free	Fixed rate	Floating rate	Total
Trade and other receivables	105,227	-	-	**105,227**
Loans granted	-	52,618	-	**52,618**
Cash and cash equivalents	173,906	-	-	**173,906**
Other investments	816	30,291	-	**31,107**
Loans and borrowings	-	(1,087,568)	(197,859)	**(1,285,427)**
Accrued interests	-	(12,697)	(1,666)	**(14,363)**
Liabilities under finance leases	-	(81,060)	-	**(81,060)**
Trade and other payables	(572,091)	-	-	**(572,091)**
Total open position	**(292,142)**	**(1,098,416)**	**(199,525)**	**(1,590,083)**

Changes in interest rates affect mainly received loans and borrowings, changing either their fair value (fixed-rate liabilities) or future cash flows (floating rate liabilities).

The following table presents the sensitivity analysis of interest rate risk, which has been determined based on reasonably possible changes in the risk variable applied to floating rate financial instruments. The level of these changes is determined by management. The sensitivity analysis represents the effect of increase/reduction in interest rates existing as at 31 December 2018 and 31 December 2017 on the net profit/loss of the Group by 100 (one hundred) points assuming that the change took place at the beginning of the financial year and held constant throughout the reporting period, provided all other variables, including currency exchange rates, were held constant.

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest rate risk (continued)

A possible change in interest rates by 100 basis points (1%) at the balance sheet date would reasonably increase/reduce the amount of equity and profit or loss for the year by the amounts before tax indicated below.

	31 December 2018		31 December 2017	
	Interest rate 1%	Interest rate -1%	Interest rate 1%	Interest rate -1%
Effect on profit or loss before income taxes	(4,916)	4,916	(1,995)	1,995
Effect on equity	(4,031)	4,031	(1,636)	1,636

Loan rates in the Republic of Belarus vary significantly at each reporting date. Changes in fair value when using fixed rate financial instruments and changes in market rates by 1% for the reporting dates were as follows:

	31 December 2018		31 December 2017	
	Interest rate 1%	Interest rate -1%	Interest rate 1%	Interest rate -1%
Changes in fair value	(6,837)	6,837	(10,984)	10,984

The Group does not account for any fixed-rate financial instruments as fair value through profit or loss or as fair value through other comprehensive income. Therefore a change in interest rates at the reporting date would not have an effect in profit or loss or in equity.

Operational risk

The Group's organizational structure, precise job specifications, clear division of responsibilities as well as control procedures allows the Company to monitor operational risks. The Group's finance and legal departments ensure that the Group's activities comply with existing legislation, approved plans, policies and other internal documents.

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and liabilities of the Group compared with the corresponding carrying amount in the consolidated statement of financial position of the Group is presented below:

31 December 2018	**Carrying amount**		**Fair value**			
	Financial assets at amortised cost	**Other financial liabilities**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets						
Loans granted	78,644	-	-	-	78,644	**78,644**
Trade and other receivables	158,774	-				
Cash and cash equivalents	161,942	-				
Other investments	7,143	-	-	5,530	1,613	**7,143**
Total	**406,503**	**-**	**-**	**5,530**	**80,257**	**85,787**
Financial liabilities						
Loans and borrowings	-	(1,173,027)	-	-	(1,268,918)	**(1,268,918)**
Accrued interests	-	(11,652)	-	-	(11,652)	**(11,652)**
Finance lease liabilities	-	(74,784)	-	-	(89,989)	**(89,989)**
Trade and other payables	-	(786,562)				
Total	**-**	**(2,046,025)**	**-**	**-**	**(1,370,559)**	**(1,370,559)**

31 December 2017	**Carrying amount**		**Fair value**			
	Loans and receivables	**Other financial liabilities**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets						
Loans granted	52,618	-	-	-	52,618	**52,618**
Trade and other receivables	105,227	-				
Cash and cash equivalents	173,906	-				
Other investments	31,107	-	-	30,291	816	**31,107**
Total	**362,858**	**-**	**-**	**30,291**	**53,434**	**83,725**
Financial liabilities						
Loans and borrowings	-	(1,285,427)	-	-	(1,316,638)	**(1,316,638)**
Accrued interests	-	(14,363)	-	-	(14,363)	**(14,363)**
Finance lease liabilities	-	(81,060)	-	-	(81,060)	**(81,060)**
Trade and other payables	-	(572,091)				
Total	**-**	**(1,952,941)**	**-**	**-**	**(1,412,061)**	**(1,412,061)**

The Group did not perform measurement of fair value for cash and cash equivalents, deposits, trade and other receivables and other payables, as due to short-term nature of these financial instruments their carrying values are approximately equivalent to their fair values.

31. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs
Financial assets at amortised costs	Discounted cash flows	Market interest rates published by the National Bank of the Republic of Belarus
Other financial liabilities	Discounted cash flows	

There were no transfers between fair value hierarchy levels in 2018 and 2017.

32. GOODWILL

As at the reporting date the goodwill by each company is as follows:

Company	31 December 2018	31 December 2017
CJSC "Dzerzhinsky Meat Factory"	3,103	3,103
JSC "Statusbank"	2,667	2,667
Other	589	1,285
Total	**6,359**	**7,055**

For the purpose of testing goodwill for impairment, goodwill is allocated between manufacturing units that represent the lowest level within the Group at which goodwill is monitored for internal control purposes and which does not exceed the level of the Group's operating segment.

The recoverable amount of each CGU was calculated on the basis of the value in use and was determined by discounting the cash flows expected to be received from the CGU in the future as a result of its continuing use. The analysis showed that the carrying value of the corresponding CGUs does not exceed their recoverable amount.

The main assumptions used to calculate the value in use include the discount rate, the growth rate for the terminal value calculation, and the EBITDA margin.

The applied discount rate is the pre-tax weighted average cost of equity calculated on the basis of the risk-free interest rate for 10-year government bonds in the relevant market and in the same currency as cash flows. The rate was adjusted to reflect the risk premium in order to reflect both the increased risk of investing in equity securities and the systematic risk of a specific division of the Group. The weighted average cost of equity was 17.9% for industrial enterprises and retail and 11.7% for the Bank.

Within the discounted cash flow model, cash flows were forecast for the period of 3-7 years, for which no growth was considered. The growth of terminal value has not been applied.

33. OPERATING SEGMENTS

The Group has the following two strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations of each reportable segment.

Reportable segments	Operations
Retail and wholesale	Retail trade with food and other consumer goods on the territory of Belarus.
Banking business	Attraction of deposits from legal entities, issuance of loans to private individuals and legal entities; opening and operation of accounts for private individuals and legal entities; purchase and sale of foreign currency and securities; issuance of bank guarantees.

Information on the reportable segments is presented below:

31 December 2018	Retail and wholesale	Banking business	Consolidation entries	Total
Segment assets	2,315,688	119,164	(51,076)	2,383,776
Segment liabilities	2,098,042	54,418	(5,092)	2,147,368
External revenues	4,461,764	17,126	-	4,478,890
Inter-segment revenue	1,271	201	(1,472)	-
Interest income	996	-	(124)	872
Interest expense	117,943	-	(226)	117,717
Depreciation and amortisation	82,224	737	-	82,961
Segment profit before tax	**91,126**	**8,106**	**-**	**99,232**

31 December 2017	Retail and wholesale	Banking business	Consolidation entries	Total
Segment assets	2,077,158	99,427	(46,304)	2,130,281
Segment liabilities	2,000,513	41,127	(320)	2,041,320
External revenues	3,916,935	15,866	-	3,932,801
Inter-segment revenue	1,060	501	(1,561)	-
Interest income	164	-	(15)	149
Interest expense	124,390	-	(501)	123,889
Depreciation and amortisation	87,433	697	-	88,130
Segment profit before tax	**111,418**	**5,544**	**-**	**116,962**

34. OPERATING ENVIRONMENT

The Group’s operations are primarily located in the Republic of Belarus. Consequently, the Group is exposed to the economic and financial markets of the Republic of Belarus, which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Republic of Belarus. The methods of the monetary policy regulation adopted by the National Bank of the Republic of Belarus, listed below, have made it possible to reduce both the volatility of the Belarusian ruble and the level of inflation over the past two years. Nevertheless, the period of the Belarusian ruble depreciation that preceded the stabilization and the following period of high inflation rates still lead to some uncertainty in the conditions for carrying out economic activities in the Republic of Belarus.

The consolidated financial statements reflect management’s assessment of the impact of the Belarus business environment on the operations and the financial position of the Company. The future business environment may differ from management’s assessment.

