
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

Or

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2020

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Or

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 001-39713

OZON HOLDINGS PLC

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

Cyprus

(Jurisdiction of incorporation or organization)

Arch. Makariou III, 2-4,
Capital Center, 9th floor, 1065, Nicosia, Cyprus
(Address of principal executive offices)

Nadezhda Belova
+ 357 22 360 000
Arch. Makariou III, 2-4,
Capital Center, 9th floor, 1065, Nicosia, Cyprus
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class

Trading
Symbol

Name of Each Exchange
on Which Registered

American Depositary Shares, each representing
one ordinary share with a nominal value of \$0.001
per share
Ordinary shares, nominal value of \$0.001 per
share*

OZON

The NASDAQ Global Select Market

N/A

* Not registered for trading, but exist only in connection with the registration of the American Depositary Shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the Issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2020, 203,729,958 ordinary shares and 2 Class A ordinary shares were outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such a shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒
Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13 (a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐ International Financial Reporting Standards as issued
by the International Accounting Standards Board ☒ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow ☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

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ABOUT THIS ANNUAL REPORT

Except where the context otherwise requires or where otherwise indicated, the terms “OZON,” the “Company,” “Group,” “we,” “us,” “our,” “our company” and “our business” refer to Ozon Holdings PLC, together with its consolidated subsidiaries as a consolidated entity.

All references in this annual report (“Annual Report”) to “rubles,” “RUB” or “₽” refer to Russian rubles, the terms “dollar,” “USD” or “\$” refer to U.S. dollars and the terms “€” or “euro” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the treaty establishing the European Community, as amended.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

We report under International Financial Reporting Standards (“IFRS”) as adopted by the International Accounting Standards Board (the “IASB”). None of our financial statements were prepared in accordance with generally accepted accounting principles in the United States. We present our consolidated financial statements in rubles.

On November 27, 2020, we issued 37,950,000 ordinary shares (with a nominal value of \$0.001 per share) represented by American Depositary Shares, with each ADS representing one ordinary share (“ADSs”), as part of our initial public offering (the “IPO”), including the underwriter’s overallotment option. On November 27, 2020 and December 4, 2020, we also issued an aggregate 4,500,000 ordinary shares represented by ADSs as part of concurrent private placements to Baring Vostok Fund V Nominees Limited (“BVFVNL”), BV Special Investments Limited (“BVSIL”) and Sistema PJSFC (“Sistema”) (“Concurrent Private Placements”).

Use of Non-IFRS Financial Measures

Certain parts of this Annual Report contain non-IFRS financial measures, including, among others, Contribution Profit/(Loss), Adjusted EBITDA and Free Cash Flow. We define:

- *Contribution Profit/(Loss)* as loss for the period before income tax benefit/(expense), total non-operating (expense)/income, general and administrative expenses, technology and content expenses and sales and marketing expenses.
- *Adjusted EBITDA* as loss for the period before income tax benefit/(expense), total non-operating (expense)/income, depreciation and amortization and share-based compensation expense.
- *Free Cash Flow* as net cash generated from/(used in) operating activities less payments for purchase of property, plant and equipment and intangible assets, and the payment of the principal portion of lease liabilities.

Contribution Profit/(Loss), Adjusted EBITDA and Free Cash Flow are used by our management to monitor the underlying performance of the business and its operations. These measures are used by other companies for a variety of purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing these measures as reported by us to the same or similar measures as reported by other companies. Contribution Profit/(Loss), Adjusted EBITDA and Free Cash Flow may not be comparable to similarly titled metrics of other companies. These measures are unaudited and have not been prepared in accordance with IFRS or any other generally accepted accounting principles.

Contribution Profit/(Loss), Adjusted EBITDA and Free Cash Flow are not measurements of performance or liquidity under IFRS or any other generally accepted accounting principles, and you should not consider them as an alternative to loss for the period, operating loss, net cash generated from/(used in) operating activities or other financial measures determined in accordance with IFRS or other generally accepted accounting principles. These measures have limitations as analytical tools, and you should not consider them in isolation. See Item 3.A. “Key Information—Selected Financial Data” for more detail on these limitations of Contribution Profit/(Loss), Adjusted EBITDA and Free Cash Flow. Accordingly, prospective investors should not place undue reliance on these non-IFRS financial measures contained in this Annual Report.

Other Key Operating Measures

Certain parts of this Annual Report contain our key operating measures, including, among others, gross merchandise value including revenue from services (“GMV incl. services”), share of our online marketplace (our “Marketplace”) GMV (“Share of Marketplace GMV”), number of orders and number of active buyers. We define:

- *GMV incl. services* as the total value of orders processed through our platform, as well as revenue from services to our buyers and sellers, such as delivery, advertising and other services rendered by our Ozon.ru operating segment. GMV incl. services is inclusive of value added taxes, net of discounts, returns and cancellations. GMV incl. services does not represent revenue earned by us. GMV incl. services does not include travel ticketing commissions, other service revenues or value of orders processed through our Ozon.travel operating segment.
- *Share of Marketplace GMV* as the total value of orders processed through our Marketplace, inclusive of value added taxes, net of discounts, returns and cancellations, divided by GMV incl. services in a given period. Share of Marketplace GMV includes only the value of goods processed through our platform and does not include services revenue.
- *Number of orders* as the total number of orders delivered in a given period, net of returns and cancellations.
- *Number of active buyers* as the number of unique buyers who placed an order on our platform within the 12 month period preceding the relevant date, net of returns and cancellations.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements that relate to our current expectations and views of future events. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under Item 3.D. “*Key Information—Risk Factors*,” which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, these forward-looking statements can be identified by words or phrases such as “believe,” “may,” “will,” “expect,” “estimate,” “could,” “should,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “potential,” “continue,” “is/are likely to” or other similar expressions. Forward-looking statements contained in this Annual Report include, but are not limited to, statements about:

- our future financial performance, including our revenue, operating expenses and our ability to achieve and maintain profitability;
- our expectations regarding the development of our industry and the competitive environment in which we operate;
- the growth of our brand awareness and overall business; and
- our ability to improve our product offerings and technology platform and product offerings to attract and retain sellers and customers.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set forth in “*Risk Factors*” and the following:

- any significant fluctuations in our results of operations and growth rate;
- our lack of historical profitability and risks in achieving profitability in the future;
- our ability to effectively promote our business and attract new and retain current buyers and sellers;
- any failure to retain our market position in a competitive e-commerce market or switch of our buyers to offline retail stores or our online or offline competitors;
- our reliance on counterparties and third-party providers;
- our reliance on the Russian internet infrastructure, and the risks that disruptions may impair our customers’ experiences and our business operations;
- any failure to attract or retain our qualified employees and IT specialists;
- global political and economic stability, and the risks they pose for the Russian economy;
- imposition of further economic sanctions on Russian companies and businesses and the impact of current sanctions;

- ongoing development of the Russian legal system and developing legal framework governing ecommerce in Russia;
- further widespread impacts of the COVID-19 pandemic or other health crises restricting the level of business activity, travel, transportation and otherwise affecting our customers, as well as any governmental or international response measures;
- privacy, personal data and data protection concerns, and the risk of fines and other sanctions on us if we fail to comply with applicable regulations;
- our ability to successfully remediate the existing material weakness and significant deficiency in our internal control over financial reporting and our ability to establish and maintain an effective system of internal control over financial reporting;
- provisions in our articles of association that may discourage unsolicited takeover proposals that our shareholders may consider to be in their best interests or limit the ability of our shareholders to remove management; and
- as a foreign private issuer, we are exempt from a number of rules under the U.S. securities laws and Nasdaq corporate governance rules and are permitted to file less information with the SEC than U.S. companies, which may limit the information available to holders of the ADSs.

We operate in an evolving environment. New risks emerge from time to time, and it is not possible for our management to predict all risks, nor can we assess the effect of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

The forward-looking statements made in this Annual Report relate only to events or information as of the date on which the statements are made in this Annual Report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this Annual Report and the documents that we have filed as exhibits hereto completely and with the understanding that our actual future results or performance may be materially different from what we expect.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

The selected consolidated statements of profit or loss and other comprehensive income, selected consolidated statements of financial position data and selected consolidated statements of cash flows data as of and for the years ended December 31, 2020, 2019 and 2018 are derived from our audited consolidated financial statements included elsewhere in this Annual Report.

The financial data set forth below should be read in conjunction with, and is qualified by reference to, Item 5. “*Operating and Financial Review and Prospects*” and the consolidated financial statements and notes thereto included elsewhere in this Annual Report.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

(₽ in millions)	For the year ended December 31,		
	2020	2019	2018
Revenue:			
Sales of goods	81,414	53,487	33,920
Service revenue	22,936	6,617	3,300
Total revenue	104,350	60,104	37,220
Operating expenses:			
Cost of sales	(72,859)	(48,845)	(27,662)
Fulfillment and delivery	(30,676)	(16,808)	(8,232)
Sales and marketing	(10,015)	(7,153)	(3,335)
Technology and content	(4,394)	(3,520)	(2,123)
General and administrative	(3,729)	(2,390)	(1,742)
Total operating expenses	(121,673)	(78,716)	(43,094)
Operating loss	(17,323)	(18,612)	(5,874)
Loss on disposal of non-current assets	(35)	(7)	(3)
Finance costs	(2,115)	(980)	(66)
Finance income	311	179	195
Share of profit of an associate	112	54	82
Foreign currency exchange (loss) / gain, net	(1,984)	(213)	78
Other non-operating expenses	(1,000)	—	—
Total non-operating (expense)/income	(4,711)	(967)	286
Loss before income tax	(22,034)	(19,579)	(5,588)
Income tax (expense) / benefit	(230)	216	(73)
Loss for the year	(22,264)	(19,363)	(5,661)
Total comprehensive income for the year	(22,264)	(19,363)	(5,661)
Loss per share, in RUB			
Basic and diluted loss per share attributable to ordinary equity holders of the parent	(135.1)	(150.4)	(60.6)

Selected Consolidated Statements of Financial Position Data

(€ in millions)	For the year ended December 31,		
	2020	2019 ⁽¹⁾	2018
Total non-current assets	29,800	19,568	6,468
Total current assets	124,808	18,867	11,612
Total assets	154,608	38,435	18,080
Total equity	79,257	817	3,236
Total non-current liabilities	15,140	8,112	584
Total current liabilities	60,211	29,506	14,260
Total liabilities	75,351	37,618	14,844

- ⁽¹⁾ We adopted IFRS 16 using the modified retrospective approach with the date of initial application of January 1, 2019. Under this method, the standard was applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

Selected Consolidated Statements of Cash Flows Data

(€ in millions)	For the year ended December 31,		
	2020	2019	2018
Net cash generated from/(used in) operating activities	6,570	(14,312)	(3,599)
Net cash used in investing activities	(6,580)	(4,539)	(2,863)
Net cash generated from financing activities	102,567	19,335	5,270
Net increase/(decrease) in cash and cash equivalents	102,557	484	(1,192)
Cash and cash equivalents at the beginning of the period	2,994	2,684	3,803
Cash and cash equivalents at the end of the period	103,702	2,994	2,684

Non-IFRS Measures

(€ in millions)	For the year ended December 31,		
	2020	2019	2018
Contribution Profit/(Loss) ⁽¹⁾	815	(5,549)	1,326
Adjusted EBITDA ⁽²⁾	(11,716)	(15,832)	(5,305)
Free Cash Flow ⁽³⁾	(2,566)	(19,947)	(6,203)

- ⁽¹⁾ To provide investors with additional information regarding our results of operations, we have disclosed here and elsewhere in this Annual Report Contribution Profit/(Loss), a non-IFRS financial measure that we calculate as loss for the period before income tax benefit/(expense), total non-operating (expense)/income, general and administrative expenses, technology and content expenses and sales and marketing expenses.

Contribution Profit/(Loss) is a supplemental non-IFRS measure of our operating performance that is not required by, or presented in accordance with, IFRS. We have included Contribution Profit/(Loss) in this Annual Report because it is an important metric used by our management to measure our operating performance as it shows the result of our operations less expense items that represent the majority of our variable expenses.

Contribution Profit/(Loss) is an indicator of our operational profitability as it reflects direct costs to fulfill and deliver orders to our buyers. Accordingly, we believe that Contribution Profit/(Loss) provides useful information to investors in understanding and evaluating our operating results in the same manner as our management and board of directors.

Contribution Profit/(Loss) excludes significant expense items, including sales and marketing expenses, technology and content expenses, general and administrative expenses and other expense items that are not a direct function of sales. These expense items are an integral part of our business. Given these and other limitations, Contribution Profit/(Loss) should not be considered in isolation, or as an alternative to, or a substitute for, an analysis of our results reported in accordance with IFRS, including operating loss and loss for the period.

The following tables present a reconciliation of loss for the period to Contribution Profit/(Loss) for each of the periods indicated:

(P in millions)	For the year ended December 31,		
	2020	2019	2018
Loss for the year	(22,264)	(19,363)	(5,661)
Income tax expense / (benefit)	230	(216)	73
Total non-operating expense/(income)	4,711	967	(286)
General and administrative expenses	3,729	2,390	1,742
Technology and content expenses	4,394	3,520	2,123
Sales and marketing expenses	10,015	7,153	3,335
Contribution Profit/(Loss)	815	(5,549)	1,326

(P in millions)	2019				2020			
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
Loss for the period	(4,138)	(4,325)	(4,570)	(6,330)	(5,690)	(3,288)	(3,879)	(9,407)
Income tax (benefit)/expense	—	(16)	(7)	(193)	(7)	(69)	(18)	(324)
Total non-operating expense	268	119	241	339	177	403	564	3,567
General and administrative expenses	550	569	569	702	773	774	873	1,309
Technology and content expenses	893	873	810	944	940	1,022	1,051	1,381
Sales and marketing expenses	1,398	1,548	1,852	2,355	2,084	2,066	2,392	3,473
Contribution Profit/(Loss)	(1,029)	(1,232)	(1,105)	(2,183)	(1,723)	908	983	647

- (2) To provide investors with additional information regarding our results of operations, we have disclosed here and elsewhere in this Annual Report Adjusted EBITDA, a non-IFRS financial measure that we calculate as loss for the period before income tax benefit/(expense), total non-operating (expense)/income, depreciation and amortization and share-based compensation expense.

Adjusted EBITDA is a supplemental non-IFRS financial measure that is not required by, or presented in accordance with, IFRS. We have included Adjusted EBITDA in this Annual Report because it is a key measure used by our management and board of directors to evaluate our operating performance, generate future operating plans and make strategic decisions regarding the allocation of capital. In particular, the exclusion of certain expenses in calculating Adjusted EBITDA facilitates operating performance comparability across reporting periods by removing the effect of non-cash expenses and non-operating expense/(income). Accordingly, we believe that Adjusted EBITDA provides useful information to investors in understanding and evaluating our operating results in the same manner as our management and board of directors.

We believe it is useful to exclude non-cash charges, such as depreciation and amortization and share-based compensation expense, from our Adjusted EBITDA because the amount of such expenses in any specific period may not directly correlate to the underlying performance of our business operations. We believe it is useful to exclude income tax benefit/(expense) and non-operating expense/(income) as these items are not components of our core business operations. Adjusted EBITDA has limitations as a financial measure, and you should not consider it in isolation or as a substitute for loss for the period as a profit measure or other analysis of our results as reported under IFRS. Some of these limitations are:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect capital expenditure requirements for such replacements or for new capital expenditures;
- Adjusted EBITDA does not reflect share-based compensation, which has been, and will continue to be for the foreseeable future, a recurring expense in our business and an important part of our compensation strategy; and
- other companies, including companies in our industry, may calculate Adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

Because of these limitations, you should consider Adjusted EBITDA alongside other financial performance measures, including various cash flow metrics, operating loss, loss for the period and our other IFRS results.

The following tables present a reconciliation of loss for the period to Adjusted EBITDA for each of the periods indicated:

(P in millions)	For the year ended December 31,		
	2020	2019	2018
Loss for the year	(22,264)	(19,363)	(5,661)
Income tax expense / (benefit)	230	(216)	73
Total non-operating expense/(income)	4,711	967	(286)
Depreciation and amortization	4,963	2,590	487
Share-based compensation expense	644	190	82
Adjusted EBITDA	(11,716)	(15,832)	(5,305)

(P in millions)	2019				2020			
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
Loss for the period	(4,138)	(4,325)	(4,570)	(6,330)	(5,690)	(3,288)	(3,879)	(9,407)
Income tax (benefit)/expense	—	(16)	(7)	(193)	(7)	(69)	(18)	(324)
Total non-operating expense	268	119	241	339	177	403	564	3,567
Depreciation and amortization	507	559	647	877	957	1,091	1,354	1,561
Share-based compensation expense	66	21	58	45	77	67	121	379
Adjusted EBITDA	(3,297)	(3,642)	(3,631)	(5,262)	(4,486)	(1,796)	(1,858)	(3,576)

- (3) To provide investors with additional information regarding our financial results, we have also disclosed here and elsewhere in this Annual Report Free Cash Flow, a non-IFRS financial measure that we calculate as net cash generated from/(used in) operating activities less capital expenditures, which consist of payments for purchase of property, plant and equipment and intangible assets, and the payment of the principal portion of lease liabilities.

Free Cash Flow is a supplemental non-IFRS financial measure that is not required by, or presented in accordance with, IFRS. We have included Free Cash Flow in this Annual Report because it is an important indicator of our liquidity as it measures the amount of cash we generate/(use) and provide additional perspective on impact of our cash capital expenditures and assets used by us through lease obligations. Accordingly, we believe that Free Cash Flow provides useful information to investors in understanding and evaluating our operating results in the same manner as our management and board of directors.

Free Cash Flow has limitations as a financial measure, and you should not consider it in isolation or as substitutes for net cash used in operating activities as a measure of our liquidity or other analysis of our results as reported under IFRS. There are limitations to using non-IFRS financial measures, including that other companies, including companies in our industry, may calculate Free Cash Flow differently. Because of these limitations, you should consider Free Cash Flow alongside other financial performance measures, including net cash generated from/(used in) operating activities, capital expenditures and our other IFRS results.

(P in millions)	For the year ended December 31,		
	2020	2019	2018
Net cash generated from/(used in) operating activities	6,570	(14,312)	(3,599)
Purchase of property, plant and equipment	(6,714)	(4,742)	(2,472)
Purchase of intangible assets	(126)	(26)	(93)
Payment of the principal portion of lease liabilities	(2,296)	(867)	(39)
Free Cash Flow	(2,566)	(19,947)	(6,203)

(P in millions)	2019				2020			
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
Net cash generated from /(used in) operating activities	(3,282)	(6,935)	(1,373)	(2,722)	(2,410)	(2,107)	443	10,644
Purchase of property, plant and equipment	(401)	(1,244)	(1,478)	(1,619)	(1,099)	(1,983)	(1,626)	(2,006)
Purchase of intangible assets	(7)	(13)	(3)	(3)	(10)	(15)	(48)	(53)
Payment of the principal portion of lease liabilities	(161)	(112)	(198)	(396)	(472)	(392)	(634)	(798)
Free Cash Flow	(3,851)	(8,304)	(3,052)	(4,740)	(3,991)	(4,497)	(1,865)	7,787

Other Data

(€ in millions, unless indicated otherwise)

	For the year ended December 31,		
	2020	2019	2018
GMV incl. services ⁽¹⁾	197,414	80,815	41,888
Share of Marketplace GMV, % ⁽¹⁾	47.8	17.4	0.9
Gross profit	31,491	11,259	9,558
Gross profit as a percentage of GMV incl. services, %	16.0	13.9	22.8
Contribution Profit/(Loss) as a percentage of GMV incl. services, %	0.4	(6.9)	3.2
Adjusted EBITDA as a percentage of GMV incl. services, %	(5.9)	(19.6)	(12.7)
Number of orders, million ⁽¹⁾	73.9	31.8	15.3
Number of active buyers, million ⁽¹⁾	13.8	7.9	4.8

⁽¹⁾ See the definitions of GMV incl. services, Share of Marketplace GMV, number of orders and number of active buyers in “Presentation of Financial and Other Information” and Item 5.A. “Operating and Financial Review and Prospects—Operating Results.”

See also Item 8. “Financial Information.”

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

You should carefully consider the risks described below before making an investment decision. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. Our business, prospects, financial condition or results of operations could be materially and adversely affected by any of these risks. The trading price and value of the ADSs could decline due to any of these risks, and you may lose all or part of your investment. This Annual Report also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this Annual Report.

Summary Risk Factors

Our business is subject to numerous risks. We may be unable, for many reasons, including those that are beyond our control, to implement our business strategy. In particular, risks associated with our business include, but are not limited to, the following:

- we may experience significant fluctuations in our results of operations and growth rate;
- we have incurred significant losses in the past and are likely to continue to incur losses as we continue to invest in order to grow, and we may not achieve profitability going forward;
- we may need to raise additional funds to finance our future capital needs, which may dilute the value of the outstanding ADSs or prevent us from growing our business;
- if we fail to effectively promote our business and attract new and retain current buyers and sellers, our business, results of operations and prospects may be materially and adversely affected;
- if we fail to maintain and enhance our brand, our business, prospects and results of operations may be materially and adversely affected;
- we operate in a competitive market, and if we fail to retain our current market position, our business and results of operations could be materially and adversely affected;
- if we fail to improve our customer experience, product offerings and IT platform, we may not be able to attract and retain sellers and buyers, which may have a material adverse effect on our business, financial condition and results of operations;
- if we are not able to respond successfully to technological or industry developments, including changes to the business models deployed in our industry, our business may be materially and adversely affected;
- our expansion into new products, services, technologies and geographic regions subjects us to additional risks;
- we may be required to obtain permits or licenses with respect to our existing and new financial technology solutions in the future;
- we rely on many counterparties and third-party providers in our business, and the nonperformance or loss of a significant third-party provider through bankruptcy, consolidation, or otherwise, could adversely affect our operations;

- our business may be adversely affected if counterparties that we contract with who are registered as individual entrepreneurs or self-employed persons, which includes couriers, are classified as our employees;
- we may have difficulties with sourcing the products we sell through our Direct Sales business;
- failed deliveries, excessive returns and other logistics issues may adversely affect our business and prospects;
- a significant disruption in internet access, telecommunications networks or our IT platform may cause slow response times or otherwise impair our customers' experience, which may in turn reduce traffic to our mobile apps and websites and significantly harm our business, financial condition and results of operations;
- computer viruses, undetected software errors and hacking may cause delays or interruptions on our systems and may reduce the use of our services and damage our brand reputation;
- privacy and data protection concerns and related claims, including evolving government regulation in the area of consumer data privacy or data protection, could adversely affect our business and results of operations;
- we may be unable to effectively communicate with our buyers and sellers through email, other messages or social media;
- real or perceived inaccuracies of our internally calculated operating metrics or industry and competitive information provided by third parties may harm our reputation;
- we may use open source code in a manner that could be harmful to our business;
- we may be subject to product liability claims when people or property are harmed or damaged by the products that are sold on our platform;
- we may be subject to material litigation;
- we are subject to payments-related risks;
- we may be impacted by fraudulent or unlawful activities of sellers, which could have a material adverse effect on our reputation and business and may result in civil or criminal liability;
- if we fail to adequately protect our intellectual property rights, our business, prospects, financial condition and results of operations could be adversely affected;
- we may be subject to intellectual property infringement claims brought against us by others, which are costly to defend and could result in significant damage awards;
- we are exposed to the risk of inadvertently violating anti-corruption laws, anti-money laundering laws and other similar laws and regulations;
- we engage in de minimis activities relating to Crimea, and these activities could potentially impede our ability to raise funding in international capital markets and subject us to liability for noncompliance relating to various trade and economic sanctions laws and regulations;
- we depend on talented employees, including our senior management and IT specialists, to grow, operate and improve our business, and if we are unable to retain and motivate our personnel and attract new talent, we may not be able to grow effectively;
- employee misconduct is difficult to determine and detect and could harm our reputation and business;
- we do not have and may be unable to obtain sufficient insurance to protect ourselves from business risks;
- our business may be materially adversely affected by the COVID-19 pandemic;
- an increase in the share of international e-commerce companies in the Russian market or changes in measures aimed at restricting international e-commerce may adversely affect our business and results of operations; and
- if we were treated as a passive foreign investment company, investors in the ADSs subject to U.S. federal income tax could have material adverse tax consequences.

Risks Relating to Our Business and Industry

We may experience significant fluctuations in our results of operations and growth rate.

We have grown significantly in recent years, and we intend to continue to expand the scope and geographic reach of the services we provide. Our anticipated future growth will likely place significant demands on our management and operations. Our success in managing our growth will depend, to a significant degree, on the ability of our executive officers and other members of senior management to operate effectively and on our ability to further improve and develop our financial and management information systems, controls and procedures. In addition, we expect to have to adapt our existing systems and introduce new systems, train and manage our employees and improve and expand our sales and marketing capabilities.

Revenue growth may slow down or decline for any number of reasons, including our inability to attract and retain sellers and buyers, decreased buyer spending, increased competition, slowing overall growth of the e-commerce market, the emergence of alternative business models, changes in government policies and general economic conditions. We may also lose buyers and sellers for other reasons, such as a failure to deliver satisfactory

customer or transaction experience or high-quality services. If we are unable to properly and prudently manage our operations as they continue to grow, or if the quality of our services deteriorates due to mismanagement, our brand name and reputation could be significantly harmed, and our business, prospects, financial condition and results of operations could be materially and adversely affected.

In addition, a disproportionate amount of sales on our platform historically take place during our fourth quarter, and we expect this to continue. As a result of peak seasonal sales, as of December 31 of each year, our cash and cash equivalents balances typically reach an elevated level (other than as a result of cash flows provided by or used in investing and financing activities). This operating cycle results in a corresponding increase in accounts payable, combined with a decrease in inventories, as of December 31. Our accounts payable balance generally declines during the first month of each year, resulting in a corresponding decline in our cash and cash equivalents balances.

Our results of operations may fluctuate significantly as a result of a variety of factors, including those described above. As a result, historical period-to-period comparisons of our results of operations are not necessarily indicative of future period-to-period results. You should not rely on the results of a single fiscal quarter as an indication of our annual results or our future performance.

We have incurred significant losses in the past and are likely to continue to incur losses as we continue to invest in order to grow, and we may not achieve profitability going forward.

We incurred total losses of ₪22,264 million, ₪19,363 million and ₪5,661 million in the years ended December 31, 2020, 2019 and 2018. We will need to generate and sustain increased revenue levels and decrease the proportionate amount of expenses in future periods to achieve profitability in our markets, and even if we do, we may not be able to maintain or increase profitability. We anticipate that we will continue to incur losses in the near term as a result of expected increases in our operating expenses as we continue to invest in our business in order to grow and retain our buyer base, expand our logistics and fulfillment capabilities, as well as continue developing and improving our platform and offering new products and services. These efforts may prove more expensive than we anticipate, and many of our efforts to generate revenue are new and unproven (for example, our recent financial technology (“Fintech”) initiatives, see Item 4.B. “*Information on the Company—Business Overview—Financial Services Offerings*”). As a result, any failure to adequately increase our revenue or contain the costs related to our expansion could prevent us from attaining or increasing profitability. In addition, we regularly introduce new services, such as our Marketplace, which we added in September 2018, and a number of financial services that we started to actively develop in recent years, such as our OZON.Card and OZON.Installment, and which we expect to add value to our overall business and network, but could result in an unexpected increase in costs or divert our senior management’s attention, which could negatively impact our goal of achieving profitability. As we expand our services to additional sellers and buyers in various regions and add new categories of products, our offerings in these markets may be less profitable than the markets in which we currently operate, which may not offset the costs required to expand into these markets and could impact our ability to achieve or sustain profitability. We may also fail to improve the purchase terms with our suppliers and improve our marketing efficiency and utilization of infrastructure, which could increase our costs and limit our ability to reinvest into other areas of our business. As a result of the preceding factors, in addition to various other factors that may arise, we may not be able to achieve, maintain or increase profitability in the near term or at all.

We may need to raise additional funds to finance our future capital needs, which may dilute the value of the outstanding ADSs or prevent us from growing our business.

We may need to raise additional funds to finance our existing and future capital needs, including developing new services and technologies and ongoing operating expenses. If we raise additional funds through the sale of equity securities, these transactions may dilute the current shareholdings. We may also decide to issue securities, including debt securities that have rights, preferences and privileges senior to the ADSs or convertible into the ADSs. For example, in February 2021, we completed the issuance of \$750 million senior unsecured bonds convertible into the ADSs (see Item 5.B. “*Operating and Financial Review and Prospects—Liquidity and Capital Resources—Borrowings*”). The bondholders have the right to convert the bonds into the ADSs during the relevant conversion period, which, if they exercise, may significantly dilute the value of the outstanding ADSs.

Any further debt financing would increase our level of indebtedness and could negatively affect our liquidity and restrict our operations, including increasing our vulnerability to general economic and industry conditions, limit our ability to plan and react to changes in our business and industry and place us at a disadvantage compared to competitors that have less indebtedness. We also can provide no assurance that the funds we raise will be sufficient to finance our existing indebtedness. Any breach of our financing arrangements, including the covenants, undertakings and other continuing obligations set out in the terms and conditions of the convertible bonds, or the inability to service our debt through internally generated cash flow or other sources of liquidity would lead to default, which could have a material adverse effect on our business.

We may be unable to raise additional funds on terms favorable to us or at all, and if financing is not available or is not available on terms acceptable to us, we may be unable to finance our future needs. This may prevent us from increasing our market share, capitalizing on new business opportunities or remaining competitive in our industry, any of which would have a material adverse effect on our business, prospects, financial condition and results of operations.

If we fail to effectively promote our business and attract new and retain current buyers and sellers, our business, results of operations and prospects may be materially and adversely affected.

We believe that the effective promotion of our business is of significant importance to our success. Enhancing our brand recognition in the e-commerce market is critical to increasing the quantity and depth of engagement of sellers and buyers with our platform, which, in turn, enhances the appeal and assortment of products and services to buyers. We have conducted and will continue to conduct various marketing and promotional activities, including through both digital channels and offline media, aimed at increasing the visibility of our business, the attractiveness of our platform for our sellers and buyers and the growth of buyer traffic on our websites and mobile apps. We cannot assure you, however, that these activities will be effective in achieving the intended promotional impact on our business. In addition, our buyers and sellers may have conflicting views regarding some of the new initiatives we introduce to improve our platform, which can diminish our attempts to maintain a positive network effect and negatively affect our buyer and seller base. Further, any negative publicity relating to our products or services, regardless of its veracity, could harm our reputation and cause buyers and sellers to leave our platform, which would have a material adverse effect on our business, financial condition and results of operations. If our marketing efforts are not successful in attracting new and retaining current buyers, our business, prospects, financial condition and results of operations could be materially and adversely affected.

If we fail to maintain and enhance our brand, our business, prospects and results of operations may be materially and adversely affected.

We believe that maintaining and enhancing our OZON brand is significantly important to the success of our business. A well-recognized brand is critical to increasing the number of buyers and sellers and the level of their engagement and, in turn, enhancing the attractiveness of our products and services to them. Despite conducting a number of brand promotion and recognition activities from time to time, we cannot assure you that these activities will be successful in the future or that we will be able to achieve the brand promotion effects that we expect. In addition, our competitors may increase the intensity of their marketing campaigns, which may force us to increase our advertising spend to maintain our brand awareness. If our brand is harmed or we are forced to increase our marketing expenses, our business, prospects, financial condition and results of operations could be materially and adversely affected.

We operate in a competitive market. If we fail to retain our current market position, our business and results of operations could be materially and adversely affected.

The markets for our products and services are competitive and rapidly evolving. The successful execution of our strategy depends on our ability to continuously attract and retain sellers and buyers, expand the market for our products and services, continue technological innovation and offer new capabilities to sellers and buyers. We have many competitors not only among other e-commerce companies, but also physical stores and a large and fragmented group of other offline retailers. We compete with these current and potential competitors for both sellers and buyers. From time to time, our buyers may decide not to continue purchasing products on our platform for various reasons, including choosing to shop in offline retail stores once more. Our sellers may also decide to switch to our

competitors' services. Some of our existing or potential competitors may have greater resources, capabilities and expertise in management, technology, finance, product development, sales, marketing and other areas. Further, the internet facilitates competitive entry and comparison shopping, which enhances the ability of new, smaller or lesser known businesses, including businesses from outside Russia, to compete against us. As a result of these various types of current and potential competitors, we may fail to retain or may lose our current market position, we may fail to continue to attract new and maintain our existing buyers and sellers, and we may be required to increase our spending or maintain lower prices, which could materially and adversely affect our business, prospects, financial condition and results of operations.

If we fail to improve our customer experience, product offerings and IT platform, we may not be able to attract and retain sellers and buyers, which may have a material adverse effect on our business, financial condition and results of operations.

Our success depends upon our ability to attract and retain both sellers and buyers. A key factor in attracting and retaining sellers and buyers is our ability to expand the variety of products and services offered by our platform, which, in turn, requires us to attract and retain a large number of sellers. Achieving these objectives requires the maintenance and continual improvement of our products and services, including the customer experience from both the seller and buyer perspective, the accessibility of buyer and seller support services and the reliability of transaction processing services, including reliable and fast delivery options.

To build and maintain our brand reputation and customer loyalty, we need to continue to improve our products and services, as well as innovate and introduce new products and services to enhance the customer experience of our sellers and buyers. This includes improving our platform to optimize product search results, introducing new ways to pay for products bought on our platform (including through OZON.Installment or using our OZON.Card), improving data analytics for sellers and continuing to assess and enhance the customer experience on our websites and mobile apps generally. In addition, we need to adapt and improve customer interfaces on our platform to keep up with evolving buyer preferences. For example, in light of the growing propensity of customers to use smartphones to conduct transactions, we will continue to focus on optimizing our mobile apps to successfully manage access to our platform on mobile devices. Further, it is difficult to predict the problems that we may encounter in innovating and introducing new products and services, and we may need to devote significant resources to the creation, support and maintenance of our platform. We cannot provide any assurances that our innovative technological initiatives to improve our customer experience will be successful, including whether our new products or service offerings and delivery methods will be well-received by sellers and buyers or improve our operational cost efficiencies. If we are unable to increase and retain the number of sellers and buyers on our platform, or increase the quantity and quality of products and services offered, our business, prospects, financial condition and results of operations could be materially and adversely affected.

If we are not able to respond successfully to technological or industry developments, including changes to the business models deployed in our industry, our business may be materially and adversely affected.

The e-commerce market is characterized by rapid technological developments, frequent launches of new products and services, changes in buyer needs and behavior and evolving industry standards. As a result, participants in the e-commerce industry constantly change their product offerings and business models and adopt new technologies to, among other things, increase cost efficiency and adapt to buyer preferences. There can be no assurances that our key competitors will not adopt a more effective business strategy than us or that our competitors will not be able to more quickly adapt to industry changes than we will. If we fail to successfully and timely respond to technological or industry developments, it could result in a loss of sellers and buyers, and our brand, business, prospects, financial condition and results of operations could be materially and adversely affected.

Our expansion into new products, services, technologies and geographic regions subjects us to additional risks.

Our growth strategy depends, in part, on our expansion into new product or service offerings, such as the new financial technology services we offer. Our new initiatives may not be as profitable as expected, and we may be unable to recover our investments in them. In addition, we may be subject to claims if these product or service offerings suffer from service disruptions or failures or other quality issues. Failure to realize the expected returns of any of our investments in new technologies, products or services could result in our inability to cover the costs we

incurred to develop these technologies, which may adversely affect our financial condition or results of operations. Expansion of the categories of products we are offering, such as pharmaceuticals or alcoholic beverages, may result in increased regulatory scrutiny and compliance requirements as a result of the uncertain application of laws, regulations and changing enforcement practices. If we or our sellers fail to comply with laws and regulations applicable to regulated products, our Buyer Website and Shopping App may be blocked or restricted, which may adversely affect our business, financial condition and results of operations.

We may be required to obtain permits or licenses with respect to our existing and new financial technology solutions in the future.

We are actively developing a number of Fintech initiatives, which we believe should be complementary to the creation of an integral ecosystem around our primary e-commerce business and are aimed at increasing our average order value, the retention of our buyers and the loyalty of our sellers, as well as at lowering acquisition costs while processing payments. In the recent years, we have already introduced a number of Fintech solutions, such as OZON.Card, OZON.Account and OZON.Installment. See Item 4.B. “*Information on the Company—Business Overview—Financial Services Offerings.*”

The regulation of Fintech solutions in Russia is currently being developed, and we are currently expanding, and may continue to expand, into new Fintech and Fintech-related solutions. For example, in February 2021, we established a microfinancing company and intend to apply for its inclusion in the register of microfinancing companies maintained by the Central Bank of Russia (“CBR”) to provide the respective services. Although we do not believe we are required to hold or obtain, and do not currently hold, any other permits or licenses in order to offer our Fintech solutions, since legislation around these offerings is continuing to evolve and we may continue to expand into Fintech and may be subject to different interpretation by the Russian regulatory authorities in the future, there can be no assurance that we will not be required to obtain any such permits or licenses in the future with respect to any of our current or future Fintech solutions. If we fail to obtain such permits or licenses, currently or in the future, or fail to comply with any such permits or licenses we obtain, our business, prospects, financial condition and results of operations could be materially and adversely affected.

We rely on many counterparties and third-party providers in our business, and the nonperformance or loss of a significant third-party provider through bankruptcy, consolidation, or otherwise, could adversely affect our operations.

We are party to agreements with third-party companies in various aspects of our business model, including the lessors of our fulfillment centers and various logistics providers. If we are unable to maintain or renew leases, or lease other suitable premises on acceptable terms, or if our existing leases are terminated for any reason (including in connection with a lessor’s loss of its ownership rights to such premises), or if a lease’s terms (including rental charges) are revised to our detriment, such matters could have a material adverse effect on our business, financial condition and results of operations. If these third parties do not comply with applicable legal or administrative requirements, were to default on their obligations, or if we lose a significant provider through bankruptcy, consolidation or otherwise, we may be subject to litigation with these third-party providers, fail to renew the respective agreements on commercially acceptable terms and, therefore, face the need of switching to new third-party providers, who may provide services to us at higher prices, and any of the following of which could have a material adverse effect on our business, prospects, financial condition and results of operations.

Our business may be adversely affected if counterparties that we contract with who are registered as individual entrepreneurs or self-employed persons, which includes couriers, are classified as our employees.

A number of counterparties that we contract with are individuals registered either as individual entrepreneurs or self-employed persons. As a result of being registered as either an individual entrepreneur or self-employed person, we are not obliged to withhold personal income tax and pay social contributions when paying these counterparties for the services that they provide to us.

Persons registered as individual entrepreneurs pay personal income tax and social insurance contributions themselves.

Recently, a special tax regime for taxation of professional income was established, which allows individuals to register under a simplified “self-employed” regime. This special tax regime, which was developed and promoted by the Russian tax authorities to formalize relationships between legal entities and freelance individuals, provides for taxation of individuals who sell goods, perform work or provide services without having an established labor relationship and who are working as freelancers; for example, couriers, taxi drivers, IT specialists, translators and tutors. A self-employed person’s annual income cannot exceed ₺2.4 million in order for this special tax regime to apply. Individuals who obtain self-employed status are exempt from paying personal income tax and obligatory social insurance contributions and instead pay 4% or 6% tax through a mobile application on the receipt of their income. Provisions regulating this new “self-employed” special tax regime, however, remain untested by the Russian administrative and court practice due to insufficient period of implementation.

One of our key Russian operating subsidiaries contracts with some individuals who are registered as self-employed and individual entrepreneurs (for example, couriers that help with our fulfillment and logistics). As such, based on current legislation, we do not consider these individuals to be members of our staff, and we are not obliged to pay or withhold any taxes or contributions when making payments to them. As a result, there is a risk that the courts may, upon the demand of the Russian authorities or the relevant individual entrepreneurs or self-employed individuals, reclassify our relationships with such individuals as labor relationships if such individuals are regularly and predominantly working for the benefit of our Russian subsidiaries, which could result in the assessment of additional taxes, penalties and other liabilities on our Russian subsidiaries and could adversely affect our business, prospects, financial condition and results of operations.

We may have difficulties with sourcing the products we sell through our Direct Sales business.

Besides connecting, and facilitating transactions between, buyers and sellers on our Marketplace, we sell products directly to our buyers through our Direct Sales business. In our Direct Sales business, we purchase and hold inventory of a selection of products in our fulfillment centers to be sold directly to buyers, and therefore are dependent on our suppliers we source the products from. There can be no assurance that we will be able to timely replace any of our suppliers in case their products are no longer available to us or otherwise procure the supply of products to our facilities to be sold through the Direct Sales business, which may adversely affect our business, prospects, financial condition and results of operations.

Failed deliveries, excessive returns and other logistics issues may adversely affect our business and prospects.

We offer our buyers a selection of delivery options, including delivery by courier, collection from our offline network of pick-up points and OZON.Box parcel lockers, as well as Russian Post and other third-party delivery service providers. If a delivery fails to reach the buyer, we may continue bearing the inventory costs or be required to engage with the seller for the return of the undelivered product. Even if the product is successfully delivered to the buyer and delivery is verified, we and our sellers are required, in most cases, to allow buyers to return products within a certain period of time after delivery. We also face the risk that third-party logistics providers and couriers might misappropriate inventory or mishandle packages, and we may struggle to verify delivery if the packages are delivered without obtaining buyer signatures or otherwise duly identifying the buyer. When products are delivered without verification, we may be required to deliver a duplicate product. A significant increase in failed deliveries, excessive or mistaken returns or other logistics issues may force us to allocate additional resources to mitigating these issues and may adversely affect our business, prospects, financial condition and results of operations.

A significant disruption in internet access, telecommunications networks or our IT platform may cause slow response times or otherwise impair our customers’ experience, which may in turn reduce traffic to our mobile apps and websites and significantly harm our business, financial condition and results of operations.

Our e-commerce business is critically dependent on the performance and reliability of Russia’s internet infrastructure, accessibility of bandwidth and servers to our service providers’ networks and the continuing performance, reliability and availability of our platform. Telecommunications capacity constraints in Russia may impede the development of our business and may limit internet usage more generally.

As our data centers and all of our backup centers are located in Moscow, we are heavily reliant on Russia’s internet infrastructure to operate our business. Since these centers are located, along with the office of our key operating subsidiary, in Moscow, our operations may also be negatively impacted by disruptions to the power grid, natural disasters or other events affecting the Moscow region. Similarly, if there were any system outages due to any internet delays, disruptions, natural disasters or any other issues with the infrastructure in Russia more generally, this would have a material adverse impact on our business and results of operations depending on the length and severity of the issue.

We have in the past and may continue to experience mobile app and website disruptions, outages and other website performance problems for a variety of reasons, including infrastructure changes, human or software errors, capacity constraints due to an overwhelming number of buyers accessing our websites simultaneously and denial of service or fraud or security attacks. In addition, we may experience slow response times or system failures due to a failure of our information storage, retrieval, processing and management capabilities. Slow response times or system failures may make our platform less attractive to sellers or buyers. If we experience technical problems in delivering our services over the internet, we could experience reduced demand for our services and lower revenue.

Significant disruptions in internet access or in the internet generally mentioned above could significantly harm our business, prospects, financial condition and results of operations.

Computer viruses, undetected software errors and hacking may cause delays or interruptions on our systems and may reduce the use of our services and damage our brand reputation.

Our online systems, including our websites, mobile apps and our other software applications, products and systems, could contain undetected errors, or “bugs,” that could adversely affect their performance. While we regularly update and enhance our websites and IT platform and introduce new versions of our mobile apps, the occurrence of errors in any such updates or enhancements may cause disruptions in the provision of our services and may, as a result, cause us to lose market share, and our reputation and brand, business, prospects, financial condition and results of operations could be materially and adversely affected.

In addition, computer viruses and cyber security compromises have in the past, which to date have not been material, and may in the future cause delays or other service interruptions on our systems. However, we may be subject to hacking attempts by malicious actors who seek to gain unauthorized access to our information or systems or to cause intentional malfunctions, loss or corruption of data or leakages of our buyers’ and sellers’ personal data. While we employ various antivirus and computer protection software in our operations, we cannot provide any assurance that such protections will successfully prevent all hacking attempts (whether through the use of “denial of service” attacks or otherwise) or the transmission of any computer viruses which, if not prevented, could significantly damage our software systems and databases, cause disruptions to our business activities (including to our e-mail and other communications systems), result in security breaches and the inadvertent disclosure of confidential and/or sensitive information and hinder access to our platform.

We may incur significant costs to protect our systems and equipment against the threat of, and to repair any damage caused by, computer viruses and hacking. Moreover, if a computer virus or other compromise of our systems becomes highly publicized, our reputation could be materially damaged, resulting in a decrease in the use of our products and services. The inadvertent transmission of computer viruses could also expose us to liability and legal action, which may adversely affect our business, financial condition and results of operations.

Privacy and data protection concerns and related claims, including evolving government regulation in the area of consumer data privacy or data protection, could adversely affect our business and results of operations.

We collect, process, store and transmit large amounts of data, including confidential, sensitive, proprietary, business and personal information. The effectiveness of our technology, including our artificial intelligence (“AI”) systems, and our ability to offer our products and services to sellers and buyers depends on the collection, storage and use of data concerning customer activity, including personally identifying or other sensitive data. Our collection and use of this data for targeted advertisements, product recommendations, data analytics and outreach communications might raise privacy and data protection concerns that could negatively impact the demand for our products and services. We use third-party technology and systems for encryption, employee email, content delivery to buyers and other functions. Although we have developed systems and processes designed to protect seller and buyer information and prevent and mitigate the impact of data breaches and other fraudulent activities (whether directly through us or indirectly through our sellers or buyers), such measures cannot guarantee the security of such data and may be circumvented or fail to operate as intended.

We may also be subject to claims or regulatory sanctions for actions of third parties that are beyond our control, such as the misrepresentation of information or other inappropriate or unlawful actions with respect to use and processing of buyer and seller data. In our seller agreements and buyer contracts, we have specific clauses where we explicitly deny any responsibility for actions by third parties or for the accuracy of information they provide to us, and such actions are violations of our terms and conditions to misuse our services. Nevertheless, there can be no assurance that these preventative measures will fully protect us from such actions, which, regardless of merit, may force us to participate in time-consuming and costly litigation or investigations, divert significant management and staff attention, and damage our reputation.

The Russian Parliament and Government enacted consumer data privacy and data protection laws and regulations on, among other things, the solicitation, collection, transfer, processing and use of personal data. Regulation of this nature could reduce demand for our products and services if we fail to design or develop our operations in a way to be compliant with the applicable regulations. The failure to prevent or mitigate data loss, theft, misuse or other security breaches or vulnerabilities affecting our or our sellers' and buyers' systems, could expose us or our customers to the risk of loss, disclosure or misuse of such information, could result in liability and expose us to litigation and regulatory action (including under privacy or data protection laws), deter buyers or sellers from using our platform and services, and otherwise harm our business and reputation.

In Russia, in order to process an individual's personal data, we must obtain the individual's consent. This consent may be revoked at any time and, if revoked, the relevant personal data must be deleted. We do not collect or perform any operations on our customers' personal data, except when such collection or processing is in accordance with our terms of services and privacy policies which are available on our websites. Subject to several exemptions, processors of personal data, including ourselves, must register as personal data operators with Roskomnadzor, the Russian regulatory authority for data protection. Roskomnadzor, among its other functions, ensures compliance with the data protection legislation and conducts scheduled and unscheduled audits to ensure such compliance, maintains the registers of personal data operators, infringers of personal data processing requirements and blocked websites, and initiates legal proceedings in case of violations and if required, the imposition of fines or other penalties. The trans-border transfer of personal data is allowed, subject to consent of the individual.

Under Russian law, processors of personal data are obliged to record, systematize, accumulate, store, clarify (update, modify) and retrieve Russian citizens' personal data using databases located only within Russia (subject to a limited number of exceptions), as well as to provide, upon request, Roskomnadzor with information regarding the location of databases containing the personal data of Russian citizens. A failure to comply with these legal requirements may result in restrictions on our operations, including restricting access to our Buyer Website and including OZON in the special register for infringers of personal data processing requirements, as well as significant fines (up to ₪6 million or ₪18 million for repeat violations). Roskomnadzor also conducts scheduled and unscheduled audits to ensure compliance with the personal data legislation and may initiate legal proceedings in case of violations.

Some of the legal restrictions may be subject to broad interpretation. For example, no standard definition of a "database" exists within the law and, under definitions contained in the Russian Civil Code (the "Civil Code"), a variety of documents and virtual objects (for example, Microsoft Office files) may be referred to as a database. Our information resources, including personal data, may be stored in a virtual environment (as part of our own cloud computing), which may significantly hinder the determination of the exact location of each virtual object and make it more difficult for us to provide the required information on the location within the required period.

In addition, Russia continues to develop its legal framework, including with respect to data privacy and data protection. See *"—The legal framework governing e-commerce, data protection and related internet services in Russia is not well developed, and we may be subject to the newly adopted legislation, as well as the changes to the existing legislation, which may be costly to comply with or may limit our flexibility to run our business."* Any uncertainties in the current Russian legislation on data privacy and data protection may be interpreted adversely to us by the Russian regulatory authorities and courts, and we may face liability for collection, processing, storage and transmission of personal data as a result, which could have a material adverse effect on our business, prospects, results of operations and financial condition.

Although we believe we are in compliance with these regulations, any change in the regulations or in their interpretation could make it costly, difficult or impossible for us to comply with them and may require us to incur significant efforts and resources.

If we were found in violation of any privacy or data protection laws or regulations, this could lead to legal liability, and our business may be materially and adversely affected, and we may have to change our business practices or potentially our products and services. In addition, such laws and regulations could impose significant costs on us and could make it more difficult for us to use our current technology. If a data breach were to occur, or if a violation of privacy or data protection laws and regulations were to be alleged, our platform may be perceived as less desirable, and our reputation, business, prospects, financial condition and results of operations could be materially and adversely affected.

We may be unable to effectively communicate with our buyers and sellers through email, other messages or social media.

We rely on newsletters in the form of emails and other messaging services in order to promote our platform and inform our buyers of our product offerings and/or the status of their orders, or inform our sellers of any updates on the terms and conditions of the sale of their products on our Marketplace. Changes in how webmail services organize and prioritize emails could reduce the number of buyers and sellers opening our emails. For example, some webmail services offer tools and features that could result in our emails and other messages being shown as “spam” or as lower priority to our consumers, which could reduce the likelihood of consumers opening or responding positively to them. Actions by third parties to block, impose restrictions on, or charge for the delivery of emails and other messages, as well as legal or regulatory changes with respect to “permission-based marketing” or generally limiting our right to send such messages or imposing additional requirements on our ability to conduct email marketing or send other messages, could impair our ability to communicate with our buyers and sellers. If we are unable to send emails or other messages to our buyers and sellers, if such messages are delayed or if buyers and sellers do not receive or decline to open them, we would no longer be able to use this free marketing channel. This could impair our marketing efforts or make them more expensive if we have to increase spending on paid marketing channels to compensate and as a result, our business could be adversely affected.

Additionally, malfunctions of our email and messaging services could result in erroneous messages being sent and buyers and sellers no longer wanting to receive any messages from us. Furthermore, our process of obtaining consent from our buyers to receive newsletters and other messages from us and to allow us to use their data may be insufficient or invalid. As a result, such individuals or third parties may accuse us of sending unsolicited advertisements and other messages, and our use of email and other messaging services could result in claims against us.

Since we also rely on social media to communicate with our buyers, changes to the terms and conditions of relevant providers could limit our ability to communicate through social media. These services may change their algorithms or interfaces without notifying us, which may reduce our visibility. In addition, there could be a decline in the use of such social media by our buyers, in which case we may be required to find other, potentially more expensive, communication channels.

An inability to communicate through emails, other messages or social media could have a material adverse effect on our business, prospects, financial condition and results of operations.

Real or perceived inaccuracies of our internally calculated operating metrics or industry and competitive information provided by third parties may harm our reputation.

Most of our operating metrics included in this Annual Report and which we regularly communicate to the market are calculated by us internally. We also provide industry, market and competitive information in this Annual Report based on studies and reports of third parties.

There may be inherent challenges in calculating some of these measures, for example, the number of active buyers, active sellers and number of orders. In addition, our measures of calculating operating metrics may differ from estimates published by third parties or from similarly titled metrics used by our competitors or other parties due to differences in methodology. For instance, we calculate GMV incl. services in this Annual Report as the total value of orders processed through our platform, as well as revenue from services to our buyers and sellers, such as delivery, advertising and other services rendered by our Ozon.ru operating segment. GMV incl. services is inclusive of value added taxes, net of discounts, returns and cancellations. Other companies may calculate GMV differently, and we have historically calculated and presented to market participants GMV incl. services both inclusive and net of value added tax. We believe our calculation of GMV incl. services in this Annual Report provides investors with a useful tool to understand the value of orders processed through our platform and services rendered to our buyers and sellers. However, if buyers, sellers or investors do not perceive our operating metrics or information on our competitive position in the market to be accurate, or if we discover material inaccuracies in our operating metrics, our reputation could be materially and adversely affected.

We may use open source code in a manner that could be harmful to our business.

We use open source code, which is subject to licensing, in connection with our technology and services. Original developers of open source code do not provide warranties for the use of their source code. The use of such open source code may ultimately require us to replace certain code used in our platform, pay a royalty to use certain open source code or discontinue certain aspects of our platform. As a result, the use of open source code could have a material adverse effect on our business, prospects, financial condition and results of operations.

We may be subject to product liability claims when people or property are harmed or damaged by the products that are sold on our platform.

We are exposed to product liability or food safety claims relating to personal injury or illness, death or environmental or property damage caused by the products that are sold by us or through our Marketplace, and we do not maintain any insurance with respect to such product liability. As the products offered by us or through our Marketplace are manufactured by third parties, we have only limited control over the quality of these products. In addition, we cannot always effectively prevent our sellers from selling harmful or defective products on our Marketplace, which could cause death, disease or injury to our buyers or damage their property. We may be seen as having facilitated the sale of such products and may be forced to recall such products. Under our Direct Sales model, where we act directly as seller, we may also have to recall harmful products.

Although we require that our sellers only offer products that comply with the existing product safety rules and monitor such compliance, we may not be able to detect, enforce or collect sufficient damages for breaches of such agreements. In addition, any negative publicity resulting from product recalls or the assertion that we sold defective products could damage our brand and reputation. Any material product liability, food safety or other claim could have an adverse effect on our business, prospects, results of operations and financial condition.

We may be subject to material litigation.

We have been involved in litigation relating principally to contract disputes, third-party intellectual property infringement claims, employment and tax-related cases and other matters in the ordinary course of our business. For instance, on September 4, 2020, we terminated a term sheet that was entered into in June 2020 between ourselves, our principal shareholders and Sberbank of Russia. The term sheet provided for, among other things, the payment of a break-up fee equal to ₧1 billion from us to Sberbank of Russia in the event that we breached an exclusivity undertaking contained in the term sheet. On November 12, 2020, we and Sberbank of Russia agreed to resolve all of our disagreements related to this term sheet by entering into a settlement agreement in which we and Sberbank of Russia agreed to: (i) release and waive, to the fullest extent permitted by law, any and all claims against each other relating to the term sheet, and (ii) confirm the absence of any known non-contractual claims that could arise in relation to any other relationship between us and Sberbank of Russia. While we and Sberbank of Russia did not admit any breach nor concede any liability under the term sheet in the settlement agreement, we agreed under the settlement agreement to pay Sberbank of Russia ₧1 billion. As our business expands, we may face an increasing number of such claims, including those involving high amounts of damages. As a public company, we may face additional exposure to claims and lawsuits inside and outside Russia.

The outcome of any claims, investigations and proceedings is inherently uncertain, and regardless of the outcome, defending against these claims could be both costly and time consuming, and could significantly divert the efforts and resources of our management and other personnel. An adverse determination in any such litigation or proceedings could result in damages as well as legal and other costs, limit our ability to conduct business or require us to change the manner in which we operate, which would have a material adverse effect on our business, prospects, financial condition and results of operations.

We are subject to payments-related risks.

We accept payments using a variety of methods, including credit card, debit card, credit accounts (including promotional financing), gift cards, direct debit from a buyer's bank account, consumer invoicing and card and cash payment upon delivery (which has temporarily been suspended in light of the COVID-19 pandemic). We are currently subject to, and may become subject to additional, regulations and compliance requirements (including obligations to implement enhanced authentication processes that could result in significant costs and reduce the ease of use of our payments products). For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs.

We rely on third parties to provide certain payment methods and payment processing services, including the processing of credit cards, debit cards and promotional financing. In each case, it could disrupt our business if these processing services become unwilling or unable to provide these services to us, or if the services are offered on less favorable terms in the future.

We have experienced in the past fraudulent payment activities on our platform, which to date have not been material to us, and may continue to experience these fraudulent activities in the future. Although we have implemented various measures to detect and reduce the occurrence of fraudulent payment activities on our platform, there can be no assurance that such measures will be effective in combating fraudulent transactions or improving overall satisfaction among our buyers and sellers.

We are also subject to payment card association operating rules, such as the Payment Card Industry Data Security Standard (PCI DSS), including data security rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it costly, difficult or impossible for us to comply. Failure to comply with these rules or requirements, as well as any breach, compromise or failure to otherwise detect or prevent fraudulent activity involving our data security systems, could result in our being liable for card issuing banks' costs, subject to fines and higher transaction fees and the loss of the ability to accept credit and debit card payments from our buyers, process electronic funds transfers or facilitate other types of online payments, and our business and results of operations could be adversely affected.

We may be impacted by fraudulent or unlawful activities of sellers, which could have a material adverse effect on our reputation and business and may result in civil or criminal liability.

The law relating to the liability of online service providers is currently unsettled in Russia, and governmental agencies have in the past and could in the future require changes in the way online businesses are conducted. Our standard agreement with the sellers on our Marketplace provides for monthly payments to sellers for the products sold rather than immediate payment after the sale of a product. Our standard form agreement with our sellers provides that we will directly compensate the buyer for the purchase price if a buyer makes a return and the seller must refund us the price of the returned product. These provisions are designed to prevent sellers from collecting payments, fraudulently or otherwise, in the event that a buyer does not receive the products they ordered or when the products received are materially different from the seller's descriptions, and to prevent sellers on our Marketplace from selling unlawful, counterfeit, pirated, or stolen goods, selling goods in an unlawful or unethical manner, violating the proprietary rights of others or otherwise violating our product requirements. If our sellers circumvent or otherwise fail to comply with these provisions, it could harm our business or damage our reputation, and we could face civil or criminal liability for unlawful activities by our sellers.

If we fail to adequately protect our intellectual property rights, our business, prospects, financial condition and results of operations could be adversely affected.

We rely on registered trademarks and confidentiality agreements to protect our intellectual property rights. However, we may be unable to prevent third parties from acquiring domain names that are similar to, infringe upon or diminish the value of our trademarks and other proprietary rights.

We are not always able to discover or determine the extent of any unauthorized use of our proprietary rights. Actions taken by third parties that license our proprietary rights may materially diminish the value of our proprietary rights or reputation. The protection of our intellectual property may require the expenditure of significant financial and managerial resources. Moreover, the steps we take to protect our intellectual property do not always adequately protect our rights or prevent third parties from infringing or misappropriating our proprietary rights. We also cannot be certain that others will not independently develop or otherwise acquire equivalent or superior technology or other intellectual property rights.

The Russian legal system and courts do not have a reputation for protecting intellectual property rights as vigorously as jurisdictions such as the United States. Companies operating in Russia thus face a higher risk of intellectual property infringement compared to companies operating in certain other jurisdictions. Furthermore, the validity, application, enforceability and scope of protection of intellectual property rights for many internet-related activities, such as internet commercial methods patents, are uncertain and still evolving, which may make it more difficult for us to protect our intellectual property, and our business, prospects, financial condition and results of operations could be adversely affected.

We may be subject to intellectual property infringement claims brought against us by others, which are costly to defend and could result in significant damage awards.

We rely, to some extent, on third-party intellectual property, such as licenses to use software to operate our business and certain other copyrighted works. Due to the nature of our business operations, we may from time to time be subject to material intellectual property claims connected with violations of the exclusive rights of third parties. We also expect to be exposed to a greater risk of being subject to such claims in light of growing competition in the market and an increasingly litigious business environment in Russia. A number of internet, technology, media and patent-holding companies own or are actively developing patents covering e-commerce and other internet-related technologies, as well as a variety of online business models and methods. We believe that these parties will continue to take steps to protect these technologies, including, but not limited to, seeking patent protection in certain jurisdictions. As a result, disputes regarding the ownership of technologies and rights associated with e-commerce and other online activities are likely to arise in the future. In addition, we use certain open source code, and the use of open source code is often subject to compliance with certain license terms, which we may inadvertently breach. See “*We may use open source code in a manner that could be harmful to our business.*”

Although our employees are instructed to avoid acts that would infringe the intellectual property of others, we cannot be certain that our products, services and brand identifiers do not or will not infringe on valid patents, trademarks, copyrights or other intellectual property rights held by third parties. We may incur substantial expenses in responding to and defending against infringement claims, regardless of their veracity. Such diversion of management time and expenses, and the potential liability associated with any lawsuit, may cause significant harm to our business, prospects, financial condition and operations. A successful infringement claim against us could result in significant monetary liability, such as being liable for license fees, royalty payments, lost profits or other damages, or material disruption of our business. Similarly, the owner of the intellectual property may obtain injunctive relief to prevent us from making further use of certain technology, software or brand identifiers. If the amount of such payments is significant or if we are prevented from incorporating certain technology or software into our products or services or using our brand identifiers without hindrance, our business, prospects, financial condition and results of operations could be materially and adversely affected.

We are exposed to the risk of inadvertently violating anti-corruption laws, anti-money laundering laws and other similar laws and regulations.

We operate and conduct business across the entirety of Russia, where instances of fraud, money laundering, bribery and corruption have been reported to have taken place. We have policies and procedures designed to assist with compliance with applicable laws and regulations, and upon becoming a public company in the United States, we will be subject to the U.S. Foreign Corrupt Practices Act of 1977 (“FCPA”). The FCPA prohibits providing, offering, promising or authorizing, directly or indirectly, anything of value to government officials, political parties or political candidates for the purposes of obtaining or retaining business or securing any improper business advantage.

We maintain internal compliance policies and procedures, but we cannot provide any assurance that these policies and procedures will be strictly followed at all times and that they will effectively detect and prevent all violations of the applicable laws and every instance of fraud, money laundering, bribery and corruption. We also cannot provide any assurance that potential violations of our internal compliance procedures will be uncovered through our procedures or that violations of the applicable anti-bribery or money laundering laws, including the FCPA, will not occur. We have internal audit, security and other procedures in place, which are designed to prevent instances of fraud, money laundering, bribery and corruption. However, despite these controls and procedures, there can be no assurance that through these and other procedures we use we will timely and effectively catch any violations of our internal compliance procedures or any violations of laws, including those related to fraud, money laundering, bribery and corruption. Moreover, we have adopted our internal anti-money laundering and sanctions compliance policies only recently, and there could be no assurance that there were no violations prior to that or that our employees will yet to have sufficient experience to follow such policies properly. We are thus exposed to potential civil or criminal penalties or associated investigations under the relevant applicable laws which may, if not successfully avoided or defended, have an adverse impact on our business, prospects, financial condition or results of operations. Similarly, actual findings or mere allegations of such violations could negatively impact our reputation and limit our future business opportunities, which may cause our reputation, financial condition and results of operations to be materially and adversely affected.

We engage in de minimis activities relating to Crimea, and these activities could potentially impede our ability to raise funding in international capital markets and subject us to liability for noncompliance relating to various trade and economic sanctions laws and regulations.

In response to certain geopolitical tensions, a number of countries, including the United States, EU countries and Canada, imposed a variety of trade and economic sanctions aimed at Russia as well as certain individuals and entities within Russia and Ukraine. In December 2014, the President of the United States issued Executive Order Number 13685, which established a region-specific embargo under U.S. law for the Crimea region. Among other things, this embargo generally prohibits U.S. persons and U.S. companies from engaging in investments in the Crimea region and most import or export trade in goods and services with parties in the Crimea region. Pursuant to Executive Order Number 13685, the U.S. Department of the Treasury, Office of Foreign Assets Control (“OFAC”), designate parties operating in the Crimea region on the OFAC list of Specially Designated Nationals and Blocked Persons (“SDN List”). As a result of these restrictions, we are unable to establish and grow any on-the-ground operations in Crimea and to provide the same services in Crimea that we provide to our buyers and sellers in Russia generally. U.S. persons and U.S. companies are generally prohibited from engaging in most transactions or dealings with parties on the SDN List. Non-U.S. persons and companies may be designated on the SDN List if they engage in significant transactions with persons designated on the SDN List under U.S. sanctions programs with respect to Russia. Although we do not operate on the ground in the Crimea region and have no facilities, assets nor employees located in the region subject to the embargo, third-party services deliver products ordered on our site to buyers located in the region and third-party independent agents operate a limited number of pick-up points in the region, which distribute packages ordered through our websites and mobile apps along with packages ordered through other providers. In the event sanctions are imposed on the third-party independent agents operating our pick-up points in Crimea or the logistics operators involved in delivering shipments to Crimea, we may be unable to satisfy all or a substantial part of the orders placed by customers in the embargoed region. Since the imposition of embargo, less than one percent of our revenue has been generated from orders delivered to the Crimea region. While we believe that current United States and EU sanctions programs do not preclude us from conducting our current business and do not create a material risk of application of any sanctions to us, new sanctions imposed by the United States and certain EU member states or changes in the interpretation of the existing sanctions, including the scope of embargo in place with respect to the Crimea region and the application of secondary sanctions on persons operating in the embargoed region, may restrict certain of our operations in the future.

We conduct the customary “know-your-customer” (“KYC”) and onboarding procedures for our sellers and suppliers in accordance with our internal policies. See also “—*We are exposed to the risk of inadvertently violating anti-corruption laws, anti-money laundering laws and other similar laws and regulations.*” However, we face the risks of receiving incorrect, inaccurate or misleading information in the course of these procedures. If, notwithstanding our onboarding procedures, we transact with a person or entity subject to the U.S., EU or other sanctions, our reputation and results of operations may be materially and adversely affected.

To the extent applicable, existing and new or expanded future sanctions may negatively impact our revenue and profitability, and could impede our ability to effectively manage our legal entities and operations both in and outside of Russia or raise funding from international financial institutions or the international capital markets. Although we take steps to comply with applicable laws and regulations, our failure to successfully comply with applicable sanctions may expose us to negative legal and business consequences, including penalties, government investigations and reputational harm.

We depend on talented employees, including our senior management and IT specialists, to grow, operate and improve our business, and if we are unable to retain and motivate our personnel and attract new talent, we may not be able to grow effectively.

Our success depends on our continued ability to identify, hire, develop, motivate and retain talented employees. Our ability to execute and manage our operations efficiently is dependent upon contributions from all of our employees. Competition for senior management and key IT personnel is intense, and the pool of qualified candidates is relatively limited. From time to time, some of our key personnel may choose to leave our company for various reasons, including personal career development plans or alternative compensation packages. An inability to retain the services of our key personnel or properly manage the working relationship among our management and employees may expose us to legal or administrative action or adverse publicity, which could adversely affect our reputation, business, prospects, financial condition and results of operations.

Training new employees with no prior relevant experience could be time consuming and requires a significant amount of resources. We may also need to increase the compensation we pay to our employees from time to time in order to retain them. If competition in our industry intensifies, it may be increasingly difficult for us to hire, motivate and retain highly skilled personnel due to significant market demand. If we fail to attract additional highly skilled personnel or retain or motivate our existing personnel, we may be unable to pursue growth, and our business, prospects, financial condition and results of operations could be materially and adversely affected.

Employee misconduct is difficult to determine and detect and could harm our reputation and business.

We face a risk that may arise out of our employees' lack of knowledge or willful, negligent or involuntary violations of laws, rules and regulations or other misconduct. Misconduct by employees could involve, among other things, the improper use or disclosure of confidential information (including trade secrets), embezzlement or fraud, any of which could result in regulatory sanctions or fines imposed on us, as well as cause us serious reputational or financial harm. We have experienced fraudulent misconduct by employees in the past, which to date has not caused any material harm to our business. However, any such further misconduct in the future may result in unknown and unmanaged risks and losses. We have internal audit, security and other procedures in place that are designed to monitor our employees' conduct. However, despite these controls and procedures there can be no assurance that we will discover employee misconduct in a timely and effective manner, if at all. It is not always possible to guard against employee misconduct and ensure full compliance with our risk management and information policies. The direct and indirect costs of employee misconduct can be substantial, and our business, prospects, financial condition and results of operations could be materially and adversely affected.

We do not have and may be unable to obtain sufficient insurance to protect ourselves from business risks.

The insurance industry in Russia relative to that in other jurisdictions is not as mature, and accessibility to many forms of insurance coverage common in other jurisdictions is limited. We currently maintain insurance coverage for our fulfillment centers and service centers but do not maintain insurance coverage for our servers, pick-up points, business interruption risks, product liability or third-party liability in respect of most of environmental damage arising from accidents on our property or relating to our operations. Until we obtain adequate insurance coverage, there is a risk of irrecoverable loss or destruction of certain assets, and our business, prospects, financial condition and results of operations could be materially and adversely affected.

Our business may be materially adversely affected by the COVID-19 pandemic.

In December 2019, a novel strain of coronavirus was reported in Wuhan, China, which spread throughout the world, including Russia, Cyprus and the United States, and the highly contagious disease caused by the novel coronavirus was classified as the global pandemic. The COVID-19 pandemic has had a significant impact on the economies of most countries, including Russia, and has led to the closure of borders, restrictions on movement, the suspension of manufacturing and production and the cancellation of mass events. In order to prevent the spread of infection, on March 28, 2020, the Russian Government introduced a number of recommendations and restrictions, including restrictions on the movement of citizens and a limitation on most commercial activities in the country. These restrictions differ in scope across various regions of Russia and are also subject to continuous updating, resulting in both the strengthening and loosening of such restrictions in different regions on a near daily basis. In the second week of June 2020, a gradual loosening of these restrictions in Russia commenced, including in Moscow. As a result of these mobility restrictions imposed by the Russian Government, in March and April 2020, we experienced increased demand for our products and services. In April 2020, we were included in the list of systemically important companies by the special decree of the Russian Government, which will allow us to be considered for special government support during the COVID-19 pandemic. As a result of these support measures, our operations were not subject to the mobility restrictions imposed on businesses and the general public. We also benefited from a 1.0% online payment processing fee limit introduced by the CBR for retailers of certain essential products from April 2020 to September 2020. The online payment processing fee limit was imposed on Russian banks and other financial institutions, which were required to limit their fees to accept online debit and credit card payments for such retailers to 1.0%. This reduction of the online payment processing fee had the effect of decreasing our fees for cash collection expenses as a percentage of GMV incl. services in the year ended December 31, 2020, which was partially offset by the increase of the share of online payments on our platform during that period. As a result, our fees for cash collection expenses as a percentage of GMV incl. services decreased by 0.4 percentage points in the year ended December 31, 2020, compared to the year ended December 31, 2019. While we benefitted from the 1.0% online payment processing fee limit, which has since been terminated, we do not believe that there will be any material impact as a result of its termination. The measures mentioned above are the only material support that we received as a result of our inclusion in the list of systemically important companies. However, since the full impact of the COVID-19 outbreak continues to evolve, it is uncertain what effect the pandemic will have on our business in future periods.

The extent to which COVID-19 and the actions taken by governments to limit the spread of COVID-19 may impact our business and the businesses of our sellers and suppliers depends on future developments, which are highly uncertain and cannot be predicted. For example, these events could cause a temporary closure of the facilities we use for our operations, interrupt our fulfillment, delivery or logistics systems, or severely impact consumer behaviors and the operations of our sellers, buyers, suppliers and other users of our products and services. Our operations could also be disrupted if any of our employees or employees of our suppliers or sellers are suspected of contracting COVID-19, as this could require us or our suppliers or sellers to quarantine some or all of these employees and implement disinfection measures to the facilities and premises used for our operations. It is not possible to determine the ultimate impact that the COVID-19 pandemic may have on our business operations and financial results, which is dependent upon numerous factors, including the duration and spread of the pandemic and any resurgence of COVID-19 in Russia or elsewhere, actions taken by governments, domestically and internationally, the response of businesses and individuals to the pandemic, the impact of the pandemic on business and economic conditions in Russia and globally, consumer demand, our ability and the ability of sellers, logistics service providers and other users of our products and services to continue operations in areas affected by the pandemic and our efforts and expenditures to support our buyers, sellers and partners and ensure the safety of our employees. Due to uncertainties that will be dictated by the length of time that the COVID-19 pandemic and related disruptions continue, there can be no assurances that our business will not be adversely impacted going forward.

An increase in the share of international e-commerce companies in the Russian market or changes in measures aimed at restricting international e-commerce may adversely affect our business and results of operations.

We face competition from companies engaged in international e-commerce. If such companies were to substantially increase their market share in Russia, our business and results of operations could be adversely affected.

In addition, in recent years, Russia has imposed a number of measures aimed at supporting the development of domestic e-commerce businesses. For example, in 2019 and 2020, the cost of products being sent to Russia from abroad that may be imported free of customs duty was reduced from €1,000 to €200 per mailing pack. See Item 4.B. *“Information on the Company—Business Overview—Regulatory Environment—Customs Regulation.”* This and any other changes aimed at incentivizing buyers to shop on Russian e-commerce platforms appear beneficial for our growing business. However, if such regulations are abolished or the threshold for the cost of goods that may be imported free of customs duty is changed to earlier or higher levels, we may face an increased level of competition from a large number of foreign competitors.

If we were treated as a passive foreign investment company, investors in the ADSs subject to U.S. federal income tax could have material adverse tax consequences.