After macroeconomic downturn in 2015-2016 Belarus stepped into recovering economic growth with real Gross Domestic Product (GDP) turned positive and accounted to 3% in 2018. Economic growth was accompanied by positive trends in other macroeconomic indicators: inflation has declined from 10.6% in 2016, to 4.6% in 2017 and increased to 5.6% in 2018. The real disposable cash incomes of households returned to growth at 2.8% in 2017 and accelerated growth rates to 8.0 % in 2018.

The National Bank of the Republic of Belarus (hereinafter referred to as "NBRB" or "National Bank") continued its policy of stabilizing the financial market. In order to increase the efficiency of the refinancing rate as an instrument of monetary policy, from January 2018, the NBRB gradually reduced rates on the instruments of liquidity regulation from 11% to 10% at the end of the year.

The measures adopted by the NBRB had a positive impact on the stability of the national currency. The Belarusian ruble has stabilized. The exchange rate of the Belarusian ruble against the US dollar was 2.1598 as at 31 December 2018.

During 2018, the Republic of Belarus pursued an effective policy on public debt, which has remained almost unchanged since the beginning of the year (US$ 16.9 billion at the end of the year). In 2018 was issued sovereign Eurobonds worth US$ 600 million for a period of 12 years. The issue was placed at a record low rate in the history of Belarus’s attraction on the Eurobond market - 6.2%.

In 2018 the rating agencies Fitch and Moody’s raised the sovereign rating of the Republic of Belarus by one point to level B and B3 (outlook “stable”), based on the improvement of Belarus’s external liquidity position. Agency S&P affirmed the rating at level B (outlook "stable").

Despite the fact that according to the opinion of the Company’s management, it is taking adequate measures to support the sustainable development of its activities in the circumstances, further unforeseen deterioration of the situation in the above areas may negatively affect the results and the financial position of the Company and its counterparties. It is currently not possible to determine the extent of this impact on the Company's financial statements.

The taxation system in Belarus is characterised by complexity and frequent changes in legislation, official pronouncements and authorities’ decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. However, there is no extensive court practice in Belarus on tax issues.

34. OPERATING ENVIRONMENT (continued)

Taxes are subject to review and investigation for correctness of tax calculation by a number of authorities, which have the authority to impose severe fines and penalties. Correctness of tax calculation for the reporting period may be subject to review, as a rule, for the period not exceeding 5 calendar years. Recent events in Belarus suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

Transfer pricing legislation enacted in Belarus starting from 1 January 2012 provides the framework for preventing the erosion of the tax base. The specifics of the current transfer prising legislation in Belarus is that the sources of information for analysing the market prices are significantly limited. There is also no extensive court practice, which creates additional uncertainty in connection with the practical application of tax legislation by tax authorities in certain cases.

In accordance with the draft amendment to the Tax Code of the Republic of Belarus, significant changes in relation to transfer pricing legislation are expected from 2019, which are intended to bring them closer to OECD guidelines.

Transfer pricing rules are applied to transactions in foreign and domestic trade between related parties, as well as to foreign trade transactions between independent parties in certain cases established by the tax code of the Republic of Belarus.

Recently, there have been a number of changes in the tax legislation of Belarus aimed at regulating the tax consequences of transactions with related parties, such as limitation on “deductible” expenses on controlled debts (interest, management fees, etc.), restrictions on deductibility from the tax base of the so-called "economically unjustified costs". In addition, new changes to the Belarussian tax legislation have been recently adopted, which aimed at regulating tax consequences of transactions with foreign companies, such as concept of beneficial ownership of income.

These changes may potentially impact the Group’s tax position and create additional tax risks going forward. This legislation and practice of its application is still evolving and the impact of legislative changes should be considered based on the actual circumstances.

All these circumstances may create tax risks in Belarus that could be more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Belarussian tax legislation, official pronouncements and tax authorities’ decisions. However, the interpretations of the tax authorities could differ and the effect on these consolidated financial statements, if the authorities are successful in enforcing their interpretations, could be significant.

35. SUBSEQUENT EVENTS

As at 2 February 2019 “Ravidus” LLC was merged with the Group. As of 17 April 2019 the retail chain comprised of 811 of grocery stores and 130 drogerie stores.

Apart from the above, there were no other material events after the reporting period, which have a bearing on the understanding of the consolidated financial statements.

36. OTHER DISCLOSURES

The disclosures below are prepared in addition to the disclosures presented in Note 33 to present the detailed financial performance and financial position indicators of the Group's reporting segments.