Special U.S. federal income tax rules apply to U.S. investors owning shares of a passive foreign investment company (“PFIC”). If we were treated as a PFIC for any taxable year during which a U.S. Holder (as defined in Item 10.E. *“Additional Information—Taxation—Material Tax Considerations—U.S. Federal Income Tax Considerations for U.S. Holders”*) holds the ADSs, the U.S. Holder could be subject to certain material adverse tax consequences upon a sale, exchange, or other disposition of the ADSs, or upon certain distributions by us. Based on the current and anticipated profile of our income, assets and operations, we intend to take the position that we were not in 2020, and we do not currently expect to become, a PFIC for U.S. federal income tax purposes. However, because this determination is made annually at the end of each taxable year and is dependent upon a number of factors, some of which are beyond our control, there can be no assurance that we were not and will not be a PFIC in any taxable year or that the U.S. Internal Revenue Service will agree with our conclusion regarding our PFIC status in any taxable year. U.S. Holders should consult their own tax advisors about the potential application of the PFIC rules to their investment in the ADSs. For a more detailed discussion of PFIC tax consequences, see Item 10.E. *“Additional Information—Taxation—Material Tax Considerations—U.S. Federal Income Tax Considerations for U.S. Holders—Passive Foreign Investment Company Considerations.”*

Risks Relating to Russia

Investing in securities of issuers in emerging markets, such as Russia, generally involves a higher degree of risk than investments in securities of issuers from more developed countries and carries risks that are not typically associated with investing in more mature markets.

Emerging markets such as Russia are subject to greater risks than more developed markets, including significant legal, economic, tax and political risks. Investors in emerging markets should be aware that these markets are subject to greater risk and should note that emerging economies such as the economy of Russia are subject to rapid change and that the information set out herein may become outdated relatively quickly.

The Russian economy was adversely affected by the global financial and economic crisis and could be adversely affected by market downturns and economic crises or slowdowns elsewhere in the world in the future. In particular, the disruptions in the global financial markets have had a severe impact on the liquidity of Russian entities, the availability of credit and the terms and cost of domestic and external funding for Russian entities. This could adversely influence the level of buyer demand for various products and services, including those sold or provided by and through us. As has happened in the past, financial events such as significant depreciation of the ruble, capital outflows and a deterioration in other leading economic indicators or an increase in the perceived risks associated with investing in emerging economies due to, among other things, geopolitical disputes, such as the crisis in Ukraine, and imposition of certain trade and economic sanctions in connection therewith, could dampen foreign investment in Russia and adversely affect the Russian economy. In addition, during such times, businesses that operate in emerging markets can face severe liquidity constraints as funding. These developments, as well as adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment or a decline in oil, gas or other commodities prices could slow or disrupt the Russian economy and adversely affect our business, prospects, financial condition and results of operations. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved. Potential investors are urged to consult with their own legal and financial advisers before making an investment in the ADSs.

Economic instability in Russia could adversely affect our business.

Our primary operation market is Russia. As a result, our business and results of operations are dependent on the economic conditions in Russia. Over the last two decades, the Russian economy has experienced or continues to experience at various times:

- significant volatility in its GDP;
- the impact of international sanctions;
- high levels of inflation;
- increases in, or high, interest rates;
- sudden price declines in oil and other natural resources;
- instability in the local currency market;
- lack of reform in the banking sector and a weak banking system providing limited liquidity to Russian enterprises;
- budget deficits;
- the continued operation of loss-making enterprises due to the lack of effective bankruptcy proceedings;
- capital flight; and
- significant increases in poverty rates, unemployment and underemployment.

The Russian economy has been subject to abrupt downturns in the past. Furthermore, following the imposition of economic sanctions by the United States and the EU and the decline of oil prices, in 2015, Russia's GDP declined by 2.0% in real terms. In 2019 and 2018, Russia's GDP grew by 2.0% and 2.8% in real terms, respectively, according to the Russian Federal Statistics Service ("Rosstat"). However, in 2020, Russia's GDP declined by 3.1% in real terms, according to Rosstat, and there is a risk that Russia's previous or any expected growth in the future will not be achieved due to generally unfavorable economic conditions or geopolitical factors, and this consequently may materially and adversely affect our business, prospects, financial condition and results of operations.

Further, the recent outbreak of COVID-19 across the world has and could continue to adversely affect business activity and trade, resulting in an overall deterioration of spending power and general willingness to spend in the Russian economy and thus, a decreased demand for our products and services. See "*Our business may be materially adversely affected by the COVID-19 pandemic.*" There can be no guarantee that, despite any national or international responses to COVID-19 or any other diseases, such outbreaks would not cause material and sustained disruptions to global and domestic economic activity and our business. Any deterioration in the general economic conditions in Russia (whether or not as a result of the events mentioned above) could have a material adverse effect on the Russian economy and our business, prospects, financial condition and results of operations.

The legal framework governing e-commerce, data protection and related internet services in Russia is not well developed, and we may be subject to the newly adopted legislation, as well as the changes to the existing legislation, which may be costly to comply with or may limit our flexibility to run our business.

As e-commerce and the internet continue to develop on a global scale and, in particular, in Russia, new laws and regulations relating to the use of the internet in general and the e-commerce sector in particular may be adopted. These laws and regulations may further govern the collection, use and protection of data, buyer protection, online payments, pricing, anti-bribery, tax, website contents and other aspects relevant to our business. The adoption or modification of laws or regulations relating to our operations could adversely affect our business by increasing compliance costs, including as a result of confidentiality or security breaches in case of non-compliance and administrative burdens. We must comply with applicable regulations in Russia, and any non-compliance could lead to fines and other sanctions imposed by the Russian government authorities.

Over the recent years, a number of legislative initiatives related to the internet were submitted to the Russian State Duma, the lower house of the Russian Parliament, and a few of them were further signed into laws. For example, in December 2018, a draft law aimed at ensuring the safe and sustainable functioning of the internet in Russia was submitted for consideration to the Russian State Duma and, in April 2019, the draft law was adopted. The law requires Russian telecommunications operators to install new equipment to ensure that the Russian internet functions autonomously in case the global internet is not operating in Russia, and introduces the notion of the Russian national domain zone. It is currently unclear how this law might affect our operations, and there can be no assurances that this may not negatively affect our business or operations. Furthermore, we may not timely and effectively scale and adapt our existing technology and network infrastructure to ensure our websites are accessible within an acceptable load time, which may adversely affect our business.

In addition, a number of legislative initiatives, including a draft law regulating big data, are reportedly under consideration. If any such initiatives applicable to the use of the internet and the e-commerce sector are adopted, we may be required to comply with the new requirements, and such compliance may require us to introduce further security protection measures or make further costly investments in our IT infrastructure, and our business, prospects, financial condition and results of operations could be materially and adversely affected.

The adoption, maintenance and expansion of international embargo, economic or other sanctions against Russia may have a material adverse effect on our business, financial condition and results of operations.

The United States, the European Union and certain other countries have imposed economic sanctions on certain Russian government officials, private individuals and Russian companies, as well as “sectoral” sanctions affecting specified types of transactions with named participants in certain industries, including named Russian financial state-owned institutions, and sanctions that prohibit most commercial activities of U.S. and EU persons in Crimea and Sevastopol. See “—*We engage in de minimis activities relating to Crimea, and these activities could potentially impede our ability to raise funding in international capital markets and subject us to liability for noncompliance relating to various trade and economic sanctions laws and regulations.*” From time to time, we raise financings and engage in routine transactions with Russian state owned financial institutions that have been designated under U.S. and EU sectoral sanctions. Although such transactions are not currently prohibited by U.S. and EU sanctions, in the event the scope of these sanctions is expanded or if these entities become subject to blocking sanctions, our ability to raise financing and to transact with such parties may be hindered, which would adversely affect our business. In 2020 and 2021, these sanctions were prolonged, extended and expanded. Political and economic sanctions may impede our ability to effectively manage our legal entities and operations in and outside of Russia. Although neither our parent company nor our principal operating subsidiary or other subsidiaries are targets of U.S. or EU sanctions, our business has been adversely affected from time to time by the impact of sanctions on the broader economy in Russia. Although we do not operate in any sectors of the Russian economy that have been targeted by U.S. or EU sanctions and have no reason to believe that we would be targeted by any sanctions in the future, further expansion of sanctions on Russia and Russian entities may have an adverse effect on our ability to expand and grow our business and raise financings to fund the development of our business.

Since March 2019, several Russian book publishers, including Litres Holding Limited (“Litres”), in which we hold a 42.27% interest, and our former controlling shareholder, have been subject to sanctions imposed by Ukraine, which have blocked Ukrainian users from accessing our services and websites and those of Litres.

In January 2018, pursuant to the Countering America’s Adversaries through Sanctions Act of 2017, the U.S. administration presented the U.S. Congress with a report on senior Russian political figures, “oligarchs” and “parastatal” entities. The list included the 96 wealthiest Russian businessmen, including Mr. Vladimir Evtushenkov, who beneficially owns more than 59% in Sistema, one of our principal shareholders. Although we are not aware of any intention on the part of the U.S. government to impose sanctions on Mr. Evtushenkov, if he were to become a target of sanctions, it could have a material adverse effect on our ability to access financing in the U.S. debt and equity markets.

On March 2, 2021, the U.S. determined that Russia used chemical weapons against its national and imposed the first tranche of sanctions on Russia under the Chemical and Biological Weapons Control and Warfare Elimination Act (“CBW Act”).

In 2018 and 2019, the U.S. already used the CBW Act to impose sanctions on Russia, including sanctions on primary market of non-ruble denominated Russian sovereign debt. While the March 2021 tranche of the new CBW Act sanctions targets primarily U.S. exports to Russia of security and military items, the second tranche that should be imposed in accordance with the CBW Act by June 2, 2021 may result in, among others, further restrictions on Russian sovereign debt which may have an adverse impact on the Russian economy.

The Biden administration has announced that it is reviewing further sanctions on Russia in response to the hacking attack on SolarWinds software, payment of “bounties” to the Taliban for attacks on U.S. armed forces in Afghanistan and interference in the U.S. presidential elections in 2020, which could have a material adverse effect on the Russian economy and on our business, financial condition and results of operations.

Political risks could adversely affect the value of investments in Russia.

The Russian economy has often been impacted by actions taken by governments outside of Russia and by political risk within Russia, including the economic sanctions imposed by the United States and the EU. See “—*The adoption, maintenance and expansion of international embargo, economic or other sanctions against Russia may have a material adverse effect on our business, financial condition and results of operations.*” Moreover, in December 2011 and in 2012, there were public protests alleging voting irregularities in federal parliamentary and presidential elections and demanding political reform. In 2018, there were public protests against the increase of the retirement age. In January 2020, a series of political reforms were proposed purporting to reallocate powers and responsibilities among the Russian governmental authorities, including those of the Russian Parliament and the Government. In addition, further amendments were proposed in March 2020, under which the previous and current Presidents of Russia are allowed to participate in presidential elections for two additional terms following the amendment of the Constitution. In July 2020, following a public vote, the changes to the Russian Constitution necessary to implement proposed political reforms were enacted, however, further reforms would have to be administered and other laws would be necessary for the political decisions to become effective. The implementation of such political steps and actions could take time, and eventually the political and constitutional structure of Russia may change, subject to the completion of the relevant implementation procedures.

In the past, Russian authorities have prosecuted some Russian companies, their executive officers and their shareholders on tax evasion, fraud and related charges. In some cases, the result of these prosecutions has been the prolonged prison detention or imposition of prison sentences for individuals and significant fines or claims for unpaid taxes. Any similar actions by governmental authorities could lead to further negative impact on investor confidence in Russia’s business and legal environment. The risks associated with these events or potential events could materially and adversely affect the investment environment and overall consumer and entrepreneurial confidence in Russia, and our business, prospects, financial condition and results of operations could be materially and adversely affected.

Inflation in Russia may increase our costs and exert downward pressure on our operating margins.

The Russian economy has experienced high levels of inflation since the early 1990s. The consumer price index, which is a key measure representing inflation in Russia, grew year-on-year by 4.9% in 2020, 3.0% in 2019 and 4.3% in 2018, according to Rosstat, and there can be no assurance that it will not increase in the future. We tend to experience inflation-driven increases in some of the costs of our operations, such as salaries that are linked to, or impacted by, the general price level in Russia. In the event that we experience cost increases resulting from inflation, our operating margins may decrease if we are unable to pass these increases on to our buyers. In such circumstances, our business, prospects, financial condition and results of operations could be materially adversely affected.

Potential political or social conflicts could create an uncertain operating environment that could hinder our ability to plan for the long-term.

Russia is a federation of sub-federal political units, consisting of republics, territories, regions, cities of federal importance and autonomous regions and districts, some of which have the right to manage their internal affairs pursuant to agreements with the federal government and in accordance with applicable laws. The decentralization of authority and jurisdiction among the Russian constituent entities and the federal government is, in some instances, unclear. In practice, the division of authority and uncertainty could hinder our long-term planning efforts and may create uncertainties in our operating environment, which may prevent us from effectively carrying out our business strategy.

In addition, ethnic, religious, historical and other divisions have, on occasion, given rise to tensions and, in certain cases, acts of terrorism and military conflict. If existing conflicts, tensions or terrorist activities, or threats thereof, remain unresolved, or new disturbances or hostilities arise, this could have significant political and economic consequences, and we may be unable to access capital, or access capital on terms reasonably acceptable to us, and the use of and access to our products and services in particular areas may be impacted, which may have a material adverse effect on our business, prospects, financial condition and results of operations.

Crime and corruption could disrupt our ability to conduct our business and thus materially adversely affect our operations.

Organized criminal activity in Russia has reportedly increased significantly since the dissolution of the Soviet Union in 1991, particularly in large metropolitan centers. In addition, the Russian and international press have reported high levels of official corruption in Russia, including the bribery of officials for the purpose of initiating investigations by state agencies, obtaining licenses or other permissions or in order to obtain the right to supply products or services to state agencies. Press reports have also described instances in which state officials have engaged in selective investigations and prosecutions to further interests of the state and individual officials. Additionally, published reports indicate that a significant number of Russian media regularly publish slanted articles in return for payment. The proliferation of organized or other crime, corruption and other illegal activities that disrupt our ability to conduct its business effectively or any claims that we have been involved in corruption, or illegal activities (even if false) that generate negative publicity could have a material adverse effect on our business, prospects, financial condition and results of operations.

The ongoing development of the Russian legal system and Russian legislation creates an uncertain environment for investment and for business activity.

Russia continues to develop its legal framework in accordance with international standards and the requirements of a market economy. Since 1991, new Russian domestic legislation has been put into place. Currently, this system includes the Constitution of the Russian Federation of 1993, the Civil Code and other federal laws, decrees, orders and regulations issued by the President, the Russian Government and federal ministries, which can be complemented by regional and local rules and regulations, adopted in certain spheres of regulation. Several fundamental Russian laws have only recently become effective and many are still evolving. Consequently, certain areas of judicial practice are not yet fully settled and are therefore sometimes difficult to predict.

The current regulatory environment of Russia may result in inconsistent interpretations, applications and enforcement of the law. Among the possible risks of the current Russian legal system are:

- inconsistencies among: (i) federal laws, (ii) decrees, orders and regulations issued by the President, the Russian Government, federal ministries and regulatory authorities and (iii) regional and local laws, rules and regulations;
- limited judicial and administrative guidance on interpreting Russian legislation;

- the relative inexperience of judges, courts and arbitration tribunals in interpreting new principles of Russian legislation, particularly business and corporate law;
- substantial gaps in the regulatory structure due to the delay or absence of implementing legislation; and
- a high degree of unchecked discretion on the part of governmental and regulatory authorities.

There are also legal uncertainties relating to property rights in Russia. During Russia's transformation to a market economy, the Russian Government has enacted legislation to protect property against expropriation and nationalization, and, if property is expropriated or nationalized, legislation provides for fair compensation. There is, however, no assurance that such protections would be enforced.

Notwithstanding recent reforms of the Russian court system, the continued evolution of the Russian legal system could affect our ability to enforce our contractual rights or to defend ourselves against legal action, which could have a material adverse effect on our business, prospects, financial condition and results of operations.

Findings of failure to comply with existing laws or regulations, unlawful, arbitrary or selective government action or increased governmental regulation could have a material adverse effect on our business, prospects, financial condition and results of operations.

Our operations are subject to regulation by various government entities and agencies at both the federal and regional levels. Russian regulatory authorities often exercise considerable discretion in matters of enforcement and interpretation of applicable laws, regulations and standards, the issuance and renewal of licenses and permits and in monitoring licensees' compliance with license terms, which may lead to inconsistencies in enforcement. Russian authorities have the right to, and frequently do, conduct periodic inspections of operations and properties of Russian companies throughout the year. Any such future inspections may conclude that we have violated applicable laws, decrees or regulations. In addition, we are subject to the Russian consumer protection legislation (see Item 4.B. "*Information on the Company—Business Overview—Regulatory Environment—Consumer Protection and Commerce Regulation*") and may face potential claims of our buyers under these rules. Findings that we failed to comply with existing laws, regulations or directions resulting from government inspections may result in the imposition of fines, penalties or more severe sanctions, including the suspension, amendment or termination of our licenses or permits or in requirements that we suspend or cease certain business activities, or in criminal and administrative penalties being imposed on our officers, any of which would have a material adverse effect on our reputation, business, prospects, results of operations and financial condition.

In addition, the Russian tax authorities have been reported to have aggressively brought tax evasion claims relating to Russian companies' use of tax-optimization schemes, and press reports have speculated that these enforcement actions have been selective. Selective or arbitrary government action could be directed at us, and our business, prospects, financial condition and results of operations could be materially and adversely affected.

If existing limitations on foreign ownership were to be extended to our business, or if new limitations were to be adopted, it could materially adversely affect our business and prospects.

Russian law restricts foreign (non-Russian) ownership or control of companies involved in certain important activities in Russia. Currently, e-commerce technology, the internet and online advertising are not industries specifically covered by this legislation, but proposals have from time to time been considered by the Russian Government and the Russian Parliament, which, if adopted, would impose foreign ownership or control restrictions on certain large technology or internet companies.

A draft law which was proposed in mid-2019, for example, was aimed at restricting foreign ownership of "significant" internet companies. A number of parties, including representatives of the Russian Government, identified concerns with the draft law, and the proposal was withdrawn in November 2019. Another draft law, which was proposed in December 2020, is aimed at restricting foreign ownership of audio- and video services, including online cinemas, and is currently being considered by the Russian State Duma.

If any similar legislation imposing limitations on e-commerce businesses were to be adopted and were applicable to us, it could have a material adverse effect on our business and prospects.

Participant liability under Russian corporate law could cause us to become liable for the obligations of our subsidiaries.

Our principal operating subsidiary, Internet Solutions LLC, is a limited liability company organized in Russia. Russian law generally provides that participants in a limited liability company are not liable for that company's obligations and risk only the loss of their investment. This rule does not apply, however, when one legal entity is capable of determining decisions made by another entity. The legal entity capable of determining such decisions is called the effective parent entity (*osnovnoye obshchestvo*), and the legal entity whose decisions are capable of being so determined is called the effective subsidiary entity (*docherneye obshchestvo*). The effective parent bears joint and several liability for transactions concluded by the effective subsidiary in carrying out business decisions if:

- the effective parent gives binding directions to the effective subsidiary or provides consent to the relevant transactions entered into by the subsidiary; and
- the right of the effective parent to give binding instructions is based on its share in the subsidiary's capital, or is set out in a contract between such entities or stems from other circumstances.

In addition, under Russian law, an effective parent is secondarily liable for an effective subsidiary's debts if an effective subsidiary becomes insolvent or bankrupt as a result of the action of an effective parent. In these instances, the other participants of the effective subsidiary may claim compensation for the effective subsidiary's losses from the effective parent that causes the effective subsidiary to take action or fail to take action knowing that such action or failure to take action would result in losses. We could be found to be the effective parent of our subsidiaries, in which case we would become liable for their debts, and our business, prospects, financial condition and results of operations could be materially and adversely affected.

The Russian banking system remains underdeveloped, the number of creditworthy banks in Russia is limited and another banking crisis could place severe liquidity constraints on our business.

Instability in the Russian banking sector may also adversely affect the Russian general economy. An increase in the level of underperforming loans generally weakens the level of capital for banks, which, in turn, may lead them to shrink their loan portfolios and cause debt funding to become less available for businesses outside the financial sector. Several major Russian banks, such as Trust Bank, PJSC Otkritie Financial Corporation, PJSC B&N Bank and JSCB Moscow Industrial Bank PC, were recently subject of a government bailout. Risk management, corporate governance and transparency and disclosure practices of Russian banks often remain below international best practices.

Bankruptcy, revocation of banking licenses, failure to meet financial soundness requirements, the impact of the U.S. and EU sanctions resulting from the Ukrainian crisis or the impact of other material adverse developments on any of such banks could lead to forfeiture of, or delays in accessing, our cash reserves or withdrawal/transactional limits or restrictions being imposed on our business, which could have a material adverse effect on our business, prospects, financial condition and results of operations.

Our listing on MOEX imposes additional administrative burdens on us and decreases the liquidity of trading in the ADSs on Nasdaq.

On November 19, 2020, we obtained the approval of MOEX in relation to the listing and admission of the ADSs to trading on MOEX under the symbol "OZON," but no assurance can be given that we will be able to continue to maintain such listing, which imposes additional administrative burdens on us and may result in a reduction of the liquidity of trading in the ADSs on Nasdaq.

Regulatory authorities in Russia could determine that we hold a dominant position in our markets, which would result in limitations on our operational flexibility and may adversely affect our business, financial condition and results of operations.

The Russian Law on Protection of Competition, dated July 26, 2006 (as amended, the “Competition Law”), generally prohibits any concerted action or agreement between competitors or coordination of business activities of competitors that results or may result in the fixing or maintenance of prices and various other types of anti-competitive behaviors. There is no uniform court practice on what concerted actions or coordination of business activity are, and the regulator and courts have interpreted these concepts inconsistently. As a result, there is significant uncertainty as to what actions would be viewed as a violation of the Competition Law. In a number of court cases, Russian courts have found concerted actions where competitors acted in a similar way within the same period of time, although, arguably, there have been legitimate economic reasons for such behavior and the behavior was not aimed at restriction of competition. Therefore, there is a risk that we may be found in violation of the Competition Law if our market behavior vis-à-vis our sellers or buyers is viewed as being similar to behavior of our competitors and perceived by the Federal Antimonopoly Service (the “FAS”) as a purported restriction of competition. See Item 4.B. *“Information on the Company—Business Overview—Regulatory Environment—Antimonopoly Regulation.”*

The Competition Law also prohibits any form of unfair competition, including, among other things, through defamation or otherwise. Such broad interpretations of the Competition Law may result in the imposition of behavioral limitations on our activities by the FAS, may limit our operational flexibility and may result in civil liability, administrative liability for us and our management and even criminal liability for our management.

Although to date we have only received what we consider to be routine inquiries from the FAS, we have not engaged with the FAS to define our market position. At some point in the future, the FAS may conclude that we hold a dominant position in one or more of our markets in Russia. If the FAS were to do so, this could result in heightened scrutiny for review and possible limitations on our future acquisitions and the FAS may demand that we obtain clearance from them prior to contractually agreeing to make any substantial changes to our standard agreements with sellers and agents. Further, under certain circumstances, we may be deemed to be abusing a dominant market position simply by refusing to conclude a contract with certain third parties. Any abuse of a dominant market position could lead to administrative penalties and the imposition of fines calculated by reference to our revenue.

In addition, some legislative initiatives under discussion may be applicable to us as an e-commerce business. For example, the draft law known as the “5th Antimonopoly Pack,” if adopted as currently drafted, may apply to us, and we may potentially fall under the new rules of determination of dominant position in respect of digital platforms and may be subject to an enhanced level of scrutiny by the FAS towards our business in Russia. See Item 4.B. *“Information on the Company—Business Overview—Regulatory Environment—Antimonopoly Regulation.”*

We believe that our operations are in compliance with Russian antimonopoly regulations. However, investigations that may be conducted by the FAS in the future, into our operations or transactions, and the imposition of related penalties, sanctions or conditions on us, could have a material adverse effect on our business, prospects, financial condition and results of operations.

We may be subject to existing or new advertising legislation that could restrict the types of advertisements we serve, which could result in a loss of advertising revenue.

Russian law prohibits advertising of certain products, such as uncertified products or tobacco products, and heavily regulates advertising of certain other products and services, such as alcohol, pharmaceuticals and children food. Advertisements for certain products and services, such as financial services, as well as advertisements aimed at minors and some others, must comply with specific rules and must in certain cases contain particular disclaimers.

Further amendments to advertising regulations may impact our ability to provide some of our services or limit the type of advertising services we may offer. However, the application of these laws to parties that merely facilitate or distribute advertisements (as opposed to marketing or selling the relevant product or service) can be unclear. Pursuant to our terms of service, we require that our advertisers have all required licenses or authorizations. If parties engaging our advertising services do not comply with these requirements, and these laws were to be interpreted to apply to us, or if our advertising serving system failed to include the necessary disclaimers, we may be exposed to administrative fines or other sanctions and may have to limit the types of advertisers we serve.

The regulatory framework in Russia governing the use of behavioral targeting in online advertising is unclear. If new legislation were to be adopted or the current legislation were to be interpreted to restrict the use of behavioral targeting in online advertising, our ability to enhance the targeting of our advertising could be significantly limited, which could impact the relevance of the advertisements distributed by us, reduce the number of parties engaging our services and ultimately decrease our advertising revenue, which would have a material adverse effect on our business, prospects, financial condition and results of operations.

One or more of our subsidiaries may be forced into liquidation due to formal non-compliance with certain requirements of Russian law, which could have a material adverse effect on our business, financial condition and results of operations.

Certain provisions of Russian law may allow a court to order liquidation of a Russian legal entity on the basis of its formal non-compliance with certain requirements in connection with its formation or reorganization or during its operation. There have been cases in the past in which formal deficiencies in the establishment process of a Russian legal entity or non-compliance with provisions of Russian law have been used by Russian courts as a basis for liquidation of a legal entity. For example, in Russian corporate law, negative net assets calculated on the basis of the Russian Accounting Standards as of the end of the financial year following the second or any subsequent financial year of a company's operation can serve as a basis for a court to order the liquidation of the company, upon a claim by governmental authorities (if no decision is taken to liquidate the company). Many Russian companies have negative net assets due to very low historical asset values reflected on their Russian balance sheets. However, their solvency (i.e., their ability to pay debts as they come due) is not otherwise adversely affected by such negative net assets. In addition, according to Russian court practice, formal non-compliance with certain requirements that may be remediated by a non-compliant legal entity should not itself serve as a basis for liquidation of such legal entity.

Internet Solutions LLC, our key operating subsidiary, has had negative net assets in the past, but as of December 31, 2020, its net assets were positive. Under the relevant legislative requirement, a company may be forced into liquidation only after having negative net assets for two consecutive years, and we therefore believe that we and our subsidiaries are currently fully compliant with the applicable legal requirements and neither we nor Internet Solutions LLC or any of our other subsidiaries should be subject to liquidation on such grounds. However, weaknesses in the Russian legal system create an uncertain legal environment, which makes the decisions of Russian courts or governmental authorities difficult, if not impossible, to predict. If involuntary liquidation were to occur, then we may be forced to reorganize the operations we currently conduct through the affected subsidiaries. Any such liquidation could lead to additional costs, which could materially adversely affect our business, financial condition and results of operations.

Risks Relating to Our Organizational Structure

The rights of our shareholders are governed by Cyprus law and our articles of association and differ in some important respects from the typical rights of shareholders under U.S. state laws.

Our corporate affairs are governed by our articles of association and by the laws governing companies incorporated in Cyprus. The rights of our shareholders and the responsibilities of members of our board of directors under Cyprus law and our articles of association are different than under the laws of some U.S. state laws. For example, existing holders of shares in Cypriot public companies are entitled as a matter of law to pre-emptive rights on the issue of new shares in that company (if shares are issued for cash consideration). The pre-emptive rights, however, may be disappplied by our shareholders at a general meeting for a period of five years and the shareholders have disappplied the pre-emptive rights with respect to certain issuances of shares from the date of completion of our IPO for a period of five years.

In addition, our articles of association include other provisions, which differ from provisions typically included in the governing documents of most companies organized in the U.S., including that our shareholders are able to convene an extraordinary general meeting as provided in section 126 of the Cyprus Companies Law Cap. 113 and vote upon the matters which by law are reserved to the shareholders or are provided in the articles of association. As a result of the differences described above, our shareholders may have rights different to those generally available to shareholders of companies organized under U.S. state laws, and our board of directors may find it more difficult to approve certain actions.

Under Cyprus law, generally the company, rather than its shareholders, is the proper claimant in an action in respect of wrongdoing done to the company or where there is an irregularity in the company's internal management.

Notwithstanding this general position, Cyprus law provides that a court may, in a limited set of circumstances, allow a shareholder to bring a derivative claim (an action in respect of and on behalf of the company) against the wrongdoers, which may include a complaint that the company's affairs are being conducted in an oppressive manner to some of the company's shareholders (including the complainant), the *ultra vires* and illegal use of control in decision-making by the board of directors or a shareholder majority, violation of the voting procedures of the company that require a special majority, violation of personal rights of a shareholder under the company's constitution and/or the applicable law, and fraud on the minority by the controlling majority. Remedies commonly sought by a derivative action include, among other things, the cancellation of the illegal or *ultra vires* acts or decisions taken by the company, damages for breach of duties by the directors owed to the company or negligence by the company's officers or breaches of the company's constitutional documents and/or applicable law, and tracing and recovery of property misappropriated by the persons in control of the company's management or third parties. In certain circumstances, such as when fraud on the minority is alleged, the derivative action will be based on the principles of equity; therefore, the court will need to be satisfied that the claimant has come to court with "clean hands" (without fault), and that the action has been *bona fide* filed and serves the company's interests, that there is no alternative means to remedy the wrongdoing. As such, the above would need to be met in order for the court to allow the action to proceed and determine which remedy, if any, is more appropriate to be granted, depending on the individual circumstances of each case.

In addition to a derivative action, where there is a complaint that the company's affairs are being conducted in an oppressive manner to some of the company's shareholders, a complainant may file a petition to the Cypriot court pursuant to section 202 of the Companies Law, Cap. 113. Commonly sought orders in such a case include an order to regulate how the company's affairs are run in the future, an order for the purchase of the shares of any members by other members or by the company (and in the latter case, out of a reduction of the company's capital), and an order for the winding-up of the company on the ground that it is just and equitable.

Holders of the ADSs may not be able to exercise pre-emptive rights in relation to future issuances of ordinary shares.

To raise funding in the future, we may issue additional ordinary shares, including ordinary shares represented by ADSs. Generally, existing holders of shares in Cypriot public companies are entitled by law to pre-emptive rights on the issue of new shares in that company (provided that such shares are paid in cash and the pre-emption rights have not been disapplied by our shareholders at a general meeting for a specific period). Holders may not be able to exercise pre-emptive rights for ordinary shares where there is an issue of shares for non-cash consideration or where pre-emptive rights are disapplied. Holders may also not be able to exercise pre-emption rights directly (but possibly only by instructing the depository as the registered holder of shares) as only holders of shares and not of ADSs have such rights in Cyprus. In the United States, we may be required to file a registration statement under the Securities Act to implement pre-emptive rights. We can give no assurances that an exemption from the registration requirements of the Securities Act would be available to enable U.S. holders of ordinary shares to exercise such pre-emptive rights and, if such exemption is available, we may not take the steps necessary to enable U.S. holders of ordinary shares to rely on it. Accordingly, holders may not be able to exercise pre-emptive rights on future issuances of ordinary shares, and, as a result, their respective percentage ownership interest(s) in us would be diluted. As our shareholders authorized the disapplication of pre-emptive rights for a period of five years from the date of the date of completion of our IPO, with respect to certain issuances of shares, after the five-year period will be subject to pre-emptive rights unless those rights are additionally disapplied. Furthermore, rights offerings are difficult to implement effectively under the current U.S. securities laws, and our ability to raise capital in the future may be compromised if we need to do so through a rights offering in the United States.

Because of their significant voting power and special rights granted to Class A shares, our principal shareholders are able to exert control over us and our significant corporate decisions.

The shares beneficially owned by our principal shareholders, Sistema and the Baring Vostok Private Equity Funds, amount to 33.8% and 33.7%, respectively, of our issued and outstanding ordinary shares as of December 31, 2020.

Each of our principal shareholders holds one Class A share, which confers the right to appoint and remove (i) two directors so long as such Class A shareholder together with its Affiliates and/or its permitted Transferees (as these terms are defined in our articles of association) holds at least 15% of voting power of the ordinary shares or (ii) one director so long as such Class A shareholder, together with its Affiliates and/or its Permitted Transferees (as these terms are defined in our articles of association) holds less than 15% but at least 7.5% of voting power of the ordinary shares. Each Class A share is convertible into one ordinary share at any time by its holder, while ordinary shares are not convertible into Class A shares other than as provided in our articles of association. Upon any transfer of a Class A share by a holder to any person that is not an affiliate or otherwise under control of such holder, such Class A share will be automatically converted into one ordinary share.

As a result, our principal shareholders may have the ability to determine/affect the outcome of all matters submitted to our shareholders for approval, including the election and removal of directors, subject to and in accordance with the manner prescribed in our articles of association, and any merger, consolidation or sale of all or substantially all of our assets. The interests of our principal shareholders might not coincide with the interests of the other holders of the ADSs or our ordinary shares. This concentration of ownership may harm the value of the ADSs by, among other things:

- delaying, deferring or preventing a change in control of us;
- impeding a merger, consolidation, takeover or other business combination involving us; or
- causing us to enter into transactions or agreements that are not in the best interests of all shareholders.

Furthermore, from time to time the press and non-traditional media may speculate about a wide variety of matters relating to the Group, including our principal shareholders. For example, in February 2019, Russian investigative authorities initiated a case against a number of senior employees of Baring Vostok Capital Partners Group Limited, relating to the performance of their respective roles as directors for another portfolio company of private equity funds advised by Baring Vostok Capital Partners Group Limited and resulting in their pre-trial detention, which continues as of the date hereof. The accusations have been strongly denied. None of these individuals has been engaged in our day-to-day operations by participating in the operational decision making process or otherwise, and their ongoing detention has not affected and is not expected to affect our business and operations, but these events, as well as any future actions or claims involving either of our principal shareholders or their investments, which are extensive and varied, may generate adverse press coverage with respect to our business. Any reports in the media and other public statements regarding the activities of our principal shareholders, irrespective of whether such statements have any basis in fact, may adversely affect our reputation and business.

We may be subject to defense tax in Cyprus.

Cypriot companies must pay a Special Contribution for the Defense Fund of the Republic of Cyprus, or the defense tax, at a rate of 17% on deemed dividend distributions to the extent that their shareholders are Cypriot tax residents or in case of individuals, also Cyprus domiciled. A Cypriot company that does not distribute at least 70% of its after tax profits within two years from the end of the year in which the profits arose, is deemed to have distributed this amount as a dividend two years after that year end. The amount of this deemed dividend distribution, subject to the defense tax, is reduced by any actual dividend paid out of the profits of the relevant year at any time up to the date of the deemed distribution and the resulting balance of profits will be subject to the defense tax to the extent of the appropriation of shares held in the company at that time by Cyprus tax residents. The profits to be taken into account in determining the deemed dividend do not include fair value adjustments to any movable or immovable property.

The defense tax payable as a result of a deemed dividend distribution is paid in the first instance by the Company which may recover such payment from its Cypriot shareholders by deducting the amount from an actual dividend paid to such shareholders from the relevant profits. To the extent that we are unable to recover this amount due to a change in shareholders or no actual dividend is ever paid out of the relevant profits, we will suffer the cost of this defense tax. Imposition of this tax could have a material adverse effect on our business, prospects, financial condition and results of operations if we are unable to recover the tax from shareholders as described above.

In September 2011, the Commissioner of the Inland Revenue Department of Cyprus issued Circular 2011/10, which exempted from the defense tax any profits of a company that is tax resident in Cyprus imputed indirectly to shareholders that are themselves tax residents in Cyprus to the extent that these profits are indirectly apportioned to shareholders who are ultimately not Cyprus tax residents.

Risks Relating to Russian Taxation

Changes in Russian tax law could adversely affect our Russian operations.

Generally, Russian taxes that we are subject to include, among others, corporate income tax, value added tax, property tax and employment-related social security contributions and other taxes. We are also subject to duties and liabilities of a tax agent in terms of withholding taxes with respect to some of our counterparties. Although the Russian tax climate and the quality of tax legislation have generally improved with the introduction of the Russian Tax Code, a possibility exists that Russia may impose arbitrary and/or onerous taxes and penalties in the future. Russia's tax collection system increases the likelihood of such events, and this could adversely affect our business.

Russian tax laws are subject to frequent change and some of the sections of the Russian Tax Code are comparatively new and continue to be redrafted. Since 2014, several important new rules have been introduced into the Russian Tax Code as a part of the Russian Government's policy focused on curtailing Russian businesses from using foreign companies mostly or only for tax reasons. These rules impose significant limitations on tax planning and aiming at allowing the Russian tax authorities to tax foreign income attributable to Russian businesses (known as "de-offshorization measures"). These new rules include, in particular, (i) rules governing the taxation of "controlled foreign companies" ("CFC rules") (without limitation of jurisdictions to which this definition applies and which residents may fall under the regime); (ii) rules determining the tax residence status of non-Russian legal entities based on place of effective management (tax residence rules); (iii) rules defining the "beneficial ownership" (actual recipient of income) concept for application of double tax treaties and (iv) taxation of capital gains derived from the sale of shares in "real estate rich" companies (with the value of assets deriving, directly or indirectly, from real estate located in Russia by more than 50%), all in effect since January 1, 2015; and (v) codified general anti-abuse rules (these are based on the judicial concept of "unjustified tax benefit," and provide a few tests to support tax reduction or tax base deduction, including the "main purpose test"), in effect since August 18, 2017.

Starting from January 1, 2019, standard VAT rate rose from 18% to 20%, and the VAT rate applied to e-services rendered by foreign providers increased from 15.25% to 16.67%. In addition, VAT on e-services rendered by foreign suppliers and deemed supplied in Russia will have to be accounted for and paid by the foreign e-service providers.

Starting from January 1, 2021, income of Russian tax resident individuals exceeding ~~₽~~5 million per annum is subject to personal income tax at a rate of 15%.

In addition, in 2020-2021, new restrictions have been introduced into Russian tax law that effectively phase out certain tax benefits to non-Russian registered entities that voluntarily recognized themselves as Russian tax residents. In particular, a participation exemption regime, a tax benefit that many non-Russian registered entities have relied on in obtaining Russian tax residency on a voluntary basis, will no longer apply to dividend income of such entities starting 2024.

These changing conditions create tax risks in Russia that are more significant than those typically found in jurisdictions with more developed tax systems; they have significant effect on us, complicate our tax planning and related business decisions and may expose us to additional tax and administrative risks, as well as extra costs that are necessary to secure compliance with these new rules. In addition, there can be no assurance that the current tax rates will not be increased and that new taxes will not be introduced.

The interpretation and application of the Russian Tax Code generally and, in particular, the new rules, have often been unclear or unstable. Differing interpretations may exist both among and within government bodies at the federal, regional and local levels; in some instances, the Russian tax authorities take positions contrary to those set out in clarification letters issued by the Ministry of Finance in response to specific taxpayers' queries and apply new interpretations of tax laws retroactively. This increases the number of existing uncertainties and leads to inconsistent enforcement of the tax laws in practice. Furthermore, over recent years, the Russian 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 taxpayers. Taxpayers often have to resort to court proceedings to defend their position against the Russian tax authorities. In the absence of binding precedent or consistent court practice, rulings on tax matters by different courts regarding the same or similar circumstances may be inconsistent or contradictory. In practice, courts may deviate from the interpretations issued by the Russian tax authorities or the Ministry of Finance in a way that is unfavorable for the taxpayer.

The Russian tax system is, therefore, impeded by the fact that, at times, it continues to be characterized by inconsistent judgment of the local tax authorities and the failure of the Russian tax authorities to address many of the existing problems. It is, therefore, possible that our transactions and activities that have not been challenged in the past may be challenged in the future, which may have a material adverse effect on our business, prospects, financial condition, results of operations and the trading price of the ADSs.

Changes to Russia-Cyprus double tax treaty could increase our tax burden.

In 2020, the Russian President announced significant changes to Russian tax laws, and the Russian Government was directed to revise Russian double tax treaties which are often used for tax planning so as to increase withholding tax rates up to 15% for Russian-sourced dividend and interest income or, if negotiations are unsuccessful, to terminate them. Consequently, the Russian Ministry of Finance initiated negotiations with the competent authorities of Cyprus, Malta, the Netherlands and Luxembourg. It is likely that the number of tax treaties subject to revisions may increase.

Russia signed a protocol of the amendments to the Russia-Cyprus double tax treaty in September 2020. In accordance with the protocol to the Russia-Cyprus double tax treaty, new tax rates of 15% are applied to both dividend and interest income starting from January 1, 2021.

In certain cases, reduced tax rates will remain in place. In particular, the preferential tax rate of 5% will be preserved for dividend and interest income received by Cypriot tax resident public companies whose shares are listed on a registered stock exchange and which have no less than 15% of shares in free float, provided that this public company owns at least 15% of the shares in a Russian company paying the income for a period of at least 365 consecutive days. However, currently there are different interpretations of the above requirements to apply the 5% preferential tax rate and the practice is still developing.

These amendments to the Russia-Cyprus double tax treaty and uncertainty of their interpretation may potentially adversely affect the taxation of future dividend distributions from our Russian subsidiaries and, consequently, our business and financial condition.

Our Cypriot entities may be exposed to taxation in Russia if they are treated as having a Russian permanent establishment or as being Russian tax residents.

The Russian Tax Code provides for extended taxation and related tax obligations for foreign legal entities that carry on commercial activities in Russia in such a manner that they create either a permanent establishment or result in migration of a tax residence due to place of effective management being in Russia (in the first case, the foreign legal entity is subject to Russian corporate income tax with regard to income derived from activities conducted through the permanent establishment; in the second case, the Russian corporate income tax applies to the worldwide income of the foreign legal entity tax residence of which is migrated to Russia; in addition, in both cases, other taxes may apply depending on the circumstances).

Although tax residence rules for legal entities as defined in the Russian Tax Code are broadly similar to the respective concepts known in the international context, including those developed by the Organization for Economic Co-operation and Development (the “OECD”) for tax treaty purposes, they have not yet been sufficiently tested in the Russian administrative and court practice since they have been in effect only from January 1, 2015. Thus, the Russian tax authorities may claim our Cypriot entities as being managed from Russia and, consequently, being Russian resident for tax purposes.

The permanent establishment concept has been in effect for a while, but several key elements of this concept, for example, the allocation of income and expenses to a permanent establishment, still lack sufficient application guidelines.

Whilst we do not believe that our Cypriot entities will be treated as having a tax residence or a permanent establishment in Russia, we cannot assure that Russian tax authorities will not attempt to claim our Cypriot entities as having permanent establishment or Russian tax residence. If any of these occurs, additional Russian taxes, as well as related penalties, may be imposed on us and our business, prospects, financial condition and results of operations could be materially and adversely affected.

Our Russian entities are subject to tax audits by the Russian tax authorities, which may result in additional tax liabilities.

Generally, tax returns, together with related documentation, are subject to audit by the tax authorities, which are authorized by Russian law to impose severe fines and penalties. As a rule, the tax authorities may audit tax periods within three years immediately preceding the year when the tax audit is initiated. Tax audits may be repeated (within the same general three-year limit) in a few specifically defined circumstances, such as the taxpayer’s reorganization or liquidation, or upon the re-filing of a tax return (amended to decrease the tax payable), or if a tax audit is conducted by a higher-level tax authority as a measure of control over the activities of a lower-level tax authority. Therefore, previous tax audits may not preclude subsequent tax claims relating to the audited period.

The Russian Tax Code provides for a three-year statute of limitations for imposition of tax penalties. The statute of limitation extends however if the taxpayer obstructed the performance of the tax audit (such that it created an insurmountable obstacle for the performance and completion of the tax audit). However, the terms “obstructed” and “insurmountable obstacles” are not specifically defined in the Russian law; therefore, the tax authorities may interpret these terms broadly, effectively linking any difficulty experienced by them in the course of the tax audit with obstruction by the taxpayer and use that as a basis to seek additional tax adjustments and penalties beyond the three-year limitation term. As a result, the statute of limitations is not entirely effective.

Tax audits may result in additional costs if the tax authorities conclude that we did not satisfy our tax obligations in any given tax period. Such audits may also impose additional burdens on us by diverting the attention of management resources. The outcome of these audits could have a material adverse effect on our business, prospects, financial condition, results of operations and the trading price of the ADSs.

Russian transfer pricing rules may adversely affect the business of our Russian operations, financial condition and results of operations.

The Russian transfer pricing legislation has been in force from January 1, 2012. The rules are technically elaborated, detailed and, to a certain extent, aligned with the international transfer pricing principles developed by the OECD.

The rules allow the Russian tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of transactions which are considered “controlled” for Russian transfer pricing purposes if prices in such transactions are not arm’s length. Both domestic and cross-border transactions can be treated as “controlled.” In order for the domestic transaction to be “controlled” it should be concluded between related parties which apply different corporate income tax rates and turnover between these parties should exceed ~~€~~1 billion per year. All cross-border transactions with related parties and certain unrelated party transactions (for example, transactions with residents of blacklisted low tax jurisdictions) will be subject to transfer pricing control if the volume of such transactions exceed ~~€~~60 million per year.

The rules have considerably increased the compliance burden on the taxpayers compared to the previous regime as now taxpayers are obliged to prepare not only transfer pricing documentation but also notifications and reports.

Although the transfer pricing rules are supposed to be in line with international transfer pricing principles developed by the OECD, there are certain significant differences with respect to how these principles are reflected in the local rules. Special transfer pricing rules apply to transactions involving securities and derivatives.

The Russian Tax Code stipulates that transfer pricing audit shall be performed by the transfer pricing unit of the Russian Federal Tax Service and not by regional tax authorities. However, regional tax authorities can try to challenge prices of “non-controlled” transactions between related parties through the “unjustified tax benefit” concept.

Accordingly, due to the complexity in the interpretation of Russian transfer pricing legislation, no assurance can be given that the Russian tax authorities will not challenge our transfer prices and/or make adjustments which could affect our tax position unless we are able to prove the use of arm’s length prices in related-party transactions and other controlled unrelated-party transactions.

The imposition of additional tax liabilities under the Russian transfer pricing rules may have a material adverse effect on our business, financial condition and results of operations.

Our Russian entities may be exposed to additional value added tax and corporate income tax obligations if the tax authorities consider some of our suppliers as “bad faith” suppliers.

The vast majority of Russian taxpayers regularly encounter claims regarding transactions with “bad-faith” suppliers by Russian tax authorities arguing that such suppliers could not fulfill their contractual obligations, leading to challenges of VAT recovery and corporate income tax deduction.

Until 2017, the Russian tax authorities used the concept of an unjustified tax benefit in order to challenge the deductibility of expenses and deduction of the respective input VAT incurred on purchase of goods, work, or services from “bad-faith” suppliers. This judicial general anti-avoidance rule was defined by the Plenum of the Supreme Arbitrazh Court of Russia in 2006.

In 2017, this concept in the form of the statutory general anti-abuse rule was incorporated in the Russian Tax Code. The Russian Tax Code defines unjustified tax benefit as an understatement of tax base or tax payable as a result of a misrepresentation of business operations or taxable assets by a taxpayer. The new provision of the Tax Code and developing administrative and court practice require that a taxpayer collects evidence that (i) a particular transaction is not carried out primarily for the purpose of achieving a non-payment or a refund of a tax amount and (ii) contractual obligations are discharged by the contracted counterparty. Thus, a taxpayer must check reputation and capabilities (for example, available resources and assets) of its suppliers as well as confirm whether they fulfill their tax liabilities to be able to support recovery of input value added tax or deduction of expenses for corporate income tax purposes.

Russian administrative and court practice on the concept of unjustified tax benefit is developing and contains broad and conflicting interpretations; moreover, there is still no unified approach for determination of actual amount of tax liabilities in case of a tax offence detection. While we have established internal procedures to monitor and control this risk, our Russian subsidiaries may still be affected by this risk due to ambiguity of criteria used by the tax authorities and subjective nature of the risk. It is therefore possible that our transactions with suppliers may be challenged by the Russian tax authorities, which may have a material adverse effect on our business, prospects, financial condition, results of operations and the trading price of the ADSs.

The Russian tax authorities may challenge the application of a reduced social security contributions and corporate profits tax rates by one of our companies which qualifies as an IT company.

Starting from January 1, 2021, one of our Russian subsidiaries applies a reduced profits tax rate (3% instead of the general rate of 20%) as well as a social security contributions rate (7.6% instead of general rate of 30%) in relation to payments to its employees. The Russian Tax Code establishes the respective reduced rate for companies who carry out IT activities, develop and sell own-developed computer programs and databases, and/or render services involving development, adaptation, modification and support of computer programs and databases. In order to apply the reduced rates, a taxpayer should be officially accredited to perform activity in IT sphere, the share of its income related to these activities should comprise 90% of total income and the average headcount should be at least seven employees. We believe our subsidiary meets all of the above requirements and effectively operates as a shared service center rendering services to our subsidiaries with respect to development, adaptation of IT products which are being used primarily within the Group. Such practice is widely used by IT companies in Russia.

The Russian Tax Code provision regarding application of the reduced rates of profits tax and social security contributions is relatively untested. Given the absence of substantial administrative and court practice, the tax authorities may challenge the application of the reduced rates. This may have an adverse effect on our business, financial condition and results of operations.

Russian thin capitalization rules and general interest deductibility rules allow different interpretations, which may affect our business.

The Russian Tax Code provides for three main restrictions that limit the deductibility of expense for interest accruing on indebtedness: first, that a loan is obtained (indebtedness is incurred) with a proper economic reasoning (for a business purpose or justification); second, that the interest rate, if paid on controlled transactions, fits within certain interest rate (safe-harbor) ranges; and third, the thin capitalization rules (that apply to “foreign controlled debt” (i.e., indebtedness where a foreign direct or indirect shareholder or its affiliate act as a lender or a guarantor) and operate with at least a 3:1 debt-to-equity ratio). Interest on excess debt is non-deductible and treated as a dividend subject to withholding tax. The whole amount of nondeductible interest accrued on foreign controlled debt would be treated for tax purposes as a dividend if the balance-sheet equity (the net asset value) of the indebted taxpayer is negative. The statutorily defined scope of the foreign controlled debt was amended recently such that loans obtained from banks or Russian affiliates are, under certain conditions, excluded; at the same time, loans obtained from foreign affiliates are explicitly included.

Our Russian intragroup operations may be affected by requalification of interest into a dividend (including by our inability to deduct interest) based on Russian thin capitalization rules if at any time the respective indebtedness qualifies as foreign controlled debt, or by the inability to deduct interest based on other reasons.

We may encounter difficulties in obtaining lower rates of Russian withholding income tax for dividends distributed from our Russian subsidiaries.

Dividends paid by Russian subsidiaries to their foreign corporate shareholders are generally subject to Russian withholding income tax at a rate of 15%; although this tax rate may be reduced under an applicable double tax treaty if certain conditions defined in the tax treaty are met. Consequently, if our Cypriot headquarters receives dividend distributions from Russian subsidiaries, it may be subject to Russian withholding income tax at a rate of 15% with a possibility to reduce the tax rate pursuant to the Russia-Cyprus double tax treaty (see “—*Changes to Russia-Cyprus double tax treaty could increase our tax burden.*”). However, use of the reduced tax rates under the double tax treaty is available only subject to meeting certain conditions described below.

Starting from January 1, 2015, the Russian Tax Code explicitly requires that in order to enjoy the benefits under an applicable double tax treaty, the person claiming such benefits must be the beneficial owner of the relevant income. Starting from January 1, 2017, in addition to a tax residence certificate, the Russian Tax Code requires confirmation from the recipient of the income that it is the beneficial owner of the income. Russian tax law provides neither the form of such confirmation nor a list of documents that can demonstrate the beneficial owner status of the recipient with respect to the received income. In recent years, the Russian tax authorities started to challenge structures involving the payments outside of Russia, and in most cases, Russian courts tend to support the tax authorities’ position. Thus, there can be no assurance that treaty relief at source will be available in practice.

In June 2019, Russia deposited the instrument of ratification for the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the “MLI”). Starting from 2021, the MLI is enforced with jurisdictions in respect of which notifications to the OECD were made confirming the completion of internal procedures for the covered tax agreements by Russia. The implementation of MLI has introduced a variety of measures designed to update double tax treaties and reduce opportunities for tax avoidance. In particular, the MLI sets forth additional requirements for the purposes of application of the reduced tax rates.

A person participating in a company’s capital or a person who has a right of use and disposal of a company’s income may be treated as beneficial owner of that income. If, however, a person acts as an intermediary and has an obligation to transfer part or all of the income received from the company to a third party (i.e., a person that is not able to act independently with respect to the use and disposition of the received income), the person may not be treated as beneficial owner of income. In addition, the uncoordinated application of the MLI provisions by different countries should be considered. The intention of the countries signing the MLI to prevent tax abuse will be implemented through either an adoption of a general anti-abuse rule on the principal purpose of a transaction (“PPT”), a combination of PPT and Simplified Limitation of Benefits (the “simplified LOB”) clause, or a detailed LOB rule. Simplified LOB was the option selected by Russia and when determining the potential for a treaty abuse, and Russia will not only use the PPT rule, but also a number of defined criteria (for example, a minimum holding period) which would restrict treaty benefits. However, the majority of countries which have treaties with Russia, including Cyprus, have selected PPT, but not the simplified LOB. Therefore, unless otherwise mutually agreed by Russia and the contracting jurisdiction, simplified LOB will not be applied and, instead, only the PPT will apply. The PPT seeks to disallow the benefits of a particular double tax treaty where, broadly, the principal purpose of establishing a particular transaction or structure was to obtain the benefits of a double tax treaty.

The result of either the denial to us of beneficial owner’s treatment with respect to our Russian subsidiaries or failure to pass the PPT test would be the denial of double tax treaty benefits (zero rate taxation or reduced taxation of certain types of income distributed). The distribution of income would attract the taxation which would have applied had the income been distributed directly to the ultimate beneficial owners of such income (whether foreign or Russian) or attract a withholding tax at the rate of 15% on dividends or 20% on other types of income.

In addition, the double tax treaty between Russia and Cyprus has been revised, which could result in the increase of withholding tax rate on dividends and income distribution from our Russian subsidiaries up to 15%. See “—*Changes to Russia-Cyprus double tax treaty could increase our tax burden.*”

See Item 10.E. “*Additional Information—Taxation—Material Tax Considerations—Material Russian Tax Considerations*” for further discussion of important Russian tax considerations.

Risks Relating to Ownership of the ADSs

As a foreign private issuer within the meaning of the Nasdaq corporate governance rules, we are permitted to, and we will, rely on exemptions from certain of the Nasdaq corporate governance standards, including the requirement that a majority of our board of directors consist of independent directors. Our reliance on such exemptions may afford less protection to holders of the ADSs.

As a company not listed on the regulated market of the Cyprus Stock Exchange, we are not required to comply with any corporate governance code requirements applicable to Cypriot public companies.

The Nasdaq corporate governance rules require listed companies to have, among other things, a majority of independent board members and independent director oversight of executive compensation, nomination of directors and corporate governance matters. As a foreign private issuer, we are permitted to, and we will, follow home country practice in lieu of the above requirements. As long as we rely on the foreign private issuer exemption to certain of the Nasdaq corporate governance standards, a majority of the directors on our board of directors are not required to be independent directors, our compensation committee is not required to be comprised entirely of

independent directors and we will not be required to have a nominating committee. Therefore, our board of directors' approach to governance may be different from that of a board of directors consisting of a majority of independent directors, and, as a result, our management oversight may be more limited than if we were subject to all of the Nasdaq corporate governance standards.

Accordingly, our shareholders do not have the same protection afforded to shareholders of companies that are subject to all of the Nasdaq corporate governance standards, and the ability of our independent directors to influence our business policies and affairs may be reduced.

As we are a “foreign private issuer” and intend to follow certain home country corporate governance practices, our shareholders may not have the same protections afforded to shareholders of companies that are subject to all the Nasdaq corporate governance requirements.

As a foreign private issuer, we have the option to follow certain Cypriot corporate governance practices rather than those of Nasdaq, provided that we disclose the requirements we are not following and describe the home country practices we are following. We intend to rely on this “foreign private issuer exemption” with respect to the requirements to have the audit committee appoint our Independent Registered Public Accountants, the Nasdaq rules for shareholder meeting quorums and record dates and the Nasdaq rules requiring shareholders to approve equity compensation plans and material revisions thereto. We may in the future elect to follow home country practices in Cyprus with regard to other matters. As a result, our shareholders may not have the same protections afforded to shareholders of companies that are subject to all the Nasdaq corporate governance requirements. Please see Item 16G. “Corporate Governance” for details of the “foreign private issuer” exemptions to the Nasdaq corporate governance requirements that we are relying on.

We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses.

As discussed above, we are a foreign private issuer, and therefore, we are not required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act. The determination of foreign private issuer status is made annually on the last business day of an issuer's most recently completed second fiscal quarter, and, accordingly, the next determination will be made with respect to us on June 30, 2021. If we lose our foreign private issuer status on this date, we would be required to file with the SEC periodic reports and registration statements on U.S. domestic issuer forms, which are more detailed and extensive than the forms available to a foreign private issuer. We would also have to mandatorily comply with U.S. federal proxy requirements, and our executive officers, directors and principal shareholders would become subject to the short-swing profit disclosure and recovery provisions of Section 16 of the Exchange Act. In addition, we would lose our ability to rely upon exemptions from certain corporate governance requirements under the listing rules of Nasdaq. As a U.S. listed public company that is not a foreign private issuer, we would incur significant additional legal, accounting and other expenses that we would not incur as a foreign private issuer, and accounting, reporting and other expenses in order to maintain a listing on a U.S. securities exchange. These expenses would relate to, among other things, the obligation to present our financial information in accordance with U.S. GAAP or reconcile our financial statements to U.S. GAAP should we lose our status as a foreign private issuer.

We have identified a material weakness and a significant deficiency in our internal control over financial reporting, and if our remediation of such material weakness and significant deficiency is not effective, or if we fail to develop and maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable laws and regulations could be impaired.

Prior to our IPO, we were a private company with limited relevant resources with which to address our internal controls and procedures. Although we are not yet subject to the certification or attestation requirements of Section 404 of the Sarbanes-Oxley Act, in the course of preparing our financial statements for the years ended December 31 2020, 2019 and 2018, we identified control deficiencies that we concluded represented a material weakness and a significant deficiency in our internal control over financial reporting. SEC guidance defines a “material weakness” as a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. SEC guidance defines a “significant deficiency” as a deficiency, or a combination of deficiencies, in internal control over financial reporting, that is less severe than a material weakness yet important enough to merit attention by those responsible for oversight of the company's financial reporting.

The material weakness identified for the years ended December 31, 2020, 2019 and 2018 relates to information technology general controls, specifically (i) insufficient controls over user access rights and segregation of duties within our information systems and (ii) insufficient controls over change management of our information systems. To address our material weakness, in 2020, we developed and began a remediation plan that included the following activities: (i) hiring additional personnel dedicated to carrying out regular independent monitoring of information technology general controls, (ii) establishing an access policy for our information systems, (iii) improving controls over access rights management, including reviews of current access rights, user roles and access management procedures, and (iv) implementing change management control procedures for our information systems. We will not be able to fully remediate this material weakness until these steps have been fully completed and have been operating effectively for a sufficient period of time. We are on track in our remediation process, however, there can be no assurance that we will be successful in pursuing these measures, or that these measures will significantly improve or remediate the material weakness described above.

In addition, in the course of preparing our financial statements for the year ended December 31, 2019, we identified a control deficiency related to the stock taking procedure in our new fulfillment center that we concluded represented a significant deficiency in our internal control over financial reporting. To address our significant deficiency, in 2020, we implemented the necessary changes to our warehouse management software and conducted a full-scale stock taking procedure for the year ended December 31, 2020.

We cannot assure you that the measures we have taken to date, and actions we may take in the future, will be sufficient to remediate the control deficiencies that led to the material weakness and significant deficiency in our internal control over financial reporting or that they will prevent or avoid potential future material weaknesses or significant deficiencies. Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, material weaknesses or significant deficiencies in internal control over financial reporting may be discovered in the future. If we fail to remediate our current or future material weaknesses or significant deficiencies or to meet the demands that will be placed upon us as a public company, including the requirements of the Sarbanes-Oxley Act, we may be unable to accurately report our financial results, or report them within the timeframes required by law, our consolidated financial statements may be restated, investors may lose confidence in the accuracy and completeness of our financial reports the market price of the ADSs could be materially and adversely affected, the ADSs may be suspended or delisted from Nasdaq, and our reputation, results of operations and financial condition may be adversely affected. Failure to comply with Section 404 could also potentially subject us to sanctions or investigations by the SEC or other regulatory authorities.

If we fail to establish and maintain proper internal controls, our ability to produce accurate financial statements or comply with applicable regulations could be impaired.

Section 404(a) of the Sarbanes-Oxley Act ("Section 404(a)") requires that beginning with our second annual report following our IPO, management assess and report annually on the effectiveness of our internal control over financial reporting and identify any material weaknesses in our internal control over financial reporting. Section 404(b) of the Sarbanes-Oxley Act ("Section 404(b)") requires our Independent Registered Public Accounting Firm to issue a report that addresses the effectiveness of our internal control over financial reporting.

We expect our first Section 404(a) assessment will take place for our annual report for the fiscal year ending December 31, 2021. As discussed above in "*—We have identified a material weakness and a significant deficiency in our internal control over financial reporting, and if our remediation of such material weakness and significant deficiency is not effective, or if we fail to develop and maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable laws and regulations could be impaired,*" we identified a material weakness and a significant

deficiency in the course of preparing our financial statements for the years ended December 31 2020, 2019 and 2018. The continued presence of this or other material weaknesses and/or significant deficiencies in any future financial reporting periods could result in financial statement errors that, in turn, could lead to errors in our financial reports, delays in our financial reporting, and that could require us to restate our operating results, or our auditors may be required to issue a qualified audit report, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of the ADSs could be materially and adversely affected. We might also not identify one or more material weaknesses in our internal controls in connection with evaluating our compliance with Section 404(a). In order to improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, and maintain satisfactory controls once achieved, we will need to expend significant resources and provide significant management oversight. Implementing any appropriate changes to our internal controls may require specific compliance training of our directors and employees, entail substantial costs in order to modify our existing accounting systems, take a significant period of time to complete and divert management's attention from other business concerns. These changes may not, however, be effective in maintaining the adequacy of our internal controls.

If either we are unable to conclude that we have effective internal control over financial reporting or, at the appropriate time, our Independent Registered Public Accounting Firm is unwilling or unable to provide us with an unqualified report on the effectiveness of our internal control over financial reporting as required by Section 404(b), investors may lose confidence in our results of operations, the price of the ADSs could decline, and we may be subject to litigation or regulatory enforcement actions. In addition, if we are unable to meet the requirements of Section 404, we may not be able to remain listed on Nasdaq.

The obligations associated with being a public company will continue to require significant resources and management attention.

As a public company in the United States, we will continue to incur legal, accounting and other expenses that we did not previously incur. We are subject to the reporting requirements of the Exchange Act and the Sarbanes-Oxley Act, the listing requirements of Nasdaq and other applicable securities rules and regulations. Compliance with these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase the demand on our systems and resources, particularly since we are no longer an "emerging growth company." The Exchange Act requires that we file annual and current reports with respect to our business, financial condition and results of operations. The Sarbanes-Oxley Act requires, among other things, that we establish and maintain effective internal controls and procedures for financial reporting. Furthermore, the need to establish the corporate infrastructure demanded of a public company may divert management's attention from implementing our growth strategy, which could prevent us from improving our business, financial condition and results of operations. We have made, and will continue to make, changes to our internal controls and procedures for financial reporting and accounting systems to meet our reporting obligations as a public company. However, the measures we take may not be sufficient to satisfy our obligations as a public company. In addition, these rules and regulations will continue to increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to incur substantial costs to maintain the same or similar coverage, and our business, prospects, financial condition and results of operations could be materially and adversely affected.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us, and our business, prospects, financial condition and results of operations could be materially and adversely affected.

Since we are no longer an “emerging growth company,” our Independent Registered Public Accounting Firm will be required to attest to the effectiveness of our internal control over financial reporting depending on our market capitalization. Even if our management concludes that our internal controls over financial reporting are effective, our Independent Registered Public Accounting Firm may still decline to attest to our management’s assessment or may issue a report that is qualified if it is not satisfied with our controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. In addition, in connection with the implementation of the necessary procedures and practices related to internal control over financial reporting, we may identify deficiencies that we may not be able to remediate in time to meet the deadline imposed by the Sarbanes-Oxley Act for compliance with the requirements of Section 404. Failure to comply with Section 404 could subject us to regulatory scrutiny and sanctions, impair our ability to raise revenue, cause investors to lose confidence in the accuracy and completeness of our financial reports and negatively affect the price of the ADSs.

An active trading market for the ADSs may not be sustained to provide adequate liquidity.

We cannot predict the extent to which investor interest in us will lead to an active trading market on Nasdaq or how liquid that market might become. If an active trading market is not sustained, holders may have difficulty selling the ADSs that they purchase, and the value of such ADSs might be materially impaired.

We do not expect to pay any dividends in the foreseeable future.

We have never declared or paid cash dividends on our ordinary shares. We intend to retain all available liquidity sources and future earnings, if any, to fund the development and expansion of our business, and we do not anticipate declaring or paying any cash dividends in the foreseeable future.

Any future final determination regarding the declaration and payment of dividends, if any, will be at the discretion of our shareholders at a general meeting and will depend on then-existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects and other factors our shareholders at a general meeting may deem relevant.

In addition, the terms of certain of our outstanding borrowings restrict our ability to pay dividends or make distributions on our ordinary shares without consent of a lender, and we may enter into credit agreements or other borrowing arrangements in the future that may further restrict our ability to declare or pay cash dividends or make distributions on our ordinary shares.

Consequently, we may not pay dividends in the foreseeable future, or at all, and any return on investment in the ADSs is solely dependent upon the appreciation of the price of the ADSs on the open market, which may not occur. See “*Dividend Policy*.”

Anti-takeover provisions in our organizational documents and Cyprus law may discourage or prevent a change of control, even if an acquisition would be beneficial to our shareholders, which could depress the price of the ADSs and prevent attempts by our shareholders to replace or remove our current management.

As we are incorporated in Cyprus, we are subject to Cyprus law. Our articles of association contain provisions that may discourage unsolicited takeover proposals that our shareholders may consider to be in their best interests or limit the ability of our shareholders to remove management, including the following:

- our articles of association require that any person who is not affiliated with our principal shareholders and is an acquiror of 30% or more of the voting power of our ordinary shares must make a mandatory tender offer that is subject to recommendation of two-thirds of directors, an acceptance by 75% of the shareholders to whom the offer is made and certain other terms and conditions that are more restrictive than those that would apply under statutory provisions of the Cypriot laws to a Cypriot company with a listing on an EU regulated market, and in the event of breach of these provisions, the voting rights of such acquiror and its persons acting in concert will be limited to 30% for the duration of such breach;

- our articles of association require that if a principal shareholder holding a Class A share or its affiliates acquire 43% or more of the voting power of our ordinary shares, it must make a mandatory tender offer that is subject to recommendation by two-thirds of our board of directors, an acceptance by 75% of the shareholders to whom the offer is made and certain other terms and conditions that are more restrictive than those that would apply under statutory provisions of Cyprus law to a Cypriot company with a listing on an EU regulated market, and in the event of breach of these provisions, the voting rights of such acquiror and its persons acting in concert will be limited to 43% for the duration of such breach;
- any merger, consolidation or amalgamation of the Company would require the approval of our shareholders and board of directors;
- each of our principal shareholders holds one Class A share, which confers the right to appoint and remove (i) two directors so long as such Class A shareholder together with its Affiliates and/or its Permitted Transferees (as these terms are defined in our articles of association) holds at least 15% of voting power of the ordinary shares or (ii) one director so long as such Class A shareholder together with its Affiliates and/or its Permitted Transferees (as these terms are defined in our articles of association) holds less than 15% but at least 7.5% of voting power of the ordinary shares. We are not authorized to issue additional Class A shares unless such issue is approved by holders of all issued Class A shares and a special resolution of the general meeting of our shareholders;
- our board of directors may be appointed and removed by the holders of the majority of the voting power of the ordinary shares (which is controlled by our principal shareholders) subject to and in accordance with the manner prescribed in our articles of association; and
- preference shares may, with the sanction of a special resolution, be issued on the terms and conditions and under circumstances that could have an effect of discouraging a takeover or other transaction.

Together these provisions may make the removal of management more difficult and may discourage or prevent a change of control, which could depress the price of the ADSs.

Neither Cyprus nor the broader EU takeover laws apply to us and our minority shareholders do not benefit from the same protections that the minority shareholders of a Cypriot company that is listed on an EU regulated market would have at their disposal.

As of the date of this Annual Report, Cyprus law does not contain any requirement for a mandatory offer to be made by a person acquiring control in a Cypriot company if such company's shares are not listed on an EU regulated market. Neither our shares nor the ADSs are listed on an EU regulated market. Our articles of association contain a mandatory tender offer provision that requires any third-party acquiror that acquires, together with parties acting in concert, 30% or more of the voting rights in our shares to make a mandatory tender offer to all of our other shareholders at the price not lower than the highest price per ordinary share paid by acquiror and parties acting in concert and the highest market price per ordinary share quoted on a stock exchange, in each case in the preceding 12 months. Since each of our principal shareholders who holds a Class A share already holds more than 30% of the voting rights in our shares, the requirement to make a mandatory tender offer is triggered by a principal shareholder and its affiliates only if they acquire, together with concert parties, 43% or more of the voting rights in our shares. Each of our principal shareholders holding Class A shares holds less than 43% of the voting rights in our shares. Our articles of association do not prohibit the holders of our Class A shares to combine their holdings to trigger the mandatory tender offer. Although our articles of association provide for the obligation by an acquiror to make a mandatory tender offer in certain cases, in the absence of applicable statutory provisions our shareholders may not get the same opportunity to sell their shares in the event an acquiror obtains a significant stake or even control in the company as would shareholders in a Cypriot company that is listed on an EU regulated market.

The price of the ADSs might fluctuate significantly, and holders could lose all or part of their investment.

Volatility in the market price of the ADSs may prevent holders from being able to sell their ADSs at or above the price paid for such shares. The trading price of the ADSs may be volatile and subject to wide price fluctuations in response to various factors, including:

- the overall performance of the equity markets;

- fluctuations in our actual or projected results of operations;
- changes in our projected earnings or failure to meet securities' analysts' earnings expectations;
- the absence of analyst coverage;
- changes in trading volumes of the ADSs;
- issuance of new or changed securities analysts' reports or recommendations;
- additions or departures of key personnel;
- sale of the ADSs by us, our principal shareholders or members of our management;
- general economic conditions;
- the activities of our competitors, suppliers and sellers;
- changes in the market valuations of comparable companies;
- changes in investor and analyst perception with respect to our business and the e-commerce industry in general;
- changes in interest rates;
- availability of capital; and
- changes in the statutory framework applicable to our business.

These and other factors might cause the market price of the ADSs to fluctuate substantially, which might limit or prevent investors from readily selling their ADSs and may otherwise negatively affect the liquidity of the ADSs. In addition, in recent years, the stock market has experienced significant price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies across many industries. The changes frequently appear to occur without regard to the operating performance of the affected companies. Furthermore, investors in the secondary market may view our business more critically than investors in our IPO, which could adversely affect the market price of the ADSs in the secondary market. Prices for e-commerce or technology companies have traditionally been more volatile compared to share prices for companies from other industries.

Accordingly, the price of the ADSs could fluctuate based upon factors that have little or nothing to do with us, and these fluctuations could materially reduce our share price. Securities class action litigation has often been instituted against companies in periods of volatility in the overall market and in the market price of a company's securities. Such litigation, if instituted against us, could result in substantial costs, divert our management's attention and resources, and our business, prospects, financial condition and results of operations could be materially and adversely affected.

Future sales of the ADSs, or the perception in the public markets that these sales may occur, may depress our stock price.

Sales of substantial amounts of the ADSs in the public market after our IPO, or the perception that these sales could occur, could adversely affect the price of the ADSs and could impair our ability to raise capital through the sale of additional shares. We have 203,729,958 ordinary shares outstanding. Outstanding shares may be deposited for delivery of ADSs, and all of the ordinary shares outstanding as of the date of this Annual Report may be sold in the public market by existing shareholders 180 days after the date of our IPO, subject to applicable limitations imposed under federal securities laws.

We, our executive officers, directors and holders of substantially all of our ordinary shares have agreed, subject to specified exceptions, with the underwriters not to directly or indirectly sell, offer, contract or grant any option to sell (including any short sale), pledge, transfer, establish an open “put equivalent position” within the meaning of Rule 16a-1(h) under the Exchange Act; or otherwise dispose of any shares, options or warrants to acquire shares, or securities exchangeable or exercisable for or convertible into shares currently or hereafter owned either of record or beneficially; or publicly announce an intention to do any of the foregoing for a period of 180 days after the date of our IPO without the prior written consent of the representatives of the underwriters.