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018:

	Retail and wholesale	Banking business	Consolidation entries	Total
Revenue, interest and commission income	4,463,035	17,327	(1,472)	4,478,890
Cost of goods and services sold and interest expenses	(3,320,774)	(3,302)	-	(3,324,076)
Gross profit	**1,142,261**	**14,025**	**(1,472)**	**1,154,814**
Administrative and selling expenses	(834,640)	(15,037)	1,269	(848,408)
Impairment loss on trade and other receivables	(1,216)	-	-	(1,216)
Other income	14,649	4,468	-	19,117
Other expenses	(15,141)	(1,161)	2	(16,300)
Operating profit	**305,913**	**2,295**	**(201)**	**308,007**
Finance income	4,773	940	(124)	5,589
Finance costs	(219,560)	4,871	325	(214,364)
Net finance costs	**(214,787)**	**5,811**	**201**	**(208,775)**
Profit before income tax	**91,126**	**8,106**	**-**	**99,232**
Income tax expense	(29,177)	(1,660)	-	(30,837)
Profit for the year	**61,949**	**6,446**	**-**	**68,395**

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017:

	Retail and wholesale	Banking business	Consolidation entries	Total
Revenue and interest and commission income	3,917,995	16,367	(1,561)	3,932,801
Cost of goods and services sold and interest expenses	(2,907,022)	(3,080)	15	(2,910,087)
Gross profit	**1,010,973**	**13,287**	**(1,546)**	**1,022,714**
Administrative and selling expenses	(715,629)	(14,242)	1,060	(728,811)
Impairment loss on trade and other receivables	(1,774)	-	-	(1,774)
Other income	10,316	5,446	-	15,762
Other expenses	(24,450)	113	-	(24,337)
Operating profit	**279,436**	**4,604**	**(486)**	**283,554**
Finance income	164	940	(15)	1,089
Finance costs	(168,182)	-	501	(167,681)
Net finance costs	**(168,018)**	**940**	**486**	**(166,592)**
Profit before income tax	**111,418**	**5,544**	**-**	**116,962**
Income tax expense	(13,486)	(959)	-	(14,445)
Profit for the year	**97,932**	**4,585**	**-**	**102,517**

36. OTHER DISCLOSURES (continued)

Information about depreciation of property, plant and equipment and amortisation of intangible assets is presented below:

	Retail and wholesale	Banking business	Total
		For the year ended 31 December 2018	
Depreciation	79,652	417	80,069
Amortisation	2,572	320	2,892
Total depreciation and amortisation	**82,224**	**737**	**82,961**
		For the year ended 31 December 2017	
Depreciation	85,412	697	86,109
Amortisation	2,021	-	2,021
Total depreciation and amortisation	**87,433**	**697**	**88,130**

Consolidated statement of financial position as at 31 December 2018:

	Retail and wholesale	Banking business	Consolidation	Total
Assets				
Property, plant and equipment	1,410,793	1,934	-	1,412,727
Prepayments for non-current assets	28,525	-	-	28,525
Intangible assets	10,129	1,497	-	11,626
Goodwill	3,692	-	2,667	6,359
Loans granted	-	51,036	-	51,036
VAT recoverable	12,214	-	-	12,214
Other investments	50,264	-	(48,651)	1,613
Deferred tax assets	52,155	(983)	-	51,172
Total non-current assets	**1,567,772**	**53,484**	**(45,984)**	**1,575,272**
Inventories	381,415	60	-	381,475
Trade and other receivables	158,355	535	(116)	158,774
Current tax asset	821	286	-	1,107
VAT recoverable	18,012	-	-	18,012
Prepayments	53,276	715	-	53,991
Loans granted	120	31,927	(4,439)	27,608
Other investments	-	5,530	-	5,530
Cash and cash equivalents	135,917	26,562	(537)	161,942
Non-current assets held for sale	-	65	-	65
Total current assets	**747,916**	**65,680**	**(5,092)**	**808,504**
Total assets	**2,315,688**	**119,164**	**(51,076)**	**2,383,776**
Equity				
Share capital	132,242	52,817	(52,817)	132,242
Revaluation reserve	340,375	-	-	340,375
Retained earnings / (Accumulated loss)	(254,999)	11,929	6,521	(236,549)
Equity attributable to owners of the Company	**217,618**	**64,746**	**(46,296)**	**236,068**
Non-controlling interests	28	-	312	340
Total equity	**217,646**	**64,746**	**(45,984)**	**236,408**