In the future, we may also issue additional ordinary shares, ADSs or debt securities with conversion rights if we need to raise capital in connection with a capital raise or acquisition. The amount of ordinary shares issued in connection with a capital raise or acquisition could constitute a material portion of the then-outstanding ordinary shares. An issuance of additional ordinary shares, ADSs or debt securities with conversion rights could potentially reduce the market price of the ADSs. In addition, if we raise additional funds through the sale of equity securities, these transactions may dilute the value of the outstanding ADSs. See “—*Risks Relating to Our Business and Industry—We may need to raise additional funds to finance our future capital needs, which may dilute the value of the outstanding ADSs or prevent us from growing our business.*”

If securities or industry analysts do not publish research or reports or publish unfavorable research about our business, or we fail to meet the expectations of industry analysts, our stock price and trading volume could decline.

The trading market for the ADSs will depend in part on the research and reports that securities or industry analysts publish about us, our business or our industry. We may have limited, and may never obtain significant, research coverage by securities and industry analysts. If no additional securities or industry analysts commence coverage of us, the trading price for the ADSs could be negatively affected. In the event we obtain additional securities or industry analyst coverage, if one or more of the analysts who covers us downgrades our stock, the price of the ADSs will likely decline. If one or more of these analysts, or those who currently cover us, ceases to cover us or fails to publish regular reports on us, interest in the purchase of the ADSs could decrease, which could cause the price of the ADSs or trading volume to decline.

Holders of ADSs may not be able to exercise rights to vote on the underlying ordinary shares.

Holders of ADSs may exercise voting rights with respect to the ordinary shares represented by their ADSs only in accordance with the provisions of the deposit agreement. The deposit agreement provides that, upon receipt of notice of any meeting of holders of our ordinary shares, including any general meeting of our shareholders, the depositary will, as soon as practicable thereafter, fix a record date for the determination of ADS holders who shall be entitled to give instructions for the exercise of voting rights. Upon timely receipt of a request from us, the depositary shall distribute to the holders as of the record date:

- the notice of the meeting or solicitation of consent or proxy sent by us; and
- a statement as to the manner in which instructions may be given by the holders.

Holders may instruct the depositary to vote the ordinary shares underlying their ADSs. Otherwise, holders will not be able to exercise their rights to vote unless they surrender their ADSs for cancellation and withdraw our ordinary shares. However, holders may not know about the meeting far enough in advance to withdraw those ordinary shares. Under our articles of association, the minimum notice required for convening a shareholders’ meeting is 30 days. The depositary and its agents may not be able to send voting instructions to holders of ADSs or carry out a holder’s voting instructions in a timely manner. The depositary, upon timely request from us, will notify holders of the upcoming vote and arrange to deliver voting materials to them. We cannot guarantee that they will receive the voting materials in time to ensure that they can instruct the depositary to vote the ordinary shares underlying their ADSs. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that they may not be able to exercise their right to vote and may lack recourse if the ordinary shares underlying their ADSs are not voted on, as requested.

Holders may be subject to limitations on the transfer of their ADSs.

ADSs are transferable on the books of the depository. However, the depository may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depository may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depository are closed, or at any time if we or the depository think it is advisable to do so because of any requirement of law, government or governmental body, or under any provision of the deposit agreement, or for any other reason.

It may be difficult to enforce a U.S. judgment against us, our directors and officers named in this Annual Report outside the United States, or to assert U.S. securities law claims outside of the United States.

We are incorporated in the Republic of Cyprus and conduct substantially all of our operations in Russia through subsidiaries. The majority of our current directors and senior officers reside outside the United States, principally in Russia. Substantially all of our assets and the assets of our current directors and executive officers are located outside the United States, principally in Russia. As a result, it may be difficult or impossible for investors to effect service of process upon us within the United States or other jurisdictions, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States. See “*Enforcement of Civil Liabilities.*” Additionally, it may be difficult to assert U.S. securities law claims in actions originally instituted outside of the United States. Foreign courts may refuse to hear a U.S. securities law claim because foreign courts may not be the most appropriate forums in which to bring such a claim. Even if a foreign court agrees to hear a claim, it may determine that the law of the jurisdiction in which the foreign court resides, and not U.S. law, is applicable to the claim. Further, if U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact, which can be a time-consuming and costly process, and certain matters of procedure would still be governed by the law of the jurisdiction in which the foreign court resides.

In particular, investors should be aware that there is uncertainty as to whether the Russian courts would recognize and enforce judgments of the U.S. courts obtained against us or our directors or management predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States or entertain original actions brought in the Russian courts against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States. There is no treaty between the United States and the Republic of Cyprus, or between the United States and Russia, providing for reciprocal recognition and enforcement of foreign court judgments in civil and commercial matters. As a result of the difficulty associated with enforcing a judgment against us, you may not be able to collect any damages awarded by either a U.S. or foreign court. In addition, there are doubts as to whether a Cypriot court would impose civil liability on us, our directors and officers in an original action predicated solely upon the U.S. federal securities laws brought in a court of competent jurisdiction in Cyprus against us or such directors and officers, respectively.

ADS holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result in less favorable outcomes to the plaintiff(s) in any such action.

The deposit agreement governing the ADSs representing our ordinary shares provides that, to the fullest extent permitted by applicable law, holders and beneficial owners of ADSs irrevocably waive the right to a jury trial of any claim that they may have against us or the depository arising from or relating to our ordinary shares, the ADSs or the deposit agreement, including any claim under the U.S. federal securities laws.

However, ADS holders will not be deemed, by agreeing to the terms of the deposit agreement, to have waived our or the depository’s compliance with U.S. federal securities laws and the rules and regulations promulgated thereunder. In fact, ADS holders cannot waive our or the depository’s compliance with U.S. federal securities laws and the rules and regulations promulgated thereunder. If we or the depository opposed a demand for jury trial relying on jury trial waiver mentioned above, it is up to the court to determine whether such waiver was enforceable considering the facts and circumstances of that case in accordance with the applicable state and federal law.

If this jury trial waiver provision is prohibited by applicable law, an action could nevertheless proceed under the terms of the deposit agreement with a jury trial. To our knowledge, the enforceability of a jury trial waiver under the federal securities laws has not been finally adjudicated by a federal court or by the United States Supreme Court. Nonetheless, we believe that a jury trial waiver provision is generally enforceable under the laws of the State of New York, which govern the deposit agreement, by a federal or state court in the City of New York. In determining whether to enforce a jury trial waiver provision, New York courts will consider whether the visibility of the jury trial waiver provision within the agreement is sufficiently prominent such that a party has knowingly waived any right to trial by jury. We believe that this is the case with respect to the deposit agreement and the ADSs. In addition, New York courts will not enforce a jury trial waiver provision in order to bar a viable setoff or counterclaim sounding in fraud or one which is based upon a creditor's negligence in failing to liquidate collateral upon a guarantor's demand, or in the case of an intentional tort claim, none of which we believe are applicable in the case of the deposit agreement or the ADSs. If you or any other holders or beneficial owners of ADSs bring a claim against us or the depositary relating to the matters arising under the deposit agreement or the ADSs, including claims under federal securities laws, you or such other holder or beneficial owner may not have the right to a jury trial regarding such claims, which may limit and discourage lawsuits against us or the depositary. If a lawsuit is brought against us or the depositary according to the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may have different outcomes compared to that of a jury trial, including results that could be less favorable to the plaintiff(s) in any such action.

Nevertheless, if the jury trial waiver provision is not enforced, to the extent a court action proceeds, it would proceed under the terms of the deposit agreement with a jury trial. No condition, stipulation or provision of the deposit agreement or ADSs serves as a waiver by any holder or beneficial owner of ADSs or by us or the depositary of compliance with any substantive provision of U.S. federal securities laws and the rules and regulations promulgated thereunder.

Item 4. Information on the Company

A. History and Development of the Company

Corporate Information

We were incorporated in Cyprus on August 26, 1999 under the Cyprus Companies Law, Cap. 113 as Jolistone Enterprises Limited (registration number HE 104496) and changed our name to Ozon Holdings Limited on November 8, 2007. On October 22, 2020, Ozon Holdings Limited was converted from a private limited liability company incorporated in Cyprus into a public limited company incorporated in Cyprus, and our name changed pursuant to a special resolution at a general meeting of our shareholders to Ozon Holdings PLC. Our registered office is located at Arch. Makariou III, 2-4, Capital Center, 9th floor, 1065, Nicosia, Cyprus. The principal executive office of our key operating subsidiary, Internet Solutions LLC, is located at 10 Presnenskaya Embankment, "Naberezhnaya Tower," Tower C, 123112, Moscow, Russia. The telephone number at this address is +7 495 232 1000. The SEC maintains an internet site that contains reports and information regarding issuers, such as ourselves, that we file electronically, with the SEC at www.sec.gov. Our website address is www.ozon.ru. The information contained on, or that can be accessed through, our website is not a part of, and shall not be incorporated by reference into, this Annual Report. We have included our website address as an inactive textual reference only.

Our agent for service of process in the United States is Puglisi & Associates, and its address is 850 Library Avenue, Suite 201, Newark, Delaware 19711. For a description of our principal expenditures and divestitures for the three years ended December 31, 2020 and for those currently in progress, see Item 5. "*Operating and Financial Review and Prospects*."

Capital Expenditures

Please refer to Item 5.B. "*Operating and Financial Review and Prospects—Liquidity and Capital Resources—Capital Expenditures*" for description of our capital expenditures.

B. Business Overview

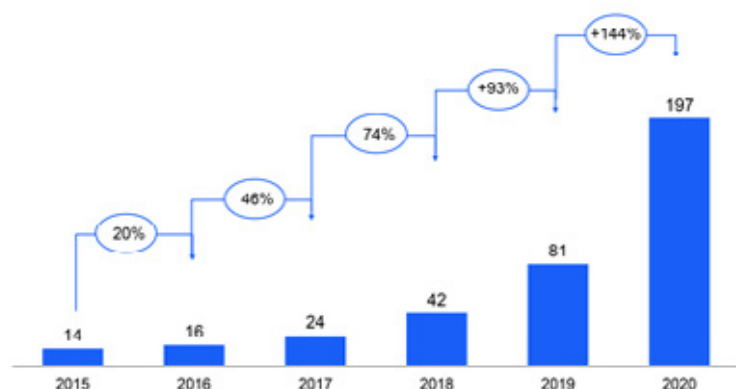
We are a leading e-commerce platform in the large, fragmented, underpenetrated and growing Russian e-commerce market. Our mission is to transform the Russian consumer economy by offering the widest selection of products, best value and maximum online shopping convenience among Russian e-commerce companies, while empowering sellers to achieve greater commercial success. We attribute our success to our focus on enhancing the buyer and seller experience, our nationwide logistics infrastructure and our cutting-edge technology and strong culture of innovation.

We connect and facilitate transactions between buyers and sellers on our Marketplace, which represented 48% of our GMV incl. services and 16% of our revenue in the year ended December 31, 2020. We also sell products directly to our buyers through our Direct Sales business, which represented 48% of our GMV incl. services and 78% of our revenue in the year ended December 31, 2020. We believe that this globally proven business model of an online marketplace for third-party sellers, complemented by a first-party business, allows us to offer Russian consumers wide multi-category assortment of products with approximately 11 million SKUs, as of December 31, 2020, in categories ranging from electronics, home and decor and children's goods to FMCG, fresh food and car parts, at competitive prices and with a wide range of delivery options.

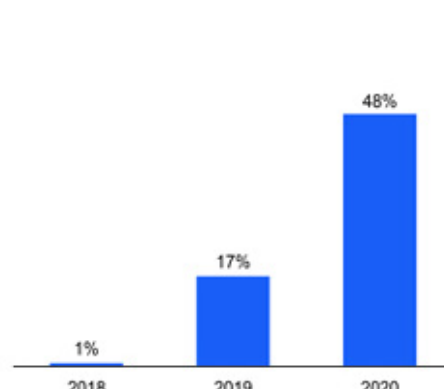
The combination of our wide assortment of products, competitive prices and seamless shopping experience, coupled with our brand reputation, enable us to attract more buyers to our platform, which, in turn, draws more sellers to our Marketplace, resulting in the expansion of our product catalog, and bolsters the retention and order frequency of our buyers. As of December 31, 2020, our platform had 13.8 million active buyers, compared to 7.9 million active buyers as of December 31, 2019.

We believe that the powerful network effect has allowed us to achieve GMV incl. services growth of 144% in the year ended December 31, 2020, compared to 93% in the year ended December 31, 2019 and 74% in the same period in 2018, supported, to some extent, by the government imposed social-distancing measures related to the COVID-19 pandemic related lockdown in 2020. Due to significant investments in our growth, we reported a loss of P22,264 million in the year ended December 31, 2020, compared to a loss of P19,363 million and P5,661 million in the years ended December 31, 2019 and 2018, respectively.

OZON.ru GMV
P billion



Share of Marketplace GMV



Our nationwide logistics infrastructure facilitates the fulfillment of products and delivery of parcels sold through both our Marketplace and our Direct Sales businesses in an efficient and reliable way. We are a technology-driven company with a strong culture of innovation. Our secure and scalable technology infrastructure, developed by our in-house research and development team, provides the foundation for seamless buyer and seller experiences on our platform, as well as for our supply chain operations, business intelligence, traffic and search optimization, customer relationship management operations and payments. We collect and analyze data to optimize our operations, personalize the shopping experience of our buyers and enable us, our buyers, our sellers and our logistics partners to make informed real-time decisions on our platform.

We believe that developing complementary products and services will help us to grow our core business and our market share. We have developed and successfully launched financial products and services for buyers and sellers, advertising and logistics services for sellers and an online travel booking service through our OZON.Travel business.

Our Strengths

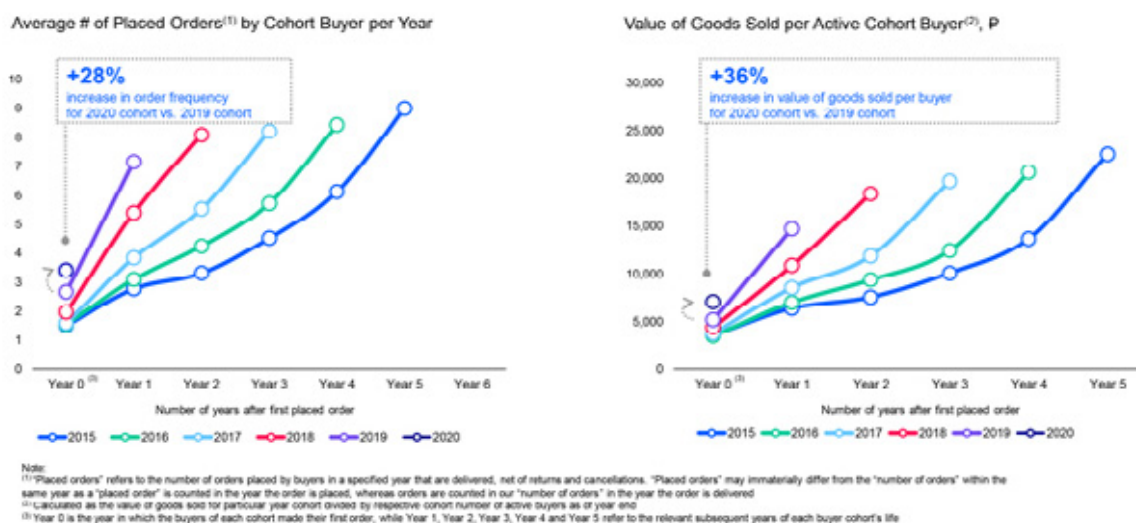
We believe the following strengths have contributed, and will continue to contribute, to our success.

Leading e-commerce platform in Russia

We are a leading online shopping destination for buyers in Russia. Our business model, which is based on a globally proven e-commerce model that complements a marketplace of third-party sellers with a direct sales online retail business, enables us to offer our buyers a wide multi-category assortment of goods, at competitive prices, and an extensive range of delivery options. Our Marketplace allows sellers to complement their product offerings with our high quality buyer support services, including flexible delivery options and our support services for buyers and sellers.

Based on company data, we believe that the loyalty of our buyers has strengthened in recent years. We review the performance of our active buyers on an annual cohort basis, where each cohort includes buyers who placed their first order in the relevant year. We track the number of orders placed by our buyers in each cohort. Buyer retention, which we calculate as the number of active buyers who placed an order on our platform in the year following their first order as a percentage of the applicable cohort base of buyers in that year, has increased over each of the past five years. We plan to continue developing our initiatives to improve buyer loyalty and engagement and believe that we are well positioned to continue to benefit from the ongoing shift, from offline to online, of retail in Russia.

The following charts show the number of annual orders placed per buyer (net of returns and cancellations) for our cohorts from 2015 to 2020 and the value of goods sold per cohort buyer from 2015 to 2020.



Value proposition for buyers

Offering a wide assortment of quality products at competitive prices on our platform is one of the key pillars of our value proposition to buyers. On our platform, buyers have access to approximately 11 million SKUs, as of December 31, 2020, comprising of both every day and upmarket products across a broad product category range, which includes electronics, home and decor, children's goods, health and beauty, apparel, pharmacy, packaged food, FMCG, pet care, books and sport. We are regularly expanding the variety of products available to our buyers by attracting more sellers to our Marketplace.

We aim to provide our buyers with one of the most convenient online shopping experiences in Russia with a combination of fast and reliable delivery services, high quality buyer support services and financial products. Our commitment to high quality buyer services includes ensuring that buyers receive their parcels on time. Our On-Time ratio was more than 95% in the quarter ended December 31, 2020. We have also developed a suite of financial services, such as our debit card OZON.Card and OZON.Installment buyer lending options. We believe that these offerings increase shopping convenience, payment flexibility and buyer loyalty, which we believe will lead to higher purchasing frequency on our platform.

Value proposition to sellers

We have developed a sophisticated and intuitive seller-facing interface "OZON.Seller," which gives our sellers access to a broad set of tools to manage their sales on our Marketplace, including tools for inventory management, assortment management, product pricing and marketing and financial performance monitoring. We provide our sellers with access to our nationwide fulfillment and logistics infrastructure, which enables them to sell products to buyers across the country. Our FBO, FBS and recently launched Extended FBS logistics models give our sellers the flexibility to utilize OZON's fulfillment and delivery services or our sellers' own fulfillment and delivery capacities, according to their business needs. We also offer our sellers access to advanced data analytics, marketing tools, advertising services, performance monitoring tools, as well as financing options and other services. This allows us to attract new sellers to our platform and equip our existing sellers to improve their operational performance.

Powerful network effect forms superior buyer and seller value propositions

We believe that our e-commerce platform creates a powerful network effect that benefits both our buyers and our sellers. Our combined offering of an extensive e-commerce product catalog at competitive prices and convenient shopping experience for our buyers, as well as our brand power, allows us to attract more buyers to our platform, which, coupled with our sophisticated seller services, also makes it a more attractive platform for sellers. This further increases the selection of products on our platform, which in turn attracts more buyers and improves buyer retention and order frequency. We

believe this powerful network effect fuels our growth, increases our scale and improves our financial performance. This network effect is further catalyzed by our culture of innovation and our focus on improving the experience of our buyers and sellers on our platform, with the use of technology and the

introduction of new buyer- and seller-facing features, such as machine learning-based product recommendations and personalized shopping experiences, analytical and marketing tools for our sellers, increased delivery speeds and reliability, innovations to further increase the convenience of our delivery services for our buyers and a range of financial services.

One of the largest logistics infrastructures in Russia

Based on company data and publicly available information, we believe we have one of the largest nationwide logistics infrastructures, including multiple fulfillment centers and sorting hubs in strategic locations throughout the country, a nationwide network of parcel lockers, pick-up points and delivery couriers, and a technology infrastructure that enables seamless logistics operations, which we believe gives our buyers the most diverse variety of delivery options available among e-commerce companies in Russia.

We believe that our multichannel delivery offering is one of our key competitive advantages and allows our buyers to choose a delivery method that is more suitable to their needs. We also believe that our nationwide logistics infrastructure gives us a significant competitive edge and will drive our growth and enhance our service offerings to buyers and sellers because it positions us beyond the logistical and infrastructural limitations relating to the lack of available large-scale fulfillment facilities and high quality independent fulfillment and logistics operators in Russia.

Scalable business model enabled by third-party partners

We have invested in the development of our own infrastructure and intend to continue expanding our infrastructure according to our operational needs. We seek opportunities to engage with third-party service providers to complement or substitute certain business processes, including logistics, to ensure that our fulfillment and delivery capacities match our business needs and help us avoid becoming overly reliant on our own logistics infrastructure or any one service provider.

With the help of our third-party partners across various aspects of our business, we are able to significantly increase our scale with relatively small capital investment. We believe that the continuing growth of our seller base will result in our expansion into product categories in which we had a historically limited presence, such as apparel or furniture. Expanding our product catalog through the growth of our seller base does not require additional investments in inventory, as these sellers maintain ownership of their products, and therefore facilitates our ongoing transition to an increasingly asset-light business.

Our partnerships towards expanding our last-mile delivery infrastructure include the development of a network of pick-up points through a franchise model, installment of parcel lockers at our partners' premises and the "uberization" of our approach to engaging couriers. The uberization of our engagement of couriers refers to our shift from employing couriers directly or through courier agencies towards directly engaging self-employed couriers through our dedicated mobile application in order to deliver orders to buyers. In line with our asset-light strategy, the adoption of the franchise model for our pick-up points allows us to expand our delivery infrastructure without purchasing or obtaining long-term leases for real estate to set up our pick-up points or parcel lockers and, as of December 31, 2020, approximately 80% of all our OZON branded pick-up points were franchised to third parties. Our franchise agreements are typically for one year on an automatically renewable basis, and our franchisees receive variable service fees based on the value of parcels delivered to the respective pick-up points.

Adapting to consumer trends with our mobile-first approach

We have adopted a "mobile-first" approach in our product development and marketing efforts. This and the proliferation of smartphones allow us to capture the generation of online shoppers whose online activities occur almost entirely on their mobile devices and to expand our buyer base. We believe that we have a deep understanding of the shopping habits of buyers who make purchases on their mobile devices in Russia and aim to deliver a buyer mobile experience that increases engagement and sales conversion while reducing our buyer acquisition costs. In the year ended December 31, 2020, 71% of orders placed on our platform were made on our Shopping App, compared to 56% in the year ended December 31, 2019. We expect the advantages of our mobile-first approach to increase over time as more people in Russia use smartphones and tablets as their primary devices to access the internet.

Strong technology foundation and scalable infrastructure to support future growth

Technology is at the core of our business, and our research and development team is essential to our ability to implement our business strategy. We continually invest in technology to support the growth of our business and the ongoing evolution of our services that we offer to our buyers and sellers. In pursuit of our goal to provide an outstanding selection of products, value and online shopping convenience to our buyers, we use technology, such as AI and machine learning, across different parts of our platform, including our search engine and product recommendation systems to inventory management and product pricing. Our technology also serves as a backbone of our seller experience, allowing them to effortlessly integrate into our Marketplace and to obtain maximum value by using our price matching and comparison algorithms, data analytics and other tools.

Proactive culture fostered and supported by an experienced management team

Our business is led by an experienced and motivated management team with proven track record of driving a transformational agenda, as evidenced by our operating and financial results. Our management team has a complementary and diversified skill set, with experience in leading Russian and international technology companies. By combining their global expertise and knowledge of the local consumer landscape, our management team has built a differentiated platform that is well regarded by our buyers and sellers.

We believe that the skills, industry knowledge and operating expertise of our management team provide us with a distinct competitive advantage as we continue to grow.

Our Strategy

Our strategy is based on developing existing and launching new products and services that are complementary to our platform to further improve the experience of our buyers and sellers and enhance loyalty to our brand. We believe this will help us maintain a higher growth rate than the Russian e-commerce market, increase our market share, as well as improve our operating metrics and achieve profitability. Our strategy is based on the following key pillars:

Enhance buyer loyalty through increasing the assortment and number of product categories on our platform, providing outstanding value and services, and improving our technology

We believe that having an outstanding selection of products at competitive prices and providing a high level of online shopping convenience, are the most critical drivers of buyer acquisition and retention in the e-commerce industry. Although we offer an assortment of approximately 11 million SKUs on our platform, as of December 31, 2020, we believe that this is a small fraction of the potential number of products that could be offered online in Russia. We are working to increase e-commerce penetration in Russia by optimizing our sourcing of products, adding new products to our catalog and broadening the number of product categories, as well as by optimizing online search and purchasing processes, minimizing click-to-delivery times and generally enhancing our buyer service experience. We believe that these efforts have contributed, and will continue to contribute, to the growth of our buyer base and increase the purchasing frequency of buyers on our platform.

Attract more sellers to our Marketplace by enhancing their experience on our platform

We believe that the business operational flexibility offered by our FBO, FBS and Extended FBS logistics models, the expansion of our product catalog into new categories of products and the opening of new fulfillment centers in various regions in Russia, are just a few of the numerous features that attract new sellers to our Marketplace. We have developed a suite of advertising, fulfillment, delivery, analytics and process management tools, accessible through our OZON.Seller interface, as well as seller-facing financial services and an education platform for our sellers. We believe these services will enhance the experience of our sellers, give them the tools to improve their operational performance, and increase their reliance on our platform, while providing us with increased monetization opportunities for our developing range of seller services.

Further expand our logistics footprint with focus on regional development

We consider the development of our business in the Russian regions an integral part of our growth strategy. We believe that some Russian regions are underpenetrated by e-commerce and we see the potential of increasing the number of buyers and sellers on our platforms from these under-penetrated regions. To achieve this goal, we intend to expand our logistics infrastructure across Russia for both fulfillment and delivery functions. We also aim to develop our network of sorting centers, pick-up points, OZON.Box parcel lockers and couriers, and regularly engage delivery partners to increase our fulfillment and delivery capacities. While pursuing the expansion of our logistics infrastructure, we aim to commit to our “asset-light” strategy by leasing, rather than acquiring, our premises and equipment where feasible.

Build a diversified ecosystem of complementary services around our primary e-commerce business

We aim to further develop our core e-commerce operations by offering a range of complementary services to our buyers, sellers and logistical partners. Our key initiatives include:

Continue to create and enhance financial services offerings

Our financial service offerings provide quick and seamless access to lending and payment assistance to our buyers and sellers, and constitute additional revenue streams for us. We aim to continue developing and enhancing our financial service offerings to our buyers and sellers. We believe that our seller-facing financial services, including B2B financing, will strengthen the loyalty of our sellers and attract new sellers to our platform, and consequently, expand our platform’s product catalog. Similarly, we believe that our buyer-facing financial services, such as our OZON.Card, our branded debit card and OZON.Installment, our point of sale buyer loans, will strengthen buyer loyalty and increase purchase frequency and average order value on our platform.

Develop our advertising service offering

We currently offer a variety of advertising services to sellers and our suppliers on our platform, which generates additional revenue for us. As a leading online marketplace in Russia, we believe that our advertising services have large potential for further growth. Our advertising service helps our sellers to increase their sales on our Marketplace by providing them with a venue to actively market their products to our buyers on promotional shelves and advertising banners on our Shopping App and Buyer Website, or by making their products appear at the top of search results on our platform. Advertising space on our platform is sold to our sellers through a real-time bidding system, which we believe ensures that the fees we receive from sellers using our advertising platform is responsive to demand for advertising space on our platform.

Leverage our growing scale and increasing efficiency to improve unit economics and profitability

We aim to secure a leading position across existing product categories in terms of number of SKUs on our platform, while continuing to scale our business in order to improve our unit economics, margins and achieve profitability. The following five pillars are key drivers of our growth and profitability:

- *Gross profit:* We continue to benefit from improved purchasing terms due to the increase in the scale of our business and our growing Share of Marketplace GMV.
- *Advertising revenue:* Our advertising revenue from our Marketplace advertising platform has increased, primarily due to the organic growth of our seller base, while our advertising revenue from Direct Sales has increased, primarily due to the increasing number of suppliers seeking to advertise their products through our various marketing channels.
- *Fulfillment and delivery expenses:* Our business enjoys increased cost efficiencies in our provision of fulfillment and delivery services from optimizing the mix of delivery channels we offer, as well as from leveraging higher geographical order density. The increased costs efficiencies were also attributable to additional efficiency gains following the launch of new, and the expansion of existing, fulfillment facilities and our adoption of the FBS model.

- *Sales and marketing:* Sales and marketing costs have decreased as a percentage of GMV incl. services due to the higher volume of repeat orders, increased buyer retention and higher brand awareness.
- *General and administrative:* Our business continued to benefit from economies of scale on our fixed general and administrative cost base, due to the growth profile of our business.

As we continue to scale up our business, we believe that these trends will continue to positively impact our business and drive improvement in profitability and unit economics.

Our Business Operations

Marketplace

The OZON Marketplace is our core business, which enables thousands of sellers to offer a wide assortment of products to our buyers. As sales and the number of active buyers on our platform increase, we expect more sellers to be drawn to the attractive commercial opportunities offered by our platform, which we expect to result in an increasingly competitive marketplace that offers better priced and more varied products, which, in turn, will continue to attract and grow our buyer base. We launched our Marketplace in September 2018, and it has since grown to account for 48% of our total GMV incl. services in the year ended December 31, 2020, while our Direct Sales business accounted for 48% of our total GMV incl. services in the year ended December 31, 2020. The key advantages of the Marketplace model, particularly in the context of products sold under the FBS and Extended FBS models, are that it allows for the continual expansion of our platform's product catalog without being subject to capacity limitations at our fulfillment centers or, in the case of all our logistics models, the need to invest in working capital or maintain appropriate levels of inventory for each product listed on our platform. Our sellers remain the owners of the products that they list on our platform and are responsible for pricing and managing their inventory and sales, marketing and other activities. This allocation of responsibility to sellers for the pricing and management of inventory and sales, marketing and other activities, allows us to dedicate our platform and logistics infrastructure capacity towards providing high quality fulfillment and delivery services to a larger number of sellers and managing our Direct Sales business, for which we maintain inventory and manage the geographical reach and buyer experience for key product categories.

We offer sellers three logistics models, the FBO model, the FBS model and the Extended FBS model, to use individually or together, when selling their products on our Marketplace. Through these three models, our sellers are able to leverage our nationwide fulfillment and delivery infrastructure according to their business needs. Our FBO model is an attractive option for sellers who do not have their own storage facilities or are unable to fulfill orders by themselves. Our FBS model, in contrast, is suitable for sellers who do not want to, or would not benefit from, supplying inventory to our fulfillment centers, such as sellers who sell their products on several marketplaces simultaneously and do not want to commit their inventory to a single marketplace or sellers who sell heavy and bulky products, such as furniture. Our Extended FBS model allows sellers to use their own fulfillment and delivery capacities to deliver goods directly to customers, bypassing our fulfillment and delivery infrastructure altogether. Based on seller feedback, we believe that our sellers enjoy the flexibility of either or a combination of all three logistics models to fulfill buyer orders. Under all three models, we receive payments for orders from our buyers and make payments, net of our marketplace commissions, to our sellers on a twice-monthly basis. Our Marketplace commission consists of a referral fee, which is a percentage of the total sales price of the product and, where applicable, other fees, such as delivery storage fees collected from sellers. Our marketplace commissions increased to ₱16,503 million in the year ended December 31, 2020 from ₱2,132 million and ₱45 million in the years ended December 31, 2019 and 2018, respectively.

Direct Sales

In our Direct Sales business, we purchase and hold inventory for a selection of products in our fulfillment centers to be sold directly to buyers. Through our Direct Sales business, we sell goods from select categories of products, including "bestsellers" or products with high buyer demand and predictable purchase trends. Similar to all products sold through our FBO model, products sold through our Direct Sales business are fulfilled at our fulfillment centers and channeled to the relevant sorting hubs. From our sorting hubs, parcels are delivered to buyers through our various last-mile delivery channels.

We have dedicated sales teams that identify and track the demand for products in each product category on our platform. These teams monitor the level of sales of products on our platform and once buyer demand for certain products increases to a certain level and a predictable buyer purchasing trend for the product emerges, we consider stocking and selling such products on a Direct Sales basis. As our platform presents a competitive market for products, the same products may be sold by us on a Direct Sales basis and by our sellers on the Marketplace at the same time. For our Direct Sales business, we source products in bulk and leverage our bargaining power as one of the leading Russian e-commerce platforms to purchase inventory on more favorable terms.

Assortment and Pricing Strategy

We currently offer a wide assortment of products on our platform and intend to continue expanding our catalog to strengthen our position as a one-stop shop for all of our buyers' shopping needs. As of December 31, 2020, we offered approximately 11 million SKUs on our platform. We use internally developed AI enabled systems for identifying the market prices of products listed on our platform in real time, and utilize this pricing information to competitively price the products we sell through our Direct Sales business. Similarly, this pricing data is shared with our sellers to enable them to price their products competitively on our platform as well. We believe that this, together with the high volume and large variety of products offered on our platform, naturally fosters a competitive environment that benefits our buyers.

Delivery

We offer our buyers a comprehensive selection of delivery options, including delivery by courier, collection from our offline network of pick-up points and OZON.Box parcel lockers and delivery by Russian Post and other third-party delivery service providers. While maintaining a broad range of delivery options and increasing the proportion of buyers served by same-day and next-day deliveries, we also dedicate resources towards developing even better delivery services, such as express deliveries (under two hours) for product categories such as packaged food, fresh food and FMCG. In the year ended December 31, 2020, we delivered approximately 73.9 million orders, an increase from approximately 31.8 million orders in the year ended December 31, 2019, and an increase from approximately 15.3 million orders in the year ended December 31, 2018. Generally, the delivery fee charged to a buyer depends on the delivery method and the shipping destination. Delivery fees are waived for orders above-₽2,500 and for orders made through an OZON Premium account, our buyer loyalty program.

Advertising

In March 2019, we launched an advertising platform for sellers to promote their products on promotional shelves and advertising banners on our platform. We aim to grow our advertising revenue and expand our advertising services, as this does not require us to incur any incremental variable costs or capital expenditure.

We also receive advertising revenue from suppliers of products we sell under the Direct Sales model, including under arrangements with a number of prominent brands. These brands sponsor and pay, either partially or completely, the fees for our marketing activities, such as television marketing campaigns and promotional offers of their products on our platform. In the year ended December 31, 2020, our advertising revenue increased to-₽3,965 from ₽1,421 in the year ended December 31, 2019 and from ₽282 million in 2018, respectively.

Buyer Experience

Shopping App and Buyer Website

We developed our Shopping App and Buyer Website, which is accessible through PC, tablet and mobile phone, with a focus on delivering a rewarding and seamless buyer experience, with our catalog of products clearly displayed and easily navigable. We have teams of IT engineers, designers, data analysts and product managers who are dedicated to enhancing the OZON buyer experience. Our data science and machine learning teams analyze the data we collect to identify trends in our buyers' shopping patterns to tailor their shopping experience on our platform and make more relevant product recommendations. This, in turn, provides our databases with additional data to be used to further enhance our buyers' subsequent shopping experiences on our platform.

Once our buyers have selected all the products they intend to purchase and drop them into the buyer's digital "shopping cart," they will proceed to select the delivery method at the checkout page.

Seller Experience

As one of the leading multi-category e-commerce companies in Russia, with a large and growing buyer base of approximately 13.8 million active buyers as of December 31, 2020, we believe that our platform presents an opportunity for businesses of all sizes and maturities across Russia to achieve greater online commercial success. Both businesses and entrepreneurs can become sellers on our platform, provided that they meet our onboarding criteria. Becoming a seller on our platform is designed to be as straightforward as possible, without compromising the necessary security and KYC procedures. Upon clearance, the seller's account is activated, and they can start listing their products on our platform. Our engagement with our sellers, subject to our standard terms and conditions of the engagement, are for indefinite periods. We may unilaterally suspend a seller's account under certain circumstances, including where the seller's service quality has fallen to a level that we determine warrants suspension, the seller is in default of its payments to us, their product listings are misleading or inaccurate, for infringements of third party intellectual property rights or the sale of counterfeit products.

As a result of the scalable nature of our business model, we do not expect there to be a limitation on the number of sellers that we can accommodate on our Marketplace in the future. Our nationwide fulfillment and delivery infrastructure, combined with our advanced technology platform, offer our sellers a seamless business management experience. Sellers across Russia can start selling their goods on our platform as long as they are able to procure the delivery of their products to one of our fulfillment centers, under the FBO model, fulfill and deliver parcels to our sorting hubs, under our FBS model, while OZON handles last-mile deliveries, or fulfill and deliver parcels to customers directly under our Extended FBS model.

Our OZON.Seller interface has been designed to be user friendly and gives sellers access to a broad set of advanced tools for inventory management, assortment management, product pricing and marketing, including downloadable analytical and financial performance reports on their sales and expenses, such as storage, returns or fulfillment costs. We also offer our sellers a suite of promotional and profit management tools, including rewarding buyers with OZON points for providing product reviews, tailoring discount packages or marketing campaigns for a specific group of buyers, providing marketing impact analytics and issuing promotional bundles and coupons.

Fulfillment and Logistics Infrastructure

Our logistics infrastructure serves two core functions, fulfillment and delivery for both our Marketplace business and our Direct sales business. The fulfillment process involves the acceptance, storage, consolidation and packaging of ordered products into parcels at our fulfillment centers. We rely primarily on our own nationwide fulfillment infrastructure that we lease from third-party contractors. Under our asset-light model based on a built-to-suite approach, our lessors incur costs in building our fulfillment centers specifically tailored for our demands. The fulfillment centers are equipped with our proprietary warehouse management system. Our warehouse management system enables the automation of the processes at our fulfillment centers, such as the acceptance, placement, selection, consolidation, sorting and packaging of products, and the tracking of each product during each stage of the fulfillment process. For further information on our fulfillment and logistics infrastructure, please refer to Item 4.D. "*Information on the Company—Property, Plants and Equipment.*"

Once a product completes its fulfillment process, the parcel is transferred to one of our many sorting hubs located across Russia, which then directs it to the appropriate "last-mile" delivery channel, such as courier delivery, pick-up points or OZON.Box parcel lockers. We believe that our last-mile nationwide and multichannel delivery infrastructure is one of our key competitive advantages and makes shopping on our platform more convenient.

We employ a wide array of delivery services to execute our “last-mile” deliveries, including our own fleet of delivery vehicles, our own and franchised pick-up points, OZON.Box parcel lockers and delivery by Russian Post and other third-party delivery service providers, where appropriate. We are developing our network of pick-up points through a franchise model that will allow us to expand our delivery infrastructure without purchasing or obtaining long-term leases for real estate to set up pick-up points.

Marketing and Sales

We have a dedicated marketing team that covers our nationwide advertising and marketing needs across all product categories and channels. Our marketing strategy has four core objectives:

- Increase our buyer base and brand awareness
- Maximize user traffic on our platform and organically improve conversion.
- Optimize our traffic acquisition costs
- Increase order frequency and buyer loyalty

We aim to achieve these aims through a variety of strategies, including by maximizing our offline visibility by branding the assets and equipment used in our nationwide delivery infrastructure, expanding our product catalog, targeted advertisements to buyers and promoting our OZON Premium membership.

Technology

Our IT department is essential to our ability to implement our strategy, improve our operational performance, maintain the scalability, security and flexibility of our platform and strengthen our competitive position in the Russian e-commerce market.

Our IT product development teams are organized by verticals, such as buyer experience, seller experience, fulfillment, logistics and CRM, and are supported by our horizontally organized IT teams that are grouped into specializations, such as development operations and database administration, release engineering, security and incident management, which focus on scaling and maintaining the operations of our core technology platform.

All of our core software, which includes all software necessary for our business to operate in the ordinary course of business and excludes proprietary software such as office software and enterprise resource planning systems or other general purpose software (such as issue-tracking and monitoring, code libraries), are developed in-house by our team of IT engineers.

Cybersecurity

We use various technical means and procedures to protect our IT systems from cyber threats, such as perimeter protection tools, perimeter scanning, user rights restrictions on workstations, antivirus protection, software update controls, code review and stress and load tests. Our data processing operations are compliant with Russian data privacy laws and are regularly screened to avoid or detect data leakages. Additionally, in April 2020, our payment processing system security and card data protection measures received PCI DSS certification. We have not faced any material security incidents involving data held by us or our IT systems.

Intellectual Property

We rely primarily on a combination of trademark, software and domain names regulation in Russia as well as contract provisions to protect our intellectual property.

“Ozon.ru” is a registered trademark in Russia where it is considered to be a “well-known” trade mark covering all categories of goods and services. Ozon.ru is also a registered trademark in the US, Israel, Germany and some former Commonwealth of Independent States (“CIS”) countries that are designated contracting parties under the Madrid Agreement and the Protocol. We have other registered trademarks in Russia, which include “Ozon” and “Ozon Travel.”

Our employee contracts contain terms that provide us with rights to all software developed by our employees in the course of their employment with us. We occasionally engage third parties to develop software that is not material to our operations, and, in each case, we seek to engage such third parties under copyright assignment agreements or license agreements, as applicable.

Our domain names “Ozon” and “Ozon Travel” are duly registered and have legal protection in Russia.

Financial Services Offerings

We believe that our experience in interacting with our extensive seller and buyer base provides us with a deep understanding of our platform users’ needs and present us with the opportunity to offer additional services to help buyers find the products they are looking for and sellers to reach and retain more buyers. We have developed a variety of financial services to provide alternative models of engagement with our sellers and buyers and to further enhance our monetization opportunities as the Russian e-commerce market evolves. We have Fintech offerings for our users through “business to customer” (“B2C”) and “business to business” (“B2B”) models, which we believe are uncommon in Russian e-commerce market.

Our B2C offerings include OZON.Card, our branded debit card which allows OZON.Card holders enjoy a number of benefits in the form of cashback for purchases on OZON and OZON.Installment, our service that allows buyers to purchase products on a deferred basis and pay for them in installments, while our financial partners acquire rights and associated risks for these deferred payments.

Our B2B offering includes lending facilities from our financial partners that allow our sellers to finance their working capital needs and further increase their sales on the OZON Marketplace. A pre-approved list of sellers may opt to be scored by our financial partners based on metrics such as their revenue and inventory stored in our fulfillment centers, who may offer loans to these sellers directly on bespoke terms.

Litres

We hold a 42.27% interest in Litres, the leader in the licensed digital books market in Russia and the CIS countries. We believe that Litres has demonstrated a high level of growth and profitability. In the year ended December 31, 2020, Litres had revenue of ₺5,077 million, a 33% increase from ₺3,823 million in the year ended December 31, 2019, which was a 47% increase from ₺2,600 million in the year ended December 31, 2018. Litres had a net income margin (which we define as Litres’ total comprehensive income as a percentage of Litres’ revenue) of 5.5% in the year ended December 31, 2020. Litres has a diversified offering of digital books products. Litres sells digital books and audiobooks through “pay-per-download” sales on the Litres website and mobile apps (that are compatible with both iOS and Android) or through paid subscriptions on its Mybook and “Zvuki slov” websites and mobile apps (that are compatible with both iOS and Android). Litres also serves as a self-publishing platform for authors through its Litres.Selfpub service.

OZON.Travel

OZON.Travel is one of the leading online travel agencies in Russia that offers a one-stop solution for flight and railway ticket bookings and hotel reservations for both B2C and B2B clients. B2C services are accessible through our OZON.Travel website or our OZON.Travel mobile application, which is a principal focus of our product development strategy. OZON.Travel also offers B2B services to small and medium-sized enterprises (“SMEs”) by providing them high quality mobile travel app usability, flexible payment options and seamless electronic document reconciliation, reports and transactions. We plan to further integrate OZON.Travel with our platform business and leverage our buyer base.

Seasonality

Our business is affected by seasonality, which historically has resulted in higher sales volume during the second half of the year compared to the first half. Higher sales during the second half of the year are mainly attributable to the increased demand for products during the peak New Year season in December, as well as Black Friday sales in November. We believe that our business will continue to demonstrate seasonal patterns in the future. For further information on our quarterly data, please refer to “*Quarterly Data*” and “*Other Factors*” in Item 5. “*Operating and Financial Review and Prospects*”.

Licenses

Please refer to Item 5.C. “*Operating and Financial Review and Prospects—Research and Development, Patents and Licenses, etc.*” for description of the licenses currently held by our group companies.

Regulatory Environment

Intellectual Property Regulation

Similar to many other Russian companies, we hold intellectual property rights to trademarks and other types of intellectual property and enjoy their protection under Russian law and international conventions. The Civil Code (Part IV) is the basic law in Russia that governs intellectual property rights, including their protection and enforcement. According to it, the software and technologies that we develop internally generally do not require registration and enjoy legal protection simply by virtue of being created and either publicly disclosed or existent in a certain physical form. In addition, we obtain exclusive rights to materials that are subject to copyright protection and that are created for us on the basis of agreements with the authors of such materials. Also, subject to compliance with the requirements of the Civil Code, we are deemed to have acquired exclusive rights to copyright objects created by our employees during the course of their employment with us and within the scope of their job functions, that include the right to their further use and disposal.

Under Russian law, the registration of copyright is not required. Software may be registered by a copyright holder, at its discretion, with the Russian Federal Service for Intellectual Property (“Rospatent”).

Trademarks, inventions, utility models and industrial designs require mandatory registration with Rospatent to have legal protection in Russia. Trademarks registered abroad under the Madrid Agreement Concerning the International Registration of Marks dated April 14, 1891 (the “Madrid Agreement”) and/or the Protocol to the Madrid Agreement dated June 27, 1989 (the “Protocol”), have equal legal protection in Russia as trademarks registered locally. Our main brands are registered as trademarks in Russia. In addition, one of our brands is registered in the U.S., Israel, Germany and some former CIS countries under the Madrid Agreement and the Protocol.

The Civil Code generally provides for the legal protection of trademarks registered with Rospatent. In addition, Russia protects trademarks registered under the Madrid Agreement and the Protocol, if international registration of such trademarks extends to Russia.

Registration of a trademark in Russia by Rospatent is valid for 10 years after the filing. This term may be extended for additional 10 years an unlimited number of times. The same term applies to international registration of a trademark under the Madrid Agreement. The registration is valid with respect to certain classes of goods or services selected by an applicant and will not be protected if used for other types of goods or services. In the absence of registration, the entity using the designation may not be able to protect its trademark against unauthorized use by a third party. If a third party has previously registered a trademark similar to the designation in question, then the entity may be held liable for unauthorized use of such trademark.

The transfer, license or encumbrance of intellectual property rights to trademarks or other intellectual property under assignment agreements, franchising agreements, license agreements and pledge agreements are subject to registration with Rospatent. Failure to comply with the registration requirements results in the respective transfer, license or encumbrance being treated as non-existent, and use of the relevant intellectual property in the absence of registration of the relevant transfer, license or encumbrance may trigger civil, administrative or criminal liability. The Civil Code recognizes a concept of a well-known trademark, i.e., a mark which, as a result of its widespread use, has become well known in association with certain goods among Russian consumers.

Well-known trademarks enjoy more legal benefits than ordinary trademarks—these include:

- broader coverage—an owner of a well-known trademark may exercise its exclusive rights in association with goods beyond those for which the relevant trademark was originally registered, provided that the use of an identical or confusingly similar trademark by a third party would cause consumers to associate the third party's trademark with the owner of the well-known trademark and would affect the legitimate interests of the owner of the well-known trademark; and
- an unlimited registration period—well-known trademarks registration generally remains effective for an unlimited period of time.

In order to register a mark as a well-known trademark, a user must submit the relevant application to Rospatent, together with certain documents including evidence that the relevant mark has become well known (such as, for example, the results of consumers surveys and documentary evidence of costs incurred for the advertising of the mark). One of our trademarks is registered as a well-known trademark in Russia.

We note, however, that the Russian legal system and courts do not have a reputation for protecting intellectual property rights as vigorously as jurisdictions such as the United States. As a result, we may face a higher risk of intellectual property infringement compared to companies operating in certain other jurisdictions. Furthermore, the validity, application, enforceability and scope of protection of intellectual property rights for many internet-related activities, such as internet commercial methods patents, are uncertain and still evolving, which may make it more difficult for us to protect our intellectual property, and our business, prospects, financial condition and results of operations could be adversely affected. See Item 3.D. “*Key Information—Risk Factors—Risks Relating to Our Business and Industry—If we fail to adequately protect our intellectual property rights, our business, prospects, financial condition and results of operations could be adversely affected.*”

Advertising

As part of our business promotion, we use various types of advertising services to make our buyers more aware of our product offerings. We also offer advertising services to our sellers and third parties as part of our business model. Advertising is a highly regulated activity in Russia. The principal Russian law governing advertising is the Law on Advertising dated March 13, 2006 (as amended, the “Advertising Law”). The Advertising Law provides for a wide array of restrictions, prohibitions and limitations pertaining to contents and methods of advertising.

Below is a non-exhaustive list of types and methods of advertising that are prohibited in Russia:

- advertising that may induce criminal, violent or cruel behavior;
- advertising that judges or otherwise humiliates those who do not use the advertised product;
- use of pornographic or indecent materials in advertising;
- use of foreign words that may lead to the advertising being misleading;
- statements that the advertised product has been approved by state or municipal authorities or officials;
- depiction of smoking and alcohol consumption in advertising;
- advertising of healing properties of a product that is not a registered medicine, medical device or medical service; and
- omission of material facts that leads to advertising being misleading.

Russian law also prohibits advertisements for certain regulated products and services without appropriate certification, licensing or approval. Advertisements for products such as alcohol, tobacco, pharmaceuticals, baby food, financial instruments or securities and financial services, as well as incentive sweepstakes and advertisements aimed at minors, must comply with specific rules and must in certain cases contain specified disclosure.

Russian advertising laws define and prohibit, among other things, “unfair,” “untrue” and “hidden” advertising (i.e., advertising that influences consumers without their knowledge). Advertising based on improper comparisons of the advertised products with products sold by other sellers is deemed unfair. It is also prohibited to advertise goods which may not be produced and distributed under Russian law.

The Advertising Law, as well as the Competition Law, restricts unfair competition in terms of information flow such as:

- dissemination of false, inaccurate, or distorted information that may inflict losses on an entity or cause damage to its business reputation;
- misrepresentation with respect to the nature, method, and place of manufacture, consumer characteristics, quality and quantity of a commodity or with respect to its producers;
- incorrect comparison of the products manufactured or sold by an entity with the products manufactured or sold by other entities;
- sale of commodities in violation of intellectual property rights, including trademarks and brands; or
- illegal receipt, use, and disclosure of information constituting commercial, official or other secret protected by law.

Pursuant to the Advertising Law, any email advertising is subject to preliminary consent of a recipient.

The Advertising Law does not specifically regulate display advertising, such as pop-up ads appearing on third-party websites. At the same time, it may potentially be qualified as “telecom” advertising, which is subject to a recipient’s consent pursuant to the Advertising Law.

Violation of the Advertising Law can lead to civil actions or administrative penalties imposed by the FAS.

We note that amendments to the Advertising Law and related legislation may impact our ability to provide some of our services or limit the type of advertising services we may offer. However, the application of the Advertising Law and related legislation to parties that merely facilitate or distribute advertisements (as opposed to marketing or selling the relevant product or service) can be unclear. Pursuant to our terms of service, we require that our advertisers have all required licenses or authorizations. If parties engaging our advertising services do not comply with these requirements, and these laws were to be interpreted to apply to us, or if our advertising serving system failed to include the necessary disclaimers, we may be exposed to administrative fines or other sanctions and may have to limit the types of advertisers we serve.

In addition, the regulatory framework in Russia governing the use of behavioral targeting in online advertising is unclear. If new legislation were to be adopted or the current legislation were to be interpreted to restrict the use of behavioral targeting in online advertising, our ability to enhance the targeting of our advertising could be significantly limited, which could impact the relevance of the advertisements distributed by us, reduce the number of parties engaging our services and ultimately decrease our advertising revenue, which would have a material adverse effect on our business, prospects, financial condition and results of operations. See Item 3.D. *“Key Information—Risk Factors—Risks Relating to Russia—We may be subject to existing or new advertising legislation that could restrict the types of advertisements we serve, which could result in a loss of advertising revenue.”*

Privacy and Personal Data Protection Regulation

As we collect, store and otherwise handle personal data of our buyers, sellers and employees, we are subject to laws and regulations regarding privacy and protection of the user data, including the Personal Data Law. The Personal Data Law, among other things, requires that any processing of personal data of an individual (including collection, recording, systematization, accumulation, storage, use, transfer, blocking, deleting and destroying) is subject to such individual's preliminary consent. Generally, the Personal Data Law does not require such consent to be in writing but requires it to be in any form that, from an evidential perspective, sufficiently attests to the fact that it has been obtained.

However, in a number of cases the consent must be in writing, including:

- where the processing relates to special sensitive categories of personal data (regarding the individual's race, nationality, political views, religion, philosophical beliefs, health conditions or intimate information);
- where the processing of personal data relates to any physiological and biological characteristics of the individual which can help to establish his or her identity (biometric personal data);
- cross-border transfers to a state that does not provide adequate protection of a personal data subject's rights; and
- the reporting or transferring of an employees' personal data to a third party.

Written consents of individuals must meet a number of formal requirements and must be signed by holographic or electronic signature. In other cases, the consent may be in any form that, from an evidential perspective, attests to the fact that it has been obtained. The Personal Data Law also provides for the right to withdraw consent, in which case the person processing personal data has the obligation to destroy the data relating to the relevant individual. We endeavor to obtain personal data processing consents from all our users by asking them to click a relevant icon indicating such consent. Failure to comply with legislation on personal data protection may lead to civil, disciplinary, administrative and criminal liability, and an obligation to terminate or procure the termination of any wrongful processing of personal data.

The Personal Data Law requires personal data operators to conduct certain types of personal data processing with respect to Russian citizens exclusively with the use of Russian databases. These types of the so-called "restricted processing actions" include recording, systematization, accumulation, storage, clarification (update, modification) and extraction/download. According to Roskomnadzor guidance, the parallel input of gathered personal data into a Russian information system and a foreign-based system is prohibited. These data may be transferred to a foreign-based system by way of cross-border transfer from a Russian-based system only. We comply with this requirement and process personal data of Russian citizens using Russian databases. Failure to comply with data processing requirements, including the localization requirement, may result in a court decision blocking our website and our inclusion in a special register for infringers of personal data processing requirements, as well as imposition of an administrative fine.

The Russian legal framework governing data protection continues to develop, and therefore, there may be uncertainties as to the application or interpretation of these laws. For example, no standard definition of a "database" exists within the law and, under definitions contained in the Civil Code, a variety of documents and virtual objects (for example, Microsoft Office files) may be referred to as a database. Our information resources, including personal data, may be stored in a virtual environment (as part of our own cloud computing), which may significantly hinder the determination of the exact location of each virtual object and make it more difficult for us to provide the required information on the location within the required period. See Item 3.D. *"Key Information—Risk Factors—Risks Relating to Russia—The legal framework governing e-commerce, data protection and related internet services in Russia is not well developed, and we may be subject to the newly adopted legislation, as well as the changes to the existing legislation, which may be costly to comply with or may limit our flexibility to run our business."*

Antimonopoly Regulation

As our subsidiaries are Russian companies, they are subject to Russian antimonopoly regulation. The Competition Law vests the FAS as the antimonopoly regulator with wide powers and authorities to ensure competition in the market, including prior approval of mergers and acquisitions, monitoring activities of market players that occupy dominant positions, prosecution of any wrongful abuse of a dominant position, prevention of cartels and other anti-competitive agreements or practices and counteracting unfair competition. The regulator may impose significant administrative fines on market players that abuse their dominant position or otherwise restrict competition, and is entitled to challenge contracts, agreements or transactions that violate or may violate competition. Furthermore, for systematic violations, a court may order, pursuant to a suit filed by the FAS, a compulsory split-up or spin-off of the violating company, and the new entities established as result of such a mandatory reorganization cannot form a group of companies.

We understand that the FAS could in the future focus on the markets that we are active in and could identify dominant players so that limitations and other requirements contained in the Competition Law would apply to their operations, such as the ban on establishment of the monopolistically high prices or discriminating conditions, or withdrawal of the product from the circulation.

The Competition Law expressly provides for its extraterritorial application to transactions and actions which are performed outside of Russia but lead, or may have led, to the restriction of competition in Russia.

The Competition Law provides for mandatory pre-approval by the FAS of mergers, acquisitions, certain company formations and reorganizations that meet financial and other thresholds established by the Competition Law. Specific thresholds are also established by the Competition Law in relation to pre-approval by the FAS of certain transactions with respect to financial services providers. Financial services providers under the Competition Law include credit institutions, but do not include payment agents.

Consumer Protection and Commerce Regulation

As the majority of our buyers are individuals, we are subject to Russian laws and regulations regarding consumer protection and trade regulation set out below:

- Law on Essentials of State Regulation of Commerce in the Russian Federation dated December 28, 2009 (as amended) establishes the general legal framework for regulation of wholesale and retail activities carried out in Russia. It contains the requirements regarding commerce activities in Russia, including antimonopoly provisions and regulation of supply contracts with respect to food products that we sell, and introduces a system of trade registers where all business organizations engaged in commerce activities (except manufacturers) within a particular region must be recorded. This law applies to our relations with product suppliers when we act as a seller on our direct sales platform. The law contains a set of general restrictions applying to all food products supplies. For example, the law sets out that food products supply agreements may not provide for any type of fees to purchasers other than those permitted by the law; and regulate promotional activities carried out by sellers. The law also provides for mandatory application of identification marks (the so-called “Fair Mark”) to certain product categories (for instance, tires, perfumes, photo cameras and shoes) for the purposes of product monitoring and counterfeit combat.
- Law on Technical Regulation dated December 27, 2002 (as amended) establishes a general legal framework for the application of product requirements and the assessment of product conformity. There are also particular technical regulations that provide for detailed requirements in respect of product categories.
- Sanitary and Epidemiological Rules and Regulations approved by the Russian Chief Sanitary Officer establish requirements regarding supporting documents, raw materials and components to be used in baby food products, as well as package and chemical compound requirements.
- Law on Quality and Safety of Food Products dated January 2, 2000 (as amended) establishes a general framework for ensuring the quality and safety of food products. It sets out general requirements regarding the packaging, storage, transportation and sale of food products, as well as the destruction of poor-quality and unsafe food products. Violation of the law may result in civil and administrative liability for companies and/or their managers and criminal sanctions for managers.

- Law on Protection of Consumer Rights dated February 7, 1992 (as amended) establishes a general legal framework for regulation of the relationship between sellers, manufacturers and service providers, on the one hand, and buyers, on the other hand, in the course of the sale of goods, performance of works or rendering of services. It establishes the rights of consumers to purchase goods of proper quality and to receive information on goods and their manufacturers. The law invalidates any term in a consumer contract purporting to limit consumer rights. The law mandates the owners of an aggregator of information on products or services to provide full and accurate information on products and a seller (such as, for example, name and address). The law establishes civil and administrative liability for companies and/or their managers for violation of consumer rights.
- Regulation of the Russian Government on Approval of Rules of the Distant Sale of Products dated September 27, 2007 establishes a general framework between sellers and buyers in respect of distant sale of products. The regulation provides for the list of product information to be provided to a buyer (for example, information on conformity with applicable technical regulation, main consumer qualities of the product, place and name of the manufacturer), as well as specific rights of the buyer, such as rejection and return of the product. In addition, the regulation prohibits the distant sale of certain goods and provides for other rules and restrictions. If we expand the categories of products we are offering (for example, alcoholic beverages), we will need to follow the effective rules of the sale of such products, which may be subject to uncertain interpretation or application by the Russian courts and enforcement authorities and result in increased regulatory scrutiny of our business or even the restriction or a ban of our Buyer Website and Shopping App. See Item 3.D. “*Key Information—Risk Factors—Risks Relating to Our Business and Industry—Our expansion into new products, services, technologies and geographic regions subjects us to additional risks.*”

On May 16, 2020, the Russian Government adopted the procedure for the issuance of permits on distant sale of pharmaceuticals. In order to be eligible for the permit, a company must have a pharmaceutical license for at least one year; at least ten pharmaceutical sites in Russia; places for the storage of orders compliant with the rules on medical product storage; a website or mobile app; its own or third-party courier service with cold chain capabilities; and an electronic or mobile payment system to pay for goods at the place of service. The permits are issued by Roszdravnadzor, a Russian regulatory authority in the sphere.

In addition, in light of the spread of COVID-19, in April 2020 the Russian Parliament adopted a number of laws toughening administrative and criminal liability for the breach of sanitary-epidemiologic regulations. As a result, we have to bear additional expenses to ensure compliance with sanitary-epidemiologic rules and regulations.

Regulation of the Sale and Lease of Real Estate

The majority of the premises we use are leased (for example, the office of our key operating subsidiary, Internet Solutions LLC, and all our fulfillment centers). From time to time, we may also manage real estate in accordance with our asset-light strategy. Under the Civil Code, agreements relating to sale or lease of real estate must expressly set out the details of the real estate and the purchase price or lease rate. The transfer of ownership under a real estate sale agreement is subject to state registration. Lease agreements are subject to state registration, except for short-term (i.e., less than one year) and preliminary lease agreements. Under the Civil Code, unregistered lease agreements are binding on the parties (provided that the lessor and the tenant agreed on all material terms of the lease and started performing the lease agreement), but cannot be enforced against any third parties. As a general rule, the tenant has a pre-emptive right to renew a lease upon its expiry on the terms and conditions to be agreed by the parties. Under the Civil Code, a lease agreement may be unilaterally terminated either in a limited number of situations expressly provided by the Civil Code (through a court procedure) or under the terms of such lease agreement (through court and out-of-court procedures).

Employment Regulation

As of December 31, 2020, we had 14,834 employees working in our fulfillment centers, delivery infrastructure operations and research labs and corporate offices. Employment matters in Russia are governed mainly by the Labor Code and by numerous implementing enactments of Russian authorities, which are enforced by the Russian courts and the Federal Service on Labor and Employment. The Labor Code sets out minimum rights of employees that must be complied with by any employer in Russia. Employment is required to be documented by an employment agreement that must, as a general rule, be for an indefinite term. Unilateral early termination of employment agreements by an employer is possible only for certain reasons expressly outlined in the law, and is subject to the provision by the employer of specified remedies to the employee, except in the case of a termination for cause.

In 2018, the law on the special tax regime for the “self-employed” was adopted in several constituent entities of Russia. For the purposes of this law, a self-employed person is an individual conducting income-generating activities while not having an employer, not engaging employees and not benefiting from the property income. The income tax rate for the self-employed varies from 4% to 6%, as opposed to the standard 13% income tax rate. Starting from July 1, 2020, the regime was extended to all constituent entities of Russia. The extension of the self-employed regime will allow us to engage couriers and other temporary workers in a more effective way.

A number of counterparties that we contract with are individuals registered either as individual entrepreneurs or self-employed persons. As a result of being registered as either an individual entrepreneur or self-employed person, we are not obliged to withhold personal income tax and pay social contributions when paying these counterparties for the services that they provide to us. Persons registered as individual entrepreneurs pay personal income tax and social insurance contributions themselves.

One of our key Russian operating subsidiaries contracts with some individuals who are registered as self-employed and individual entrepreneurs (for example, couriers that help with our fulfillment and logistics). As such, based on current legislation, we do not consider these individuals to be members of our staff, and we are not obliged to pay or withhold any taxes or contributions when making payments to them. As a result, there is a risk that the courts may, upon the demand of the Russian authorities or the relevant individual entrepreneurs or self-employed individuals, reclassify our relationships with such individuals as labor relationships if such individuals are regularly and predominantly working for the benefit of our Russian subsidiaries, which could result in the assessment of additional taxes, penalties and other liabilities on our Russian subsidiaries and could adversely affect our business, prospects, financial condition and results of operations. See Item 3.D. “*Key Information—Risk Factors—Risks Relating to Our Business or Industry—Our business may be adversely affected if counterparties that we contract with who are registered as individual entrepreneurs or self-employed persons, which includes couriers, are classified as our employees.*”

Customs Regulation

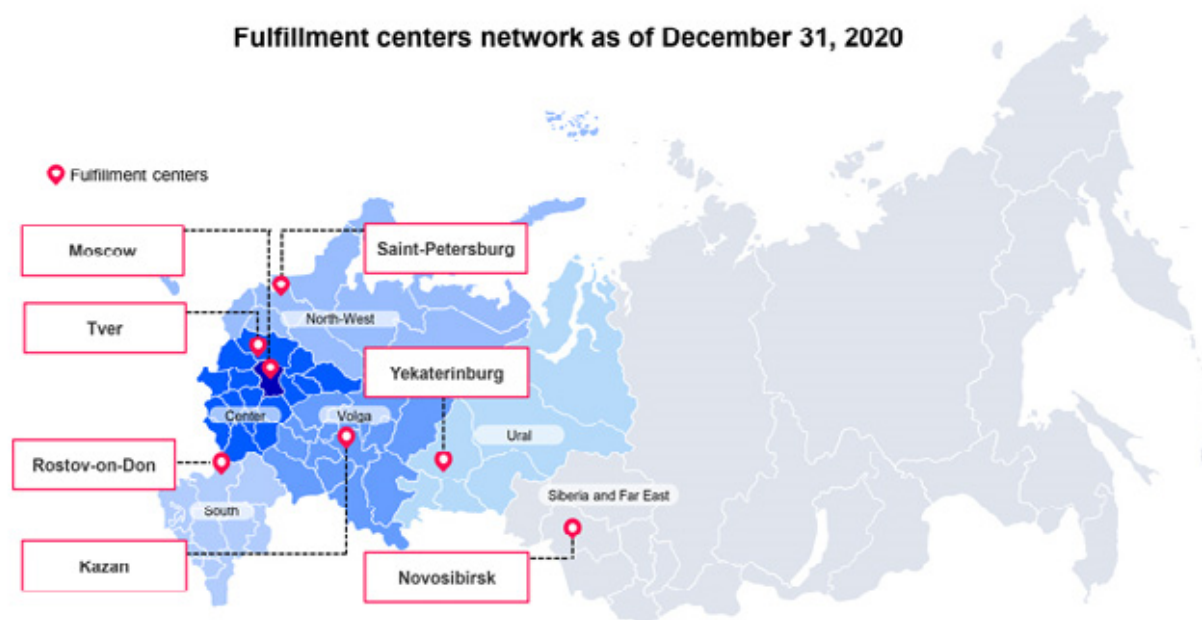
The Eurasian Economic Commission has the authority to establish customs duties. Personal use products sent to Russia through international mail are free from these duties if their price does not exceed certain thresholds. In 2019 and 2020, the price of personal use products sent to Russia from abroad through international mail that may be imported free of customs duty was reduced from €1,000 to €200 per mailing pack. This regulation appeared beneficial for the internal market, and subsequently, our turnover. However, we cannot precisely evaluate the contribution of this new rule to our turnover. See Item 3.D. “*Key Information—Risk Factors—Risks Relating to Our Business and Industry—An increase in the share of international e-commerce companies in the Russian market or changes in measures aimed at restricting international e-commerce may adversely affect our business and results of operations.*”

C. Organizational Structure

We are an entity incorporated in Cyprus and are acting as a holding company for all of our operating subsidiaries. On October 22, 2020, Ozon Holdings Limited was converted from a private limited liability company incorporated in Cyprus into a public limited company incorporated in Cyprus, and our name changed pursuant to a special resolution at a general meeting of our shareholders to Ozon Holdings PLC. Our key operating subsidiary is Internet Solutions LLC, a wholly-owned Russian subsidiary of Ozon Holding LLC, a Russian company wholly owned by us.

D. Property, Plants and Equipment

We lease and operate a network of fulfillment centers across Russia with a total building footprint of approximately 227,000 square meters. Our fulfillment centers are located in Moscow, Tver, Saint Petersburg, Kazan, Novosibirsk and Yekaterinburg.



We own the warehouse equipment used in our leased fulfillment centers, such as mezzanines, sorting machines and conveyor lines. We also own the computer equipment and hardware that we use in our warehouses, used to automate fulfillment and sorting processes, as well as the computer equipment and hardware in our call centers and offices.

All our offices, including our principal executive office of our key operating subsidiary, Internet Solutions LLC, located at 10 Presnenskaya Embankment, “Naberezhnaya Tower” Tower C, 123112, Moscow, Russia, are leased.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the section entitled Item 3.A. “Key Information—Selected Financial Data,” and our consolidated financial statements and the related notes included elsewhere in this Annual Report. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in the “Risk Factors” section of this Annual Report. Actual results could differ materially from those contained in any forward-looking statements. See “Cautionary Statement Regarding Forward-Looking Statements” for more information.

A. Operating Results

Overview

We are a leading e-commerce platform in the large, fragmented, underpenetrated and growing Russian e-commerce market. Our mission is to transform the Russian consumer economy by offering the widest selection of products, best value and maximum online shopping convenience among Russian e-commerce companies, while empowering sellers to achieve greater commercial success. We attribute our success to our focus on enhancing the buyer and seller experience, our nationwide logistics infrastructure and our cutting-edge technology and strong culture of innovation.

We connect and facilitate transactions between buyers and sellers on our Marketplace, which represented 48% of our GMV incl. services and 16% of our total revenue in the year ended December 31, 2020. We also sell products directly to our buyers through our Direct Sales business, which represented 48% of our GMV incl. services and 78% of our total revenue in the year ended December 31, 2020. We have almost 11 million SKUs, as of December 31, 2020, in categories ranging from electronics, home and decor and children’s goods to FMCG, fresh food and car parts, at competitive prices and with a wide range of delivery options. This business model also enables us to better manage our inventory and enhance the online shopping experience of our buyers for certain product categories and geographical regions through our Direct Sales business. We attract sellers to our platform with a strong value proposition that combines access to millions of our active buyers with a comprehensive set of tools and services for our sellers, such as sales management solutions with access to data analytics and advertising services, financial products and fulfillment and delivery services through

our nationwide logistics infrastructure through our FBO and FBS logistics models. These seller-facing tools and services equip our sellers to attract more buyers, grow their sales and provide a seamless transaction and buyer experience.

In the year ended December 31, 2020, our platform served approximately 13.8 million active buyers who placed an average of 5.4 orders during that period, an increase from approximately 7.9 million active buyers who placed an average of 4.0 orders in the year ended December 31, 2019. We believe we have achieved significant scale and are continuing to grow our business, while also focusing on achieving profitability in the future. For the year ended December 31, 2020, our GMV incl. services increased to ₱197,414 million from ₱80,815 million in the year ended December 31, 2019, an increase of 144%, and from ₱41,888 million in the year ended December 31, 2018, a year-on-year increase of approximately 93%. In April-June 2020, we experienced increased demand for our products and services as a result of the COVID-19 pandemic and the related government-imposed social-distancing measures. See “—*Factors Affecting Our Financial Condition and Results of Operations—COVID-19.*”

Due to significant expenses required to finance our growth, we incurred a loss of ₱22,264 million, ₱19,363 million and ₱5,661 million in the years ended December 31, 2020, 2019 and 2018, respectively. Despite reporting losses since 2018, we have demonstrated improving profitability, and in the year ended December 31, 2020, we had a Contribution Profit of ₱815 million (with Contribution Profit as a percentage of GMV incl. services of 0.4%), compared to a Contribution Loss of ₱5,549 million and a Contribution Profit of ₱1,326 million (with Contribution Loss and Contribution Profit as a percentage of GMV incl. services of negative 6.9% and positive 3.2%) in the years ended December 31, 2019 and 2018, respectively. The significant improvement in our Contribution Profit was driven by the growth of GMV incl. services and reduction of fulfillment and delivery expenses as a percentage of GMV incl. services as result of increased demand for our products and services during the COVID-19 pandemic in the second quarter of 2020. We believe that as our business continues to grow, we will benefit from our operating leverage, improving our Contribution Profit/(Loss).

Factors Affecting Our Financial Condition and Results of Operations

Our financial condition and results of operations are driven by our success in attracting and retaining buyers to our platform and increasing the frequency of the purchases they make, as well as our ability to enhance the efficiency of our operations as we continue to grow. In 2020, our results of operations were also affected by the COVID-19 pandemic and related response measures.

Loyalty and engagement of our buyers

Our financial results have benefited from increased buyer retention and higher order frequency in recent years. We review performance of our active buyers on an annual cohort basis. Each buyer cohort is defined as buyers who placed their first order during a specific year. We track the repeat orders made by buyers in each cohort.

Going forward, we expect that increasing the loyalty and engagement of our active buyers, through improving the breadth of our assortment, further strengthening our brand awareness and introducing new product categories, will increase our cohort retention and purchase frequency, which we expect to drive improvements in our GMV incl. services and revenue.

Number of our buyers, sellers and the assortment offered on our platform

The combination of our wide selection of products, competitive prices and convenient buyer shopping experience, coupled with our strong brand awareness and seller support tools and services, enable us to attract more buyers to our platform, which, in turn, draws more sellers to our Marketplace, resulting in an expansion of our product catalog and increased buyer retention. We have seen significant increases in both the number of active buyers on our platform in recent periods. As of December 31, 2020, we had 13.8 million active buyers, compared to 7.9 million and 4.8 million active buyers as of December 31, 2019 and 2018, respectively. We believe that some of the sellers who joined our platform in 2020 joined as a result of mobility restrictions and the temporary closure of offline retail businesses in connection with the COVID-19 pandemic, although the exact number of such sellers is difficult to quantify. However, we continued to experience a growing number of active sellers after the restrictions were lifted and offline retail businesses reopened.

We actively focus on increasing the range of features we offer to sellers to enhance the attractiveness of our Marketplace to our current and potential sellers. We have developed a number of initiatives, including the OZON.Seller platform, which gives our sellers access to a broad set of advanced tools for stock management, assortment management, product pricing and marketing, including analytical and financial performance reports on their sales and expenses such as storage, returns or fulfillment expenses, as well as a suite of promotional and profit management tools. We believe that the increase in the number of active sellers on our Marketplace and continuing growth of our active buyers and assortment of products created demand for our high-margin advertising services, which has led to strong growth in our advertising revenue.