36. OTHER DISCLOSURES (continued)

Consolidated statement of financial position as at 31 December 2018 (continued)

	Retail and wholesale	Banking business	Consolidation	Total
Liabilities				
Loans and borrowings	1,160,798	2,776	-	1,163,574
Liabilities under finance leases	61,766	-	-	61,766
Deferred income	2,635	-	-	2,635
Deferred tax liabilities	1,592	-	-	1,592
Other non-current liabilities	9,820	3,711	-	13,531
Total non-current liabilities	**1,236,611**	**6,487**	**-**	**1,243,098**
Loans and borrowings	13,853	-	(4,400)	9,453
Accrued interest	11,579	112	(39)	11,652
Liabilities under finance leases	13,018	-	-	13,018
Trade and other payables	739,948	47,153	(539)	786,562
Current tax liabilities	3,271	19	-	3,290
Deferred income	2,433	3	-	2,436
Other current liabilities	77,329	644	(114)	77,859
Total current liabilities	**861,431**	**47,931**	**(5,092)**	**904,270**
Total liabilities	**2,098,042**	**54,418**	**(5,092)**	**2,147,368**
Total equity and liabilities	**2,315,688**	**119,164**	**(51,076)**	**2,383,776**

Consolidated statement of financial position as at 31 December 2017:

	Retail and wholesale	Banking business	Consolidation	Total
Assets				
Property, plant and equipment	1,263,109	2,105	-	1,265,214
Prepayments for non-current assets	28,970	-	-	28,970
Intangible assets	5,244	1,250	-	6,494
Goodwill	4,388	-	2,667	7,055
Loans granted	-	41,283	(77)	41,206
VAT recoverable	7,994	-	-	7,994
Other investments	49,467	-	(48,651)	816
Deferred tax assets	89,865	(904)	-	88,961
Total non-current assets	**1,449,037**	**43,734**	**(46,061)**	**1,446,710**
Inventories	299,629	44	-	299,673
Trade and other receivables	104,949	397	(119)	105,227
Current tax asset	135	573	-	708
VAT recoverable	21,003	-	-	21,003
Prepayments	40,767	497	-	41,264
Loans granted	120	11,324	(32)	11,412
Other investments	-	30,291	-	30,291
Cash and cash equivalents	161,518	12,480	(92)	173,906
Non-current assets held for sale	-	87	-	87
Total current assets	**628,121**	**55,693**	**(243)**	**683,571**
Total assets	**2,077,158**	**99,427**	**(46,304)**	**2,130,281**

36. OTHER DISCLOSURES (continued)

Consolidated statement of financial position as at 31 December 2017 (continued)

	Retail and wholesale	Banking business	Consolidation	Total
Equity				
Share capital	132,242	52,817	(52,817)	132,242
Revaluation reserve	238,088	-	-	238,088
Retained earnings / (Accumulated loss)	(293,704)	5,483	6,551	(281,670)
Equity attributable to owners of the Company	**76,626**	**58,300**	**(46,266)**	**88,660**
Non-controlling interests	19	-	282	301
Total equity	**76,645**	**58,300**	**(45,984)**	**88,961**
Liabilities				
Loans and borrowings	1,263,592	1,043	(79)	1,264,556
Liabilities under finance leases	70,257	-	-	70,257
Deferred income	4,303	-	-	4,303
Deferred tax liabilities	3,237	-	-	3,237
Other non-current liabilities	7,553	2,160	-	9,713
Total non-current liabilities	**1,348,942**	**3,203**	**(79)**	**1,352,066**
Loans and borrowings	20,901	-	(30)	20,871
Accrued interest	14,363	-	-	14,363
Liabilities under finance leases	10,803	-	-	10,803
Trade and other payables	534,267	37,921	(97)	572,091
Current tax liabilities	1,888	3	-	1,891
Deferred income	1,543	-	-	1,543
Other current liabilities	67,806	-	(114)	67,692
Total current liabilities	**651,571**	**37,924**	**(241)**	**689,254**
Total liabilities	**2,000,513**	**41,127**	**(320)**	**2,041,320**
Total equity and liabilities	**2,077,158**	**99,427**	**(46,304)**	**2,130,281**