In addition to our Marketplace, we also operate our Direct Sales business, where we purchase stock of products in our fulfillment centers to be sold directly to our buyers. The successful operation of our Direct Sales business depends on a number of factors, including our ability to increase the range of products sold by us directly, achieve competitive prices for such products and ensure the necessary amount of stock in our fulfillment centers for the timely delivery of products to our buyers. Notwithstanding the launch of our Marketplace in September 2018, we have chosen to retain the Direct Sales business for certain products. We believe that the Direct Sales business allows us to optimize revenue from goods sold on our platform and allows us to manage our working capital in a more efficient manner. In particular, we sell products through Direct Sales that are in high demand, such as “bestsellers”, and have predictable purchasing trends. The high demand for these products ensures a high turnover of inventory, minimizing the amount of unsold inventory held at our fulfillment centers, and the predictable purchasing trends enable us to effectively manage the restocking of inventory to avoid purchasing excess inventory. The products that we sell through Direct Sales will vary depending on shifts in demand and purchasing trends. The same products may be sold by us on a Direct Sales basis and by our sellers on our Marketplace at the same time.

In any particular period, changes in the volume of products sold through our Marketplace or our Direct Sales business will impact our revenue, cost of sales and our gross profit as sales through our Marketplace generate higher gross margins. As we continue to increase our focus on expanding our Marketplace and growing our Share of Marketplace GMV, we expect our gross profit and our Contribution Profit/(Loss) to improve. In long-term, we aim to have equal gross profit as a percentage of GMV incl. services for our Marketplace and Direct Sales businesses as we continue to achieve economies of scale and improve our purchasing power.

Efficiency of our fulfillment and delivery operations

We believe we have built a comprehensive logistics and fulfillment service which is one of the leading e-commerce fulfillment and delivery services in Russia. This logistics and fulfillment service is structured to maximize the revenue we generate from fulfillment and delivery services while minimizing fulfillment and delivery expenses. We generate revenue from our fulfillment services mainly through delivery charges to our buyers and as a part of Marketplace commission from our sellers. We incur fulfillment expenses primarily from our network of fulfillment centers, where we store products sold by us directly and provide storage services to our sellers using the FBO model. Delivery expenses are incurred for our delivery network comprising sorting centers, couriers, pick-up points and box lockers.

Our fulfillment and delivery expenses are highly dependent on a number of factors, such as volume of orders and level of utilization for fulfillment and sorting centers, as well as for pick-up points and box lockers, density of orders, delivery distance and method. We believe our business will further gain efficiency and improvement in expenses as a percentage of GMV incl. services in fulfillment infrastructure as a result of an increased share of sellers selecting our FBS model, in which we do not incur fulfillment costs, and long term normalization of operating costs at our recently launched fulfillment centers and those we plan to launch in the near future as they reach long-term normalized levels of utilization. We also expect to see improvement in the efficiency of our delivery network following the establishment of our new fulfillment centers in a number of Russian regions to decrease the delivery distance, future growth in density of courier orders and growth in utilization of box lockers and pick-up points over the long term.

Our ability to leverage our growing scale

We have a relentless focus on maintaining a leading position across existing product categories while continuing to scale our business in order to improve our margins. In addition to efficiency gains in fulfillment and delivery expenses, the factors mentioned below are the key drivers of this trend:

- *Sales and marketing*: marketing costs have benefited from growth of organic traffic and increase in buyers' orders frequency, with repeat orders and increased buyer loyalty requiring less marketing engagement and expenses to support.
- *Technology and content*: as a percentage of GMV incl. services, our technology and content expense have declined, even as we heavily invested in improving our seller and buyer experience and our technology and data capabilities in 2018 through to 2020.
- *General and administrative*: our business has continued to enjoy economies of scale on a fixed cost base due to the growth profile of our business across our Marketplace and Direct Sales.

While we expect our operating expenses to increase as we continue to expand our business, we expect such expenses to decrease as a percentage of GMV incl. services and revenue over time as we continue to achieve economies of scale and benefit from operating leverage.

COVID-19

The COVID-19 pandemic has led to significant global disruptions, which affected our business, as well as our buyers, sellers and suppliers. See "Item 3.D. *Key Information—Risk Factors—Risks Relating to Our Business and Industry—Our business may be materially adversely affected by the COVID-19 pandemic.*" As a result of the COVID-19 pandemic and the mobility restrictions and other measures implemented by the Russian Government from the end of March 2020 until June 2020, which included social distancing, stay-at-home orders and limited quarantine measures, we experienced a significant increase in the number of new active buyers, higher demand for products on our platform and an inflow of third-party sellers to our Marketplace. We believe the mobility restrictions led more sellers and suppliers to increase their online presence, as we believe that increasing their sales through our Marketplace and Direct Sales businesses are some of the key drivers of their sales growth. The mobility restrictions also increased e-commerce adoption by our buyers as we saw increased order frequency and spend on our platform during this time.

As a result of the COVID-19 pandemic, we also introduced a number of changes to our fulfillment, delivery and other services, including a temporary suspension of our pay-on-delivery service, and we made numerous process updates across our operations to implement employee and buyer safety measures, such as enhanced cleaning, social distancing and protocols to support personal protection. We also implemented procedures to keep pricing of certain essential products by the sellers on our Marketplace at affordable levels following increased demand.

Although the increase in our revenue in the year ended December 31, 2020, compared to the same period in 2019, resulted from an increase in demand for products sold through our platform, the increase in revenue also reflects the impact of measures that we implemented in 2018 and 2019, such as focusing on driving higher sales through our Marketplace, our marketing efforts undertaken in 2019 and our expansion into a broad range of product categories.

As the lockdown in the most regions of Russia was lifted in June 2020, we believe that our results of operations for the year ended December 31, 2020 reflect the results of our operations without the direct impact of the COVID-19 lockdown measures.

In recognition of our important role during the COVID-19 pandemic, in April 2020, we were included in the list of systemically important companies by the special decree of the Russian Government, which allows us to be considered for special government support during the COVID-19 pandemic. As a result of these support measures, our operations were not subject to the mobility restrictions imposed on businesses and the general public. We also benefited from a 1.0% online payment processing fee limit introduced by the CBR for retailers of certain essential products from April 2020 to September 2020. The online payment processing fee limit was imposed on Russian banks and other financial institutions, which were required to limit their fees to accept online debit and credit card payments for such retailers to 1.0%. This reduction of the online payment processing fee had the effect of decreasing our fees for cash collection expenses as a percentage of GMV incl. services in the six months ended September 30,

2020, which was partially offset by the increase of the share of online payments on our platform during that period. As a result, an overall decrease in our fees for cash collection expenses as a percentage of GMV incl. services amounted to 0.4 percentage points in 2020 compared to 2019. While we benefitted from the 1.0% online payment processing fee limit, which has since been terminated, we do not believe that there will be any material impact as a result of its termination. The measures mentioned above are the only material support that we received as a result of our inclusion in the list of systemically important companies.

We continue to closely monitor the impact of the COVID-19 pandemic on our business. The pandemic and related actions taken by governments to limit its spread could cause a temporary closure of our operational facilities, interrupt our fulfillment, delivery or logistics systems or severely impact the behavior and operations of our sellers, buyers, suppliers and other users of our products and services. Our operations could also be disrupted if any of our employees or employees of our suppliers or sellers are suspected of contracting COVID-19, as this could require us or our suppliers or sellers to quarantine some or all of these employees and implement disinfection measures to the facilities and premises used for our operations. As the COVID-19 pandemic continues to evolve, the extent of its impact on our business in future periods remains uncertain.

See also Item 3.D. “*Key Information—Risk Factors*” as to foreign currency risks and inflation.

Other Factors

Our business is affected by seasonality, which historically has resulted in higher sales volume during the second half of the year compared to the first half. Higher sales during the second half of the year are mainly attributable to the increased demand for products during the peak New Year season in December, as well as Black Friday sales in November. We recognized 58%, 58% and 59% of our annual revenue during the second half of 2020, 2019 and 2018, respectively. We believe that our business will continue to demonstrate seasonal patterns in the future. For further information on our quarterly data, please refer to “—*Quarterly Data*.”

Our business is also affected by macroeconomic conditions and the political environment in Russia, where our buyers and sellers are primarily located. The purchase capabilities of our buyers may be significantly influenced by political and economic developments in Russia and the effects of these factors on demand for products and services.

Segments

For management purposes, our business is organized into two operating segments:

- Ozon.ru, which is comprised of sales of multi-category consumer products through our Shopping App and our Ozon website; and
- Ozon.travel, which includes sales of airline and train tickets through our Ozon.Travel mobile app and our Ozon.Travel website.

Ozon.ru represents over 99% of our revenue for the year ended December 31, 2020; therefore, we present Ozon.ru as the only reportable operating segment, as this reflects the consolidated view of our operating segments noted above.

Key Indicators of Operating and Financial Performance

Our management monitors our financial and operational performance on the basis of the following measures.

(₽ in millions, unless indicated otherwise)

	For the year ended December 31,		
	2020	2019	2018
GMV incl. services ⁽¹⁾	197,414	80,815	41,888
Share of Marketplace GMV, % ⁽²⁾	47.8	17.4	0.9
Total revenue	104,350	60,104	37,220
Gross profit ⁽³⁾	31,491	11,259	9,558
Gross profit as a percentage of GMV incl. services, %	16.0	13.9	22.8
Contribution Profit/(Loss) ⁽⁴⁾	815	(5,549)	1,326
Contribution Profit/(Loss) as a percentage of GMV incl. services, %	0.4	(6.9)	3.2
Adjusted EBITDA ⁽⁵⁾	(11,716)	(15,832)	(5,305)
Adjusted EBITDA as a percentage of GMV incl. services, %	(5.9)	(19.6)	(12.7)
Free Cash Flow ⁽⁶⁾	(2,566)	(19,947)	(6,203)
Number of orders, million ⁽⁷⁾	73.9	31.8	15.3
Number of active buyers, million ⁽⁸⁾	13.8	7.9	4.8

- (1) *GMV incl. services (gross merchandise value including revenue from services)* comprises the total value of orders processed through our platform, as well as revenue from services to our buyers and sellers, such as delivery, advertising and other services rendered by our Ozon.ru operating segment. GMV incl. services is inclusive of value added taxes, net of discounts, returns and cancellations. GMV incl. services does not represent revenue earned by us. GMV incl. services does not include travel ticketing commissions, other service revenues or value of orders processed through our Ozon.travel operating segment.
- (2) *Share of Marketplace GMV* represents the total value of orders processed through our Marketplace, inclusive of value added taxes, net of discounts, returns and cancellations, divided by GMV incl. services in a given period. Share of Marketplace GMV includes only the value of goods processed through our platform and does not include services revenue.
- (3) *Gross profit* represents revenue less cost of sales in a given period.
- (4) *Contribution Profit/(Loss)* is loss for the period before income tax benefit/(expense), total non-operating (expense)/income, general and administrative expenses, technology and content expenses and sales and marketing expenses. Please see Item 3.A. “*Key Information—Selected Financial Data—Non-IFRS Measures*” for a reconciliation of Contribution Profit/(Loss), which is a non-IFRS measure, to the most directly comparable IFRS financial performance measure and an explanation of why we consider Contribution Profit/(Loss) useful.
- (5) *Adjusted EBITDA* is loss for the period before income tax benefit/(expense), total non-operating (expense)/income, depreciation and amortization and share-based compensation expense. Adjusted EBITDA may not be comparable to similarly titled metrics of other companies. Please see Item 3.A. “*Key Information—Selected Financial Data—Non-IFRS Measures*” for a reconciliation of Adjusted EBITDA, which is a non-IFRS measure, to the most directly comparable IFRS financial performance measure and an explanation of why we consider Adjusted EBITDA useful.
- (6) *Free Cash Flow* is net cash generated from/(used in) operating activities less payments for purchase of property, plant and equipment and intangible assets, and the payment of the principal portion of lease liabilities. Please see Item 3.A. “*Key Information—Selected Financial Data—Non-IFRS Measures*” for a reconciliation of Free Cash Flow, which is a non-IFRS measure, to the most directly comparable IFRS financial performance measure and an explanation of why we consider Free Cash Flow useful.
- (7) *Number of orders* is the total number of orders delivered in a given period, net of returns and cancellations.
- (8) *Number of active buyers* is the number of unique buyers who placed an order on our platform within the 12 months period preceding the relevant date, net of returns and cancellations.

Components of Our Results of Operations

GMV including services

GMV incl. services is the key driver of our revenue, as the majority of our revenue is a function of our GMV incl. services. Our primary sources of revenue are sales of goods by us under the Direct Sales model and Marketplace commission from sales of goods by third-party sellers on our Marketplace. From time to time, we may change the mix between the sales through our Direct Sales and Marketplace businesses, which does not impact our GMV incl. services. However, these variations may impact our revenue, as we recognize gross sales of goods net of returns and cancellations as revenue for our Direct Sales business and only Marketplace commission as revenue for Marketplace sales. Accordingly, we measure the volume of our operations not on the basis of revenue, but rather on the basis of our GMV incl. services, which also includes revenues from services rendered to our sellers and buyers, such as advertising and delivery services processed through our platform. Revenues from these services are also correlated with the volumes of goods sold on our platform.

Revenue

Sales of goods relate to transactions where we act directly as the seller of goods we purchase from our suppliers. We recognize revenue from sales of goods on a gross basis, net of return and cancellation allowances when the goods are delivered to our buyers.

Service revenue includes Marketplace commissions, charges for delivery services and advertising services and travel ticketing commissions.

Marketplace commission represents commission fees charged to third-party sellers for selling their products through our Marketplace. Upon a sale, we charge the third-party sellers a commission fee, which consists of the base fee and variable fee component. The base fee is charged based on the product category for the given product. The variable fee component of the commission is paid by the sellers based on the additional services we render to the sellers, such as storage fees for products stored at our fulfillment centers and delivery fees. Marketplace commission is recognized on a net basis at the point of delivery of products to the buyers.

Delivery services represent charges for delivery of products to our buyers who place their orders through our mobile apps and website.

Advertising services allow our suppliers and sellers to place advertisements or show their products in particular areas of our websites and mobile apps at fixed or variable fees. Advertising revenue is recognized evenly over the period in which the advertisement is displayed or based on the number of views or clicks.

Travel ticketing commission consists of commission fees and ticketing fees charged from the travel supplier and/or traveler for the sale of airline and railway tickets, as applicable. Ticketing commission fees are recognized upon booking of airline and railway tickets.

Operating Expenses

Our primary categories of operating expenses are cost of sales and fulfillment and delivery expenses, as well as sales and marketing, technology and content and general and administrative expenses. As our business continues to grow, we expect our operating expenses to increase in absolute terms and further decline, as a percentage of GMV incl. services, as we continue to benefit from our operating leverage.

Cost of sales consists of the purchase price of consumer products, including supplier rebates and subsidies, write-downs and losses of inventories, cost of travel ticketing and costs of obtaining and supporting contracts with sellers on our Marketplace.

Fulfillment and delivery expenses primarily consist of costs incurred in operating and staffing our fulfillment centers, sorting centers, buyer service centers and pick-up points, outbound shipping costs, packaging material costs, expenses related to payment processing and costs associated with the use of the facilities and equipment by these functions, such as depreciation expenses and other related costs. Fulfillment and delivery expenses also include amounts paid to third parties that assist us with fulfillment, sorting, delivery and buyer service operations, as well as write-offs and losses of sellers' inventory. Fulfillment and delivery costs are expensed as incurred.

Sales and marketing expenses consist primarily of advertising costs and payroll, including related expenses for employees involved in marketing and sales activities. We carry out the majority of our digital and performance marketing efforts through search engines and sites in order to attract buyers and sellers to our platform. Additionally, we invest a portion of our marketing budget in offline media in order to improve our brand awareness and to complement our online efforts. Sales and marketing expenses are expensed as incurred.

Technology and content expenses include payroll and related expenses for employees involved in the research and development of new and existing products and services, development, design and maintenance of our mobile apps and websites and technology infrastructure costs.

General and administrative expenses consist of payroll and related expenses for employees involved in general corporate functions, including accounting, finance, tax, legal and human resources, and costs associated with the use of the facilities and equipment by these functions, such as depreciation expenses, premises maintenance expenses and other general corporate related expenses. General and administrative expenses are expensed as incurred.

Results of Operations

Below are our results of operations for the years ended December 31, 2020, 2019 and 2018:

(P in millions)	For the year ended December 31,		
	2020	2019	2018
Revenue:			
Sales of goods	81,414	53,487	33,920
Service revenue	22,936	6,617	3,300
Total revenue	104,350	60,104	37,220
Operating expenses:			
Cost of sales	(72,859)	(48,845)	(27,662)
Fulfillment and delivery	(30,676)	(16,808)	(8,232)
Sales and marketing	(10,015)	(7,153)	(3,335)
Technology and content	(4,394)	(3,520)	(2,123)
General and administrative	(3,729)	(2,390)	(1,742)
Total operating expenses	(121,673)	(78,716)	(43,094)
Operating loss	(17,323)	(18,612)	(5,874)
Loss on disposal of non-current assets	(35)	(7)	(3)
Finance costs	(2,115)	(980)	(66)
Finance income	311	179	195
Share of profit of an associate	112	54	82
Foreign currency exchange (loss) / gain, net	(1,984)	(213)	78
Other non-operating expenses	(1,000)	—	—
Total non-operating (expense)/income	(4,711)	(967)	286
Loss before income tax	(22,034)	(19,579)	(5,588)
Income tax (expense) / benefit	(230)	216	(73)
Loss for the year	(22,264)	(19,363)	(5,661)
Total comprehensive income for the year	(22,264)	(19,363)	(5,661)

Year ended December 31, 2020, compared to years ended December 31, 2019 and December 31, 2018 respectively

GMV including services

Our GMV incl. services increased by 144% to P197,414 million in 2020, from P80,815 million in 2019, and from P41,888 million in 2018, primarily due to an increase in the number of active buyers, as well as higher purchase frequency and annual spend of our repeat active buyers. Our Marketplace contributed 69% to our GMV incl. services growth in 2020, while Direct Sales business contributed 28%.

Revenue

Below is our revenue, broken down by source, for the years ended December 31, 2020, 2019 and 2018 and as a percentage of total revenue:

	For the year ended December 31,					
	2020 (₹ in millions)	2020 (% of revenue)	2019 (₹ in millions)	2019 (% of revenue)	2018 (₹ in millions)	2018 (% of revenue)
Revenue						
Sales of goods	81,414	78	53,487	89	33,920	91
Service revenue	22,936	22	6,617	11	3,300	9
Marketplace commission	16,503	16	2,132	4	45	—
Advertising services	3,965	4	1,421	2	282	1
Delivery services	1,761	2	1,758	3	1,595	4
Travel ticketing commission	445	—	1,187	2	1,274	3
Other revenue	262	—	119	—	104	—
Total revenue	104,350	100	60,104	100	37,220	100

In 2020, our total revenue increased by 74% compared to 2019 and, in 2019, by 61% compared to 2018, driven by an increase from both sales of goods and service revenue.

Sales of goods. The increase in our sales of goods for in 2020, compared to 2019 and 2018 was attributable to the growth in the number of active buyers to 13.8 million as of December 31, 2020, from 7.9 million as of December 31, 2019 from 4.8 million as of December 31, 2018 and the increase in their purchase frequency to 5.4 orders in 2020, from 4.0 orders in 2019 and from 3.2 orders in 2018.

In 2020 and 2019, we experienced significant growth across all major product categories. The following table illustrates contribution of major product categories to the overall increase in sales of goods in both years.

	For the year ended December 31,	
	2020 (% of increase in sales of goods)	2019 (% of increase in sales of goods)
Electronics	43	30
Food	11	13
Health and beauty	9	7
Pharmacy	7	9
Petcare	7	8
FMCG	6	12
Other categories	17	21

Service revenue. The increase in our service revenue was primarily driven by our Marketplace launch in September 2018, which led to an increase in revenues from Marketplace commission and advertising services.

The increase in our Marketplace commission revenue was attributable to the growth in the total value of orders processed through our Marketplace and the increase of the effective Marketplace commission fee rate. The first factor contributed 85% to our Marketplace commission revenue increase and was driven by an increase in the number of active sellers on our Marketplace by more than four times in 2020 compared to 2019. The second factor contributed 15% to the total increase of our Marketplace commission revenue as the effective Marketplace commission fee rate increased to 17.5% of the total value of orders processed through our Marketplace in 2020 from 15.2% of the total value of orders processed through our Marketplace in 2019. 81% and 19% of the growth in Marketplace commission revenue in 2019 compared to 2018, was attributable to the growth in the total value of orders processed through our Marketplace and the increase in the Marketplace commission fee rate, respectively. Our effective Marketplace commission fee rate was increased in 2019 compared to a discounted commission fee rate of 12.3% offered to attract sellers to our Marketplace in 2018.

The following product categories contributed to the total of ₱14,371 million increase in Marketplace commission in 2020, compared to 2019 and ₱2,087 in 2019, compared to 2018:

	For the year ended December 31,	
	2020 (% of increase in sales of goods)	2019 (% of increase in sales of goods)
Home and decor	22	22
Electronics	14	14
Children's goods	12	16
Apparel	12	13
Health and beauty	9	11
Pharmacy	7	3
Other categories	24	21

Operating expenses

Below are our operating expenses, broken down by source, for the years ended December 31, 2020, 2019 and 2018 and as a percentage of total operating expenses and of GMV incl. services:

	For the year ended December 31,								
	2020 (₱ in millions)	2020 (% of operating expenses)	2020 (% of GMV incl. services)	2019 (₱ in millions)	2019 (% of operating expenses)	2019 (% of GMV incl. services)	2018 (₱ in millions)	2018 (% of operating expenses)	2018 (% of GMV incl. services)
Operating expenses									
Cost of sales	(72,859)	60	—	(48,845)	62	—	(27,662)	64	—
Fulfillment and delivery	(30,676)	25	16	(16,808)	21	21	(8,232)	19	20
Sales and marketing	(10,015)	8	5	(7,153)	9	9	(3,335)	8	8
Technology and content	(4,394)	4	2	(3,520)	4	4	(2,123)	5	5
General and administrative	(3,729)	3	2	(2,390)	4	3	(1,742)	4	4
Total operating expenses	(121,673)	100	—	(78,716)	100	—	(43,094)	100	—

Cost of sales. The increase in our cost of sales in 2020 compared to 2019 reflected a growth in the total number of orders sold through our platform, driven by a 75% increase in the number of our active buyers and a 35% increase in their purchase frequency in 2020 compared to 2019, offset in part by the higher volume of goods purchased through our Marketplace. The same factors led to cost of sales increase in 2019 compared to 2018, the number of our active buyers increased by 65% and purchase frequency increased by 26%.

Fulfillment and delivery. The increase in our fulfillment and delivery costs in 2020 compared to 2019 was driven by the increase in the number of orders processed through our logistics infrastructure to 73.9 million in 2020 from 31.8 million in 2019 and from 15.3 million in 2018, as well as an increase in the average number of our employees and outsourced personnel in fulfillment centers and last-mile delivery activities by 36% in 2020 and by 89% in 2019, as we launched fulfillment centers in several regions of Russia.

Sales and marketing. The increase in our sales and marketing expenses was mainly due to an increase in the cost of digital advertising and offline media campaigns by 18%, or ₱1,250 million in 2020 compared to 2019 and by 129%, or ₱3,205 million in 2019 compared to 2018. In 2020, our marketing efforts, together with the increased share of organic traffic, led to a 75% increase in the number of our active buyers to 13.8 million as of December 31, 2020 from 7.9 million as of December 31, 2019, compared to 4.8 million as of December 31, 2018.

Technology and content. The increase in our technology and content expenses in 2020 compared to 2019 and 2018 was primarily attributable to the increase in the average number of our research and development employees by 33% and 49% in 2020 and 2019, respectively, as we invested in improving our seller and buyer experience and our technology and data capabilities in order to accelerate our platform development.

General and administrative. The increase in our general and administrative expenses in 2020 compared to 2019 and 2018 was mainly due to an increase in the average number of employees in general and corporate functions by 54% and 39% in 2020 and 2019, respectively.

Finance costs. In 2020, our finance costs were ₱2,115 million, compared to ₱980 million in 2019 and ₱66 million in 2018. This increase in expense was primarily due to increase in amounts of outstanding borrowings to ₱9,450 million as of December 31, 2020 from ₱4,116 million as of December 31, 2019 and lease liabilities to ₱15,490 million as of December 31, 2020 from ₱9,609 million as of December 31, 2019.

Foreign currency exchange gain/(loss), net. In 2020, our foreign currency exchange loss was ₱1,984 million compared to loss of ₱213 million in 2019 and gain of ₱78 million in 2018. The increase in the year ended December 31, 2020 was primarily due to U.S. dollar depreciation in December 2020 which resulted in a foreign exchange loss on the U.S. dollar-denominated cash and cash equivalents from the IPO proceeds.

Other non-operating expenses. In November 2020, we paid ₱1,000 million to Sberbank in accordance with an agreement relating to an alleged breach of an exclusivity undertaking contained in the term sheet that had been entered into between us, our principal shareholders and Sberbank in June 2020. For more details, see Note 11 of our consolidated financial statements for the year ended December 31, 2020 included elsewhere in this Annual Report.

Quarterly Data

The following table sets forth certain unaudited financial data for each fiscal quarter for the periods indicated. The unaudited quarterly information includes all normal recurring adjustments that we consider necessary for a fair statement of the information shown. This information should be read in conjunction with our consolidated financial statements for the year ended December 31, 2020 and related notes thereto appearing elsewhere in this Annual Report. Our quarterly results are not necessarily indicative of future operating results.

(P in millions)	2019				2020			
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
Revenue:								
Sales of goods	10,898	11,592	12,670	18,327	17,132	19,028	16,685	28,569
Service revenue	1,324	1,135	1,540	2,618	2,815	5,187	5,752	9,182
Total revenue	12,222	12,727	14,210	20,945	19,947	24,215	22,437	37,751
Operating expenses:								
Cost of sales	(10,122)	(10,622)	(11,140)	(16,961)	(15,264)	(16,519)	(14,943)	(26,133)
Fulfillment and delivery	(3,129)	(3,337)	(4,175)	(6,167)	(6,406)	(6,788)	(6,511)	(10,971)
Sales and marketing	(1,398)	(1,548)	(1,852)	(2,355)	(2,084)	(2,066)	(2,392)	(3,473)
Technology and content	(893)	(873)	(810)	(944)	(940)	(1,022)	(1,051)	(1,381)
General and administrative	(550)	(569)	(569)	(702)	(773)	(774)	(873)	(1,309)
Total operating expenses	(16,092)	(16,949)	(18,546)	(27,129)	(25,467)	(27,169)	(25,770)	(43,267)
Operating loss	(3,870)	(4,222)	(4,336)	(6,184)	(5,520)	(2,954)	(3,333)	(5,516)
Total non-operating (expense)/income	(268)	(119)	(241)	(339)	(177)	(403)	(564)	(3,567)
Loss before income tax	(4,138)	(4,341)	(4,577)	(6,523)	(5,697)	(3,357)	(3,897)	(9,083)
Income tax benefit/(expense)	—	16	7	193	7	69	18	(324)
Loss for the period	(4,138)	(4,325)	(4,570)	(6,330)	(5,690)	(3,288)	(3,879)	(9,407)

Non-IFRS Measures⁽¹⁾

(P in millions)	2019				2020			
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
Contribution Profit/(Loss)	(1,029)	(1,232)	(1,105)	(2,183)	(1,723)	908	983	647
Adjusted EBITDA	(3,297)	(3,642)	(3,631)	(5,262)	(4,486)	(1,796)	(1,858)	(3,576)
Free Cash Flow	(3,851)	(8,304)	(3,052)	(4,740)	(3,991)	(4,497)	(1,865)	7,787

⁽¹⁾ See the definitions and reconciliations of the non-IFRS measures to the applicable IFRS measures in Item 3.A. “Key Information—Selected Financial Data—Non-IFRS Measures.” Also see the discussions in “Presentation of Financial and Other Information” and “—Key Indicators of Operating and Financial Performance.”

Other Data

(P in millions, unless indicated otherwise)	2019				2020			
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
GMV incl. services	14,742	15,909	19,480	30,684	31,643	45,750	44,173	75,848
Share of Marketplace GMV, %	5.6	10.5	19.1	25.5	32.6	47.4	51.4	52.3
Gross profit	2,100	2,105	3,070	3,984	4,683	7,696	7,494	11,618
Gross profit as a percentage of GMV incl. services, %	14.2	13.2	15.8	13.0	14.8	16.8	17.0	15.3
Contribution Profit/(Loss) as a percentage of GMV incl. services, %	(7.0)	(7.7)	(5.7)	(7.1)	(5.4)	2.0	2.2	0.9
Adjusted EBITDA as a percentage of GMV incl. services, %	(22.4)	(22.9)	(18.6)	(17.1)	(14.2)	(3.9)	(4.2)	(4.7)
Number of orders, million	4.8	6.3	8.2	12.5	13.1	14.6	16.6	29.6
Number of active buyers, million	5.3	5.8	6.6	7.9	9.0	10.2	11.4	13.8

Critical Accounting Policies and Significant Judgments, Estimates and Assumptions

We prepare our financial statements in accordance with IFRS as adopted by the IASB, which requires us to make judgments, estimates and assumptions that affect the reported amounts of our assets and liabilities and the disclosure of our contingent assets and liabilities at the end of each fiscal period and the reported amounts of revenue and expenses during each fiscal period. Critical accounting policies are defined as those policies that are reflective of significant judgments, estimates and uncertainties, which would potentially result in materially different results under different assumptions and conditions. Based on this definition, we have identified the critical accounting policies and significant judgments addressed below. We also have other accounting policies, which involve the use of estimates, judgments and assumptions that are significant to understanding our results, but the impact of these estimates, judgments and assumptions on our financial condition or operating performance is not considered material. Please see these policies in the notes to our audited consolidated financial statements included elsewhere in this Annual Report.

We regularly evaluate these judgments and estimates based on our own historical experience, knowledge and assessment of current business and other conditions and our expectations regarding the future based on available information and assumptions that we believe to be reasonable, which together form our basis for making judgments about matters that are not readily apparent from other sources. We believe the following accounting policies involve the most significant judgments, estimates and assumptions used in the preparation of our financial statements.

Inventory valuation

Inventory is valued at the lower of cost or net realisable value. Net realisable value represents the estimated selling price less the estimated costs necessary to make the sale. Adjustments are recorded to write down the cost of inventory (including slow-moving merchandise and damaged goods) to the estimated net realisable value based on assumptions about the write-down percentage that is applicable to various aging groups of goods. In determining the allowance percentages on inventories, the Group considers the historical and forecasted demand for inventories and expected selling prices. These assumptions are inherently uncertain, and changes in our estimates and assumptions may cause us to realize material write-downs in the future. As a measure of sensitivity, for every 10% of additional inventory valuation allowance as of December 31, 2020, we would have recorded an additional cost of sales of approximately ₱108 million.

Deferred tax assets

Significant management judgment about the timing of future events, including the expectations of future taxable income, available tax planning strategies and other relevant factors, is required in determining whether the realization of deferred tax assets is probable. We recognize deferred tax assets arising from unused tax losses only to the extent that there is convincing evidence that sufficient taxable income will be available against which the unused tax losses may be utilized. We have determined that sufficient convincing evidence is not available and, therefore, a deferred tax asset of ₱9,225 million was not recognized as of December 31, 2020. If actual events differ from our estimates, or to the extent that these estimates are adjusted in the future, changes in the amount of an unrecognized deferred tax asset could materially impact our results of operations.

Recent Accounting Pronouncements

See Note 2.3 of our consolidated financial statements for the year ended December 31, 2020 included elsewhere in this Annual Report for information regarding recent accounting standards issues that are of significance or potential significance to us.

B. Liquidity and Capital Resources

As of December 31, 2020, we had cash and cash equivalents of P103,702 million. Our cash and cash equivalents consist primarily of cash in bank accounts and short-term bank deposits with original maturities of three months or less, generally denominated in U.S. dollars and Russian rubles. As of December 31, 2020, we held in short-term deposits and current bank accounts 57% and 42% of our total cash and cash equivalents, respectively.

The currency split between cash and cash equivalents held in the U.S. dollar and in the Russian Ruble is managed based on market conditions and liquidity needs. As of December 31, 2020, we maintained our U.S. dollar-denominated accounts mainly in the U.K., Belgium, Singapore and Switzerland and Russian Ruble accounts – in Russia. Cash and cash equivalents denominated in U.S. dollars and Russian rubles as of December 31, 2020 accounted for approximately 66% and 34% of our total cash and cash equivalents, respectively.

Historically, we have financed our operations primarily through equity issuances and convertible loans. We also use other instruments from the public debt market to finance our operations. See “—*Borrowings*.” Our primary requirements for liquidity and capital are general corporate purposes, capital expenditures and operating expenses dedicated to the expansion of our business.

Our liquidity may be materially affected by:

- the seasonality of the business. In particular, we experience a seasonal uplift in our sales volumes during the New Year season in December, as well as Black Friday sales in November. Therefore, we typically expect a material part of cash inflow from the working capital change to be generated during the quarter ended December 31 of each respective year;
- scheduled repayment of our outstanding indebtedness;
- our fulfillment infrastructure expansion program and the timing of the corresponding capital expenditures, in particular those that we do not lease from third-party contractors but instead finance in accordance with our capital structure with a mix of debt and equity resources; and
- our investments in growing our customer base.

We believe that, based on our current operating plan, our existing cash and cash equivalents, are sufficient to meet our anticipated cash needs to finance capital expenditures and operating expenses dedicated to business expansion for at least the next twelve months. Although we believe that we have sufficient cash and cash equivalents to cover our capital expenditures, operating expenses and working capital needs in the ordinary course of business and to continue to expand our business, we may, from time to time, explore additional financing sources.

See also “*Dividend Policy*” in Item 8.A. “*Financial Information—Consolidated Statements and Other Financial Information*”.

Working Capital

Our working capital is mainly comprised of trade accounts payable and inventory. The primary movements in our working capital are discussed below.

Our accounts payable mainly include trade payables for products purchased from suppliers and payables to third-party sellers on our Marketplace. As of December 31, 2020 and 2019, our short-term accounts payable amounted to ~~₹~~42,545 million and ₹21,242 million, respectively. These changes reflect significant growth in the scale of our business.

Our inventories mainly include merchandise held for resale, adjusted for write-downs and losses of inventories. As of December 31, 2020 and 2019, we had ~~₹~~15,342 million and ₹10,774 million of inventories, respectively. These changes are attributable to recent growth in our Direct Sales business.

Cash Flows

The following table summarizes our cash flows for the years ended December 31, 2020, 2019 and 2018:

(₹ in millions)	For the year ended December 31,		
	2020	2019	2018
Net cash generated from/(used in) operating activities	6,570	(14,312)	(3,599)
Net cash used in investing activities	(6,580)	(4,539)	(2,863)
Net cash generated from financing activities	102,567	19,335	5,270

Net cash used in operating activities

The operating cash flow improvement in 2020 was primarily due to positive changes in working capital, in particular an increase in trade accounts payable and other liabilities. Significant increase in our operating activities used in 2019 compared 2018 was mainly due to an increase in operating loss excluding non-cash charges and net working capital movements.

Net cash used in investing activities

Over the last three years we increased our capital expenditures, as we continued to invest in our fulfillment and delivery infrastructure, as we launched fulfillment centers in Moscow and several regions of Russia in the years ended December 31, 2020 and 2019.

Net cash generated by financing activities

During the year ended December 31, 2020, we received ₹90,480 million of the proceeds of the IPO and the concurrent private placement. In the years ended December 31, 2019 and 2018, we mainly received financing from the convertible loans and share issuances, respectively.

Capital Expenditures

Our capital expenditures for the year ended December 31, 2020 were ₹6,840 million. Our capital expenditures for the years ended December 31, 2019 and 2018 were ₹4,768 million and ₹2,565 million, respectively.

Our capital expenditures mainly included payments for warehouse equipment, computer equipment and other hardware, as we expand our business and our fulfillment and delivery infrastructure and invest in technology to support anticipated growth of our business.

Lease Liabilities and Commitments

Our lease liabilities as of December 31, 2020 and 2019 were ₹15,490 million and ₹9,609 million, respectively. This increase is primarily attributable to the expansion of our fulfillment and logistic infrastructure as we scaled up our business.

Our lease liabilities arise primarily from our long-term leases of fulfillment and sorting centers, office premises, pick-up points and vehicles. These lease liabilities are denominated in Russian rubles and have the maturity periods ranging from two to ten years.

We have also entered into lease contracts for offices, fulfillment and sorting centers that have not yet commenced operations as at December 31, 2020. The terms for these leases range from three to ten years. The anticipated future lease payments pursuant to these lease contracts are currently ₹848 million in 2021, ₹6,175 million from 2022 to 2024, ₹6,730 million from 2025 to 2027, and ₹5,368 million after 2027.

Borrowings

In March 2020, we received a one-year loan in the principle amount of ₪6,000 million with an effective interest rate of 15% per annum from Sberbank Investments Limited. The loan was secured by, among other things, a pledge of 100% of the shares in our key operating subsidiary, Internet Solutions LLC, and our Russian holding company, Ozon Holding LLC. Subsequently, in January 2021, we repaid all of the bank loans.

In February 2021, we completed an offering of \$750 million in aggregate principal amount of 1.875% senior unsecured convertible bonds due 2026 at par. Interest is payable semi-annually in arrears in each year, with the first payment beginning on August 24, 2021. The bonds are convertible into cash, ordinary shares of the Company, represented by the ADSs, or a combination of cash and the ADSs, at our discretion, based the conversion price set at \$86.6480 (as such may be adjusted in accordance with the terms of the bonds).

We do not currently use any bank overdrafts, lines of credit or other similar source of liquidity. Outstanding borrowings are comprised of above mentioned unsecured convertible bonds and fixed rate Ruble-denominated equipment financing facilities with weighted-average effective interest rate of 9.8%. We do not use financial instruments for hedging purposes.

C. Research and Development, Patents and Licenses, etc.

Our Russian operating subsidiaries currently hold licenses for pharmaceutical business , retail and storage of veterinary medical products, technical protection of confidential information and operation of explosive and chemically hazardous production facilities.

D. Trend Information

Other than as disclosed elsewhere in this Annual Report, we are not aware of any trends, uncertainties, demands, commitments or events for the year ended December 31, 2020 that are reasonably likely to have a material and adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future results of operations or financial conditions.

E. Off-balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

F. Tabular Disclosure of Contractual Obligations

The table below summarizes the maturity profile of our financial liabilities based on contractual undiscounted payments as of the year ended December 31, 2020:

	On demand	Within 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
Trade and other payables	—	42,545	78	—	—	42,623
Borrowings	—	7,582	1,121	572	1,521	10,796
Lease liabilities	—	4,763	7,637	4,845	2,865	20,110
Accrued expenses	—	1,677	—	—	—	1,677
Total	—	56,567	8,836	5,417	4,386	75,206

G. Safe Harbor

See the section entitled “*Cautionary Statement Regarding Forward-Looking Statements*” at the beginning of this Annual Report.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Executive Officers and Board Members

The following table sets forth information regarding our executive officers and directors as of the date of this Annual Report:

Name	Age	Title
Executive Officers		
Alexander Shulgin	43	Chief Executive Officer, Board Member
Daniil Fedorov	30	Chief Operating Officer
Igor Gerasimov	28	Chief Financial Officer
Anton Stepanenko	34	Chief Technology Officer
Board Members		
Elena Ivashentseva	54	Chairperson of the Board
Vladimir Chirakhov	47	Board Member
Emmanuel DeSousa	53	Board Member
Lydia Jett	40	Board Member
Dmitry Kamensky	39	Board Member
Alexey Katkov	43	Board Member
Charles Ryan	53	Board Member
Peter Sirota	45	Board Member

The current business address for our executive officers is at the office of our key operating subsidiary, Internet Solutions LLC, at 10 Presnenskaya Embankment, “Naberezhnaya Tower,” Tower C, 123112, Moscow, Russia. The current business address for our board members is at Arch. Makariou III, 2-4, Capital Center, 9th floor, 1065, Nicosia, Cyprus.

Executive Officers

The following is a brief summary of the business experience of our executive officers.

Alexander Shulgin has served as our key operating subsidiary’s Chief Executive Officer since December 2017. Mr. Shulgin previously worked at Yandex, where he served as Chief Executive Officer of its Russian division from 2014 to 2017 and previously as CFO from 2010 to 2014. Mr. Shulgin earlier held a number of positions at Coca-Cola Hellenic, including as financial director at Coca-Cola Hellenic in Russia. Mr. Shulgin holds a degree in Management from Rostov-on-Don State University. He received the RBC Award for Top Manager by the leading Russian business daily RBC in 2019.

Daniil Fedorov has served as our key operating subsidiary’s Chief Operating Officer since March 2021. Mr. Fedorov joined Ozon in early 2018 as the Head of Corporate Development before serving as Chief Financial Officer from June 2018. From 2012 to 2018, Mr. Fedorov worked in equity research at Goldman Sachs, where he became the Primary Analyst for CEEMEA Transportation, Real Estate and Infrastructure, as well as the Primary Analyst for European Airlines. Prior to joining Goldman Sachs, Mr. Fedorov worked in the Investment Banking Department, M&A at Sberbank CIB and in Fixed Income Research at Renaissance Capital. Mr. Fedorov graduated from the Higher School of Economics in Moscow with a degree in Management in 2011. He completed the Summer Finance School at the London School of Economics and Political Science at the University of London in 2010. In 2020, Mr. Fedorov was nominated in Forbes Russia’s “30 Under 30” list in the management category.

Igor Gerasimov has served as our key operating subsidiary’s Chief Financial Officer since March 2021. Mr. Gerasimov joined Ozon in December 2019 as Head of Corporate Development and was promoted to Corporate Finance Director in January 2021. From 2016 to 2019 Mr. Gerasimov served as investment manager at Baring Vostok Capital Partners Group Limited where he specialised in investments in fintech, e-commerce, mobility and food tech. Prior to joining Baring Vostok Capital Partners Group Limited, Mr. Gerasimov worked from 2014 to 2016 in equity research at Goldman Sachs where he became Primary Analyst for CEEMEA Banks. Prior to that he worked in the infrastructure and project finance department of PricewaterhouseCoopers (PwC). Mr. Gerasimov graduated with honors from the Graduate School of Management at Saint Petersburg State University in 2014. He also completed exchange studies at the Rotterdam School of Management at Erasmus University in 2012.

Anton Stepanenko has served as our Chief Technology Officer since February 2020, having joined Ozon as the Platform Development Director in 2018. From March 2018 to July 2018, Mr. Stepanenko worked as head of technical projects at Yandex.Market. From 2016 to 2018, Mr. Stepanenko served as Vice President of Engineering at Lazada Group. From 2012 to 2016, Mr. Stepanenko managed the platform development department at the social networking website, Badoo. Mr. Stepanenko holds a degree in applied physics and mathematics, having graduated from the department of Radio Engineering and Cybernetics at the Moscow Institute of Physics and Technology.

Board Members

Our board is comprised of nine members, including four independent directors. See also Item 6.C. “—*Board Practices.*” Our board members are elected by our general meeting of shareholders in accordance with our articles of association to serve until their successors are duly elected and qualified.

The following is a brief summary of the business experience of our board members.

Elena Ivashentseva is a senior partner at Baring Vostok Capital Partners Group Limited, a leading private equity firm focused on investments in Russia and the CIS. Baring Vostok Capital Partners structured the initial investment by the Baring Vostok Private Equity Funds in Ozon in 2000, and since then Ms. Ivashentseva has been overseeing the investment in Ozon on behalf of the Baring Vostok Private Equity Funds. Ms. Ivashentseva is also a member of the board of Ivi.ru, ER-Telecom, Center for Financial Technologies and other portfolio companies of the Baring Vostok Private Equity Funds. Ms. Ivashentseva was previously a member of the board of directors of Yandex from 2000 until 2017, a Nasdaq-listed large Russian technology company in which the Baring Vostok Private Equity Funds had invested. Before joining Baring Vostok Capital Partners in 1999, Ms. Ivashentseva led telecom and media investments of the Sector Capital Fund. Ms. Ivashentseva holds a Master’s degree in finance and accounting from the London School of Economics and a diploma with honors in economics and mathematics from the Novosibirsk State University. Ms. Ivashentseva is a charterholder of the CFA Institute.

Vladimir Chirakhov has served as a Chief Executive Officer (President) and Chairman of the Management Board at Sistema since April 2020. Mr. Chirakhov is also a member of Sistema’s Board of Directors and a member of Sistema’s Strategy Committee and Ethics and Control Committee. From October 2012 to April 2020, Mr. Chirakhov served as a CEO of Detsky Mir, a major Russia children’s goods retailer. From 2009 to 2012, Mr. Chirakhov worked at Korablik, a large Russian retail network of children’s goods, where he had been promoted from Commercial Director to CEO. From 2001 to 2009, Mr. Chirakhov worked in Partiya Elektronika and M.Video, other leading Russian retail companies, and served as Commercial Director at Lindex, the management company of the Expert chain, one of the largest retail chains in the home appliances segment in Europe. Mr. Chirakhov holds a degree in Applied Mathematics, having graduated with honors from the Academy of the Federal Security Service of the Russian Federation as an engineering mathematics specialist in 1996. Mr. Chirakhov also holds a degree in Management, having graduated with honors from the Academy of National Economy under the Government of the Russian Federation in 2001, and in 2013, Mr. Chirakhov completed an Executive MBA program at Moscow School of Management Skolkovo. In March 2020, Mr. Chirakhov was awarded the Order of Friendship by a Decree of the Russian President.

Emmanuel DeSousa is the co-Founder and a Managing Partner at Princeville Capital based in Europe. Before founding Princeville Capital in 2016, a multi-strategy growth stage global technology investor, Mr. DeSousa was Vice Chairman of Global Technology, Media & Telecom and Head of Global Internet & New Media Investment Banking at Deutsche Bank AG. Prior to the beginning of 2004, Mr. DeSousa headed Credit Suisse’s Ibero-American Technology investment banking team focusing on technology companies across Europe and Latin America. In the course of his career, Mr. DeSousa has executed numerous transactions and investments across various technology sub-sectors including principally in advertising, e-commerce, data analytics, marketplaces and software. Mr. DeSousa holds a degree with honors from McGill University, a Master of Science degree in Management Information Systems from Vrije Universiteit Brussel and a Master of Business Administration degree from the University of Chicago Booth School of Business.

Lydia Jett has served as a founding Investment Partner at SoftBank Investment Advisors (the Softbank Vision Fund) since 2015, where she focuses on investing in e-commerce, consumer internet, Fintech and robotics companies on a global basis, including SoftBank’s e-commerce investments: Coupang, Fanatics, Flipkart, Tokopedia, Klook and Fetch Robotics. Prior to joining Softbank, from 2009 to 2015, Ms. Jett was a Vice President at M/C Partners, a growth equity firm focused on the communications, media and information technology sectors. From 2005 to 2007, Ms. Jett worked at Goldman Sachs in the Principal Investment Area, where she was actively involved in investments across the technology, media and education sectors. From 2003 to 2005, Ms. Jett was an Investment Banking

Analyst at JPMorgan. Ms. Jett also serves on the Venture Advisory Board of Silicon Valley Bank, the advisory board of multiple technology startups and investment funds and is actively involved in initiatives to promote the advancement of women in venture capital and technology. Ms. Jett holds a Master of Business Administration degree from the Stanford Graduate School of Business and a Bachelor's degree from Smith College. Ms. Jett is also a graduate of the General Course at The London School of Economics.

Dmitry Kamensky is a partner at Baring Vostok Capital Partners Group Limited. Mr. Kamensky is also a member of the board of directors of Ivi.ru and other portfolio companies of the Baring Vostok Private Equity Funds. Mr. Kamensky joined Baring Vostok Capital Partners in 2006 and has since 2008 been involved in monitoring the Baring Vostok Private Equity Funds' investment in Ozon. Mr. Kamensky holds a Master's degree in finance from Manchester Business School and a Bachelor's degree with honors in Economics from the Moscow State University.

Alexey Katkov has served as a Managing Partner in Sistema since April 2018 responsible for its digital segment. From 2016 to 2020, Mr. Katkov served as the CEO and President at Sistema Venture Capital Fund, and from 2016, Mr. Katkov has been the President of its holding company, Sistema Venture Capital JSC (formerly Sistema Mass Media LLC). From 2015 to 2016, Mr. Katkov served as the First Vice President and Chief Operation Officer of Sistema Venture Capital JSC. From 2000 to 2015, Mr. Katkov worked at the Mail.ru Group, where he served as Vice President, Commercial Director and Director for International and Regional Development. In 1999, Mr. Katkov graduated from the Russian Presidential Academy of National Economy and Public Administration with a degree in Management.

Charles Ryan's distinguished financial career combines top level expertise and deep knowledge of both Russian and international markets. Mr. Ryan began his professional career in 1989 with CS First Boston, where he was a Financial Analyst. From 1991 to 1994, Mr. Ryan was an Associate and Principal Banker with the European Bank for Reconstruction and Development in London, where he played a crucial role in St. Petersburg's privatization program for industry and real estate. In 1994, Mr. Ryan co-founded the United Financial Group, an independent investment bank in Moscow. UFG Asset Management was founded as part of the United Financial Group in 1996. In 2005, when Deutsche Bank acquired 100% of UFG's investment banking business, Mr. Ryan was appointed as the Chief Country Officer and CEO of the Deutsche Bank Group in Russia. He stepped down as the CEO of Deutsche Bank in Russia in September 2008 and became the Chairman of UFG Asset Management in October 2008. In addition to his role as the Chairman, Mr. Ryan is also responsible for the overall management of UFG's private equity business. Mr. Ryan has also served as a non-executive director of Yandex since 2011. Mr. Ryan graduated with honors in Government from Harvard College.

Peter Sirota has served as a CEO at Mapbox since March 2021. He previously served as a Senior Vice President of Engineering at Mapbox from May 2018, where he focused on defining and building search, map, navigation, and logistic services, building scalable distributed systems and operating services at a large scale. From 2014 to 2018, Mr. Sirota was a Senior Vice President of Engineering at Quantcast, where he helped to build a large automated advertising platform. From 2008 to 2014, Mr. Sirota founded and served as a General Manager for Amazon Elastic MapReduce, a cloud big data platform for processing Petabyte-scale data using open source tools such as Apache Spark and Hadoop that enables businesses, researchers, data analysts and developers to build sophisticated machine learning and data processing solutions. From 2005 to 2008, Mr. Sirota was a Senior Manager of Amazon Web Services, where he managed engineering teams to build the AWS Platform, which includes billing, accounts, authentication and authorization services upon which the AWS business is built. From 1999 to 2005, Mr. Sirota was a Software Development Manager at RealNetworks, where he managed engineering teams to build the first audio and video streaming network—RealBroadcast Network (RBN). From 1996 to 1997, Mr. Sirota was a consultant at the Microsoft Corporation. Mr. Sirota holds a Bachelor's degree in Computer Science from Northeastern University in Boston. Mr. Sirota also studied Economics and International Business at ESB in Reutlingen, Germany.

B. Compensation

The compensation for each of our executive officers consists of the base salary and share-based awards. The total amount of compensation paid and benefits in kind provided to our executive officers and members of our board of directors for the year ended December 31, 2020 was ₴70 million. We do not currently maintain any profit-sharing or pension plan for the benefit of our executive officers.

The compensation for each of our non-executive directors consists of up to \$20,000 per year for their service as a committee member and up to \$10,000 per year for their service as a committee chairperson. We also compensate all our board members for all expenses incurred by them in relation to their attendance at all meetings of our board of directors.

In addition, Lydia Jett and Peter Sirota, two out of four of our independent non-executive directors, are entitled to receive equity incentive remuneration in the form of RSUs in connection with their service on our board of directors. The total remuneration will amount to 13,333 RSUs for each of Ms. Jett and Mr. Sirota, which will vest during the four-year period.

The following table sets forth the share-based awards granted to our key executive officers and directors:

Name	Award type	Number of ordinary shares called for	Exercise / purchase price per share	Grant date	Expiration date
Alexander Shulgin	Option	1,058,275	324	August 1, 2018	August 1, 2028
Alexander Shulgin	RSU	2,000,000	—	May 1, 2018	May 1, 2028
Daniil Fedorov	RSU	105,000	—	July 2, 2018	July 2, 2028
Daniil Fedorov	RSU	150,000	—	January 1, 2019	January 1, 2029
Daniil Fedorov	RSU	375,000	—	November 2, 2020	November 2, 2030
Anton Stepanenko	RSU	50,000	—	August 1, 2018	August 1, 2028
Anton Stepanenko	RSU	125,000	—	September 15, 2019	September 15, 2029
Anton Stepanenko	RSU	250,000	—	June 25, 2020	June 25, 2030
Anton Stepanenko	RSU	75,000	—	November 2, 2020	November 2, 2030
Igor Gerasimov	RSU	75,000	—	December 19, 2019	December 19, 2029
Igor Gerasimov	RSU	100,000	—	January 28, 2021	January 28, 2031

Equity Incentive Plans

We maintain the 2020 Equity Incentive Plan (the “2020 EIP”) and its predecessor, the original 2018 Equity Incentive Plan (the “2018 EIP” and, together with the 2020 EIP, “EIPs”) for individuals who contribute to our performance. In accordance with the EIPs, executives, senior employees, external strategic advisors, key third-party business partners and consultants, as determined by our board of directors, may be awarded equity share-based awards (“SBAs”) in the form of options, share appreciation rights (“SARs”) and restricted share units (“RSUs”). Under the EIPs, we may issue ordinary shares or ADSs representing such ordinary shares. We also have outstanding awards under a 2018 option agreement with Mr. Shulgin, Chief Executive Officer of our key operating subsidiary, Internet Solutions LLC (the “2018 Option”), and a 2009 stock option agreement with our former CEO, Mr. Bernard Lukey (the “2009 SOA”). The material terms of the EIPs are summarized below.

Plan administration. Our EIPs are administered by our board of directors and the compensation committee.

Eligibility. We may grant SBAs to employees, directors and external advisers of our Group and, under the 2020 EIP, key third-party business partners.

Vesting schedules. Awards generally vest over a four-year period. Under the 2018 EIP, 1/4 of each award vested on the first anniversary of nomination and an additional 1/16 vesting each calendar quarter thereafter. Also, under the 2020 EIP, 1/16 of each award may vest at the end of each calendar quarter following the grant of the award if so determined by our board of directors. Under the 2020 EIP, in the event of a control stake transaction in which a mandatory offer must be made under our articles of association, 50% of all outstanding awards will vest automatically. Awards provide the participant with the right to receive ADSs (while ADSs remain listed) immediately upon vesting or any other date after the vesting. In the 2020 EIP, when a participant’s employment or service is terminated, the portion of the award vested as of the termination date will be satisfied, unless the termination is within 12 months of a control stake transaction in the case of the 2020 EIP, in which case the entire award vests, unless the termination is for cause. Awards under the 2018 EIP have been amended and are now subject to the same terms as the 2020 EIP.

Ozon employee benefit trust (“EBT”) is a special purpose trust which we intend to create following the date of this Annual Report in connection with the EIP. The EBT will hold shares exercisable under SBAs granted to our directors, executives and employees.

EIPs

The 2020 EIP was approved the Company's Board of Directors on December 21, 2020. Awards under the 2018 EIP have been amended and are now subject to the same terms as the 2020 Plan. Subsequently, on January 27, 2021, the Company registered a reserved pool of 30,800,000 ordinary shares to be granted to EIP participants until December 31, 2024 including the outstanding number of awards previously granted from the reserved pool.

Under the 2020 EIP, all awards will expire on the tenth anniversary of the date of grant or, in the case of an award that has vested but not lapsed, if earlier, 90 days after the date on which the recipient ceases to be an eligible participant. All vested awards remain exercisable until delivery of an acquisition notice by participant to the Company.

As of March 1, 2021, 10,010,500 RSUs and 523,814 SARs have been granted and outstanding under the EIPs, 3,139,979 and 506,494, respectively, of which have vested but have not been exercised.

2018 Option

On August 1, 2018, we entered into the 2018 Option with Mr. Shulgin, under which he received from us, for cash consideration of \$1.5 million, an option to purchase, in whole or in part, subject to vesting and other terms, at his voluntary decision or mandatory upon occurrence of specified events, such as a control stake sale transaction, as defined in our articles of association, or on the tenth anniversary from the award date, up to 1,058,275 of our ordinary shares. The exercise price per the 2018 Option will be determined by a formula based on a total exercise price of \$4 million and 8% interest rate per annum. The 2018 Option has vested but has not been exercised as of the date of this Annual Report. The shares can be acquired by the payment of the exercise price or on a net basis by forfeiting rights to a portion of shares.

2009 SOA

In 2009, we entered into the 2009 SOA with Mr. Lukey, giving him the right up to June 10, 2021, exercisable after a now completed vesting period, to purchase up to 500,000 ordinary shares at an exercise price of \$1.95304 per share. In March 2021, Mr. Lukey exercised the option with respect to 200,000 ordinary shares resulted in 193,358 ordinary shares have been issued.

As of December 31, 2020, a total of 5,119,605 ordinary shares were issuable upon the exercise of outstanding vested share-based awards under the abovementioned equity incentive plans.

Insurance and Indemnification

Our articles of association provide that, subject to certain limitations, we will indemnify our directors and officers against any losses or liabilities which they may sustain or incur in or about the execution of their duties including liability incurred in defending any proceedings whether civil or criminal in which judgment is given in their favor or in which they are acquitted.

Insofar as indemnification of liabilities arising under the Securities Act may be permitted to executive officers and board members or persons controlling us pursuant to the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

C. Board Practices

Board of Directors

The primary responsibility of our board of directors is to oversee the operations of our company, and to supervise the policies of senior management and the affairs of our company.

Duties of Board Members and Conflicts of Interest

Under Cyprus law, our directors owe fiduciary duties at common law, including a duty to act honestly, in good faith and in what the director believes are the best interests of our company. When exercising powers or performing duties as a director, the director is required to exercise the care, diligence and skill that a responsible director would exercise in the same circumstances taking into account, without limitation, the nature of the company, the nature of the decision and the position of the director and the nature of the responsibilities undertaken by him. The directors are required to exercise their powers for a proper purpose and must not act or agree to the company acting in a manner that contravenes our articles of association or Cyprus law.

A director who is in any way directly or indirectly interested in a contract or proposed contract with us shall declare the nature of his or her interest at a meeting of the directors in accordance with the Cyprus Companies Law. Directors who have an interest in any contract or arrangement shall not have the right to vote (and shall not be counted in the quorum).

Audit Committee

The audit committee, which consists of Emmanuel DeSousa, Lydia Jett and Charles Ryan, assists the board in overseeing our accounting and financial reporting processes and the audits of our financial statements. Mr. DeSousa serves as Chairperson of the committee. Under the Nasdaq listing requirements and applicable SEC rules, the audit committee is required to have at least three members, all of whom must be independent, subject to exemptions available to foreign private issuers. The audit committee consists exclusively of members of our board who are financially literate, and our board has determined that Lydia Jett and Charles Ryan are considered an “audit committee financial expert” as defined in applicable SEC rules. Our board has determined that Emmanuel DeSousa, Lydia Jett and Charles Ryan each satisfy the “independence” requirements set forth in Rule 10A-3 under the Exchange Act. The audit committee will be governed by a charter that complies with the Nasdaq rules.

The audit committee is responsible for:

- the appointment, compensation, retention and oversight of any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit services;
- pre-approving the audit services and non-audit services to be provided by our independent auditor before the auditor is engaged to render such services;
- evaluating the independent auditor’s qualifications, performance and independence, and presenting its conclusions to the full board on at least an annual basis;
- reviewing and discussing with the board and the independent auditor our annual audited financial statements and quarterly financial statements prior to the filing of the respective annual and quarterly reports;

- reviewing our compliance with laws and regulations, including major legal and regulatory initiatives and also reviewing any major litigation or investigations against us that may have a material impact on our financial statements; and
- approving or ratifying any related party transaction (as defined in our related party transaction policy) in accordance with our related party transaction policy.

The audit committee meets as often as one or more members of the audit committee deem necessary, but in any event will meet at least four times per year. The audit committee meets at least once per year with our independent accountant, without our executive officers being present.

Compensation Committee

The compensation committee, which consists of Peter Sirota, Elena Ivashentseva, Alexey Katkov and Lydia Jett, assists the board in determining executive officer compensation and compensation of directors. Mr. Sirota serves as Chairperson of the committee. The committee recommends to the board for determination the compensation of each of our executive officers and directors. Under SEC and Nasdaq rules, there are heightened independence standards for members of the compensation committee, including a prohibition against the receipt of any compensation from us other than standard board member fees. Pursuant to exemptions from such independence standards as a result of being a foreign private issuer, the members of our compensation committee may not be independent under such standards.

The compensation committee is responsible for:

- reviewing and approving recommendations relevant to compensation of our senior executives and members of the board of directors; and
- reviewing and approving or making recommendations to the board regarding incentive compensation and equity-based plans and arrangements.

Nominating Committee

The nominating committee, which consists of Lydia Jett, Emmanuel DeSousa and Charles Ryan, assists our board in identifying individuals qualified to become members of our board consistent with criteria established by our board and in developing our corporate governance principles. Ms. Jett serves as Chairperson of the committee. Under Nasdaq rules, all such directors must be independent; however, pursuant to exemptions from such requirements as a result of being a foreign private issuer, the members of our nominating committee may not be independent under the Nasdaq standards.

The nominating committee is responsible for:

- drawing up selection criteria for board members;
- reviewing and evaluating the composition of our board;
- recommending nominees for selection to our board and its corresponding committees;
- making recommendations to the board as to criteria of board member independence;
- leading the board in a self-evaluation, at least annually, to determine whether it and its committees are functioning effectively; and
- developing recommendations to the board regarding governance matters.

D. Employees

We believe that our corporate culture and our positive relationship with our employees have contributed to our success. We endeavor to maintain a “start-up” culture that encourages continuous innovation and growth within our company. We conduct semi-annual review and feedback sessions in which the development aspirations of our employees are discussed and explored. We also benefit from a motivated and experienced management team with incentive plans in place for each senior management member.

As of December 31, 2020, we had 14,834 employees working in our fulfillment centers, delivery infrastructure operations and research labs and offices. As of December 31, 2019 and 2018, we had a total of 13,007 and 9,133 employees, respectively. The table below sets out the number of employees by job category as of December 31, 2020, 2019 and 2018:

Function	Number of employees as of December 31,		
	2020	2019	2018
Supply Chain	10,089	9,874	6,946
Marketing	166	93	87
IT	1,333	953	831
Sales	956	631	294
Contact Center	1,074	828	517
General and Administrative	1,216	628	458
Total	14,834	13,007	9,133

The table below sets out the number of employees by location as of December 31, 2020, 2019 and 2018:

Function	Number of employees as of December 31,		
	2020	2019	2018
Moscow	4,579	4,032	3,399
Moscow region	2,883	2,588	1,013
Saint Petersburg and Leningrad region	1,105	703	460
Other locations	6,267	5,684	4,261
Total	14,834	13,007	9,133

We believe that we maintain a good working relationship with our employees, and we have not experienced any significant labor disputes. Our employees are not represented by any collective bargaining agreements or labor unions.

E. Share Ownership

See Item 7.A. “Major Shareholders and Related Party Transactions—Major Shareholders” for information about the share ownership of directors and officers.

See Item 6.B. “—Compensation” for information about our equity incentive plans.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table sets forth information relating to the beneficial ownership of our ordinary shares as of March 1, 2021:

- each person, or group of affiliated persons, known by us to beneficially own 5% or more of our outstanding ordinary shares;
- each of our executive officers and members of our board of directors individually; and
- our executive officers and members of our board of directors as a group.

For further information regarding material transactions between us and principal shareholders, see Item 7.B. “—Related Party Transactions.”

The number of ordinary shares beneficially owned by each entity, person, executive officer or board member is determined in accordance with the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares over which the individual has sole or shared voting power or investment power, or the right to receive the economic benefit of ownership, as well as any shares that the individual has the right to acquire within 60 days of March 1, 2021 through the exercise of any option, warrant or other right. Except as otherwise indicated, to our knowledge and subject to applicable community property laws, all persons named in the table below have sole voting and investment power and the right to receive the economic benefit of ownership with respect to all ordinary shares held by that person. Funds advised by Baring Vostok Capital Partners Group Limited (and its predecessors) first acquired shares in Ozon in 2000. Sistema first acquired shares in Ozon in 2014. There is no agreement or arrangement between them with respect to their ownership in our Company, other than the pre-IPO shareholders’ agreement, to which Sistema, the Baring Vostok Private Equity Funds and all of our other existing shareholders are parties and which set out the rights and obligations of the parties and corporate governance regulations with regard to us and our subsidiaries. See Item 7.B. “—Related Party Transactions—Pre-IPO Shareholders’ Agreement.” The shareholders’ agreement terminated upon our IPO.

The percentage of shares beneficially owned is computed on the basis of 203,729,958 of our ordinary shares outstanding as of March 1, 2021 and two Class A shares outstanding as of March 1, 2021. Ordinary shares that a person has the right to acquire within 60 days of March 1, 2021 are deemed outstanding for purposes of computing the percentage ownership of the person holding such rights, but are not deemed outstanding for purposes of computing the percentage ownership of any other person, except with respect to the percentage ownership of all executive officers and board members as a group. To our knowledge, there are five U.S. holders of record of our ordinary shares. As of March 26, 2021, 53,344,599 ordinary shares were held in the form of ADSs by The Bank of New York Mellon, as depository. We have been informed by the depository that there is one registered holder of ADSs with a U.S. address holding 40,447,125 ADSs as of March 26, 2021. Unless otherwise indicated below, the address for each beneficial owner listed is c/o Ozon Holdings PLC, Arch. Makariou III, 2-4, Capital Center, 9th floor, 1065, Nicosia, Cyprus.

Name of Beneficial Owner	Shares Beneficially Owned	
	Number	Percentage
Sistema ⁽¹⁾	68,827,227	33.8%
Baring Vostok Private Equity Funds ⁽²⁾	68,709,105	33.7%
Executive Officers and Board Members	—	—
Alexander Shulgin ⁽³⁾	2,558,275	1.3%
Daniil Fedorov	*	*
Igor Gerasimov	*	*
Anton Stepanenko	*	*
Elena Ivashentseva	—	—
Vladimir Chirakhov	—	—
Emmanuel DeSousa ⁽⁴⁾	8,397,474	4.1%
Lydia Jett	*	*
Dmitry Kamensky	—	—
Alexey Katkov	—	—
Charles Ryan	*	*
Peter Sirota	*	*
All executive officers and board members as a group (11 persons)	11,894,949	5.8%

* Indicates beneficial ownership of less than 1%.

⁽¹⁾ Includes 52,743,552 ordinary shares and one Class A share directly held by Sistema and 16,083,675 ordinary shares directly held by Sistema Venture Fund Ltd, an investment vehicle controlled by Sistema. Sistema may be deemed to be the beneficial owner of all of these shares. Mr. Vladimir P. Evtushenkov has a controlling interest in Sistema and is considered under U.S. securities laws as the beneficial owner of Sistema. The address for Sistema is 13/1 Mokhovaya Street, 125009, Moscow, Russia.

- (2) Includes 30,712,750 ordinary shares directly held by Baring Vostok Ozon LP (“Ozon LP”); 1,066,666 ordinary shares directly held by BVSIL; 36,929,688 ordinary shares directly held by BVFVNL, a nominee company holding in trust for each of the three limited partnerships comprising Baring Vostok Private Equity Fund V (“BVPEFV”) and Baring Vostok Fund V Supplemental Fund, LP (“Supp Fund” and, together with BVPEFV, the “Fund V Funds”). Also includes one Class A share, the voting and investment control over which is shared by each of Ozon LP and the Fund V Funds. Voting and investment control over the investments held by Ozon LP is exercised by the board of directors of Baring Vostok Ozon Managers Limited (“BVOML”) as the general partner to Baring Vostok Ozon (GP) L.P., who is the general partner to Ozon LP. The board of directors of BVOML is comprised of Holly Nielsen, Gabbas Kazhimuratov, Julian Timms, Andrey Costyashkin and Gillian Newton. Each member of the board of directors disclaims beneficial ownership of the investments held by Ozon LP. Voting and investment control over the investments held by BVFVNL and the Fund V Funds is exercised in each case by the board of directors of Baring Vostok Fund V Managers Limited (“BVFVML”) as the general partner to Baring Vostok Fund V (GP) L.P. and Baring Vostok Fund V Supplemental Fund (GP) L.P., who are the general partners to BVPEFV and the Supp Fund, respectively. The board of directors of BVFVML is comprised of Holly Nielsen, Peter Touzeau, Gabbas Kazhimuratov, Julian Timms, Andrey Costyashkin and Gillian Newton. Each member of the board of directors of BVFVML disclaims beneficial ownership of the investments held by the Fund V Funds. Voting and investment control over the investments held by BVSIL is exercised by the board of directors of BVSIL. The board of directors of BVSIL is comprised of Andrey Costyashkin, Julian Timms and Gillian Newton. Each member of the board of directors of BVSIL disclaims beneficial ownership of the investments held by BVSIL. Baring Vostok Capital Partners Group Limited (“BVCPGL”), a limited liability company incorporated under the laws of and registered in Guernsey, acts as investment advisor to BVOML, BVFVML and other Baring Vostok fund management entities. BVCPGL as investment advisor to BVOML and BVFVML has no voting or investment control over the investments held by Ozon LP or the Fund V Funds. BVOML and BVFVML make decisions based on recommendations of investment committees appointed in respect of each of Ozon LP and Fund V Funds, respectively. BVCPGL disclaims beneficial ownership of the ordinary shares held by each such fund. Each of Ozon LP, BVFVNL, the Fund V Funds, the respective general partners of each such fund and the directors of each such general partner disclaims beneficial ownership of the ordinary shares beneficially owned or deemed beneficially owned by each of the other such persons, except to the extent of its pecuniary interest therein. The address for BVFVNL, BVFVML, Baring Vostok Fund V (GP) L.P. and Baring Vostok Fund V Supplemental Fund (GP) L.P. and each of the Fund V Funds is 1 Royal Plaza, Royal Avenue, St. Peter Port, Guernsey GY1 2HL. The address for BVOML, Baring Vostok Ozon (GP) L.P., Ozon LP and BVSIL is 1st and 2nd Floors, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey GY1 1EW, Channel Islands.
- (3) Includes 1,058,275 ordinary shares exercisable under a stock option and 1,500,000 RSUs (out of total 2,000,000), in each case which have previously vested. See Item 6.B. “*Directors, Senior Management and Employees—Compensation—Equity Incentive Plans.*”
- (4) Includes ordinary shares owned by Princeville Global eCommerce Investments I Limited. Princeville Global eCommerce Investments I Limited is a company incorporated in the British Virgin Islands. The address for Princeville Global eCommerce Investments I Limited is C/o Maples Corporate Services (BVI) Limited, Kingston Chambers PO Box 173, Road Town, Tortola, British Virgin Islands. Princeville Global eCommerce Investments I Limited is controlled by Princeville Global Partners Ltd., a company incorporated in the Cayman Islands. The voting and investment power of shares held by Princeville Global Partners Ltd. is exercised by its investment committee, which consists of Mr. Emmanuel DeSousa and Mr. Joaquin Rodriguez Torres. As a result, Mr. DeSousa and Mr. Torres may be deemed to have beneficial ownership over such shares. Each of Mr. DeSousa and Mr. Torres disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein. The address for Princeville Global Partners Ltd. is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

As of December 31, 2020, there were 203,729,958 ordinary shares outstanding. To the extent known to us, the company is not directly or indirectly owned or controlled by another corporation or foreign government and there are no arrangements the operation of which may at a subsequent date result in a change of control.

B. Related Party Transactions

The following is a description of related party transactions we have entered into since January 1, 2020 with any of our members of our board or executive officers and the holders of more than 5% of our ordinary shares.

We make sales to and purchases from related parties on terms equivalent to those that prevail in arm’s length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For 2020, we recognized no provision for expected credit losses relating to amounts owed by related parties.

Relationship with Sistema

We have several accounts at MTS-Bank PJSC (a subsidiary of Sistema, one of our significant shareholders), including short-term deposit accounts. As at December 31, 2020, total cash balances of our current and deposit accounts at MTS-Bank PJSC were ₪86 million.

During 2020, we received interest income of ₪2 million from holding short-term deposits at MTS-Bank PJSC.

Purchases from Sistema and its affiliates relate mainly to the purchases of telecommunication services (phone service, internet), payment processing services and agent services, including for cash collection from our customers.

Relationship with Litres

Services Received from Litres

In 2020, we made purchases from Litres relating to the subscription for the library of e-books. During 2020, our purchases from Litres totaled ₪11 million.

Services Provided to Litres

In 2020, we made sales to Litres relating to the commission for the participation in the affiliates program when our customer referrals result in successful sales of Litres. During 2020, our sales to Litres totaled ~~₱~~6 million.

Litres Shareholders' Agreement

On November 28, 2019, we entered into an amended and restated shareholders' agreement with Mr. Oleg Evgenievich Novikov, Mr. Dmitry Petrovich Gribov, Mr. Alexander Valeryevich Brychkin, Mr. Sergey Valeryevich Anuryev and Litres, governing the rights and obligations between the parties relating to Litres, a Cyprus limited liability company whose main operating subsidiary is Litres LLC, which operates one of the leading online book retail business in Russia. As of the date of this Annual Report, we hold a 42.27% participatory interest in Litres. The shareholders' agreement is effective until it is terminated by written agreement between all shareholders.

Loans from Shareholders

From January to April 2020, we received ₱6,196 under the convertible loan agreements with our existing shareholders. In October-November 2020, we converted these loans (together with ₱1,043 of the loans not converted as at December 31, 2019) into 15,086,709 of our ordinary shares.

Convertible Loan from Princeville Global

In August 2019, we entered into a convertible loan agreement with Princeville Global eCommerce Investments I Limited. The total principal amount under this agreement was ₱3,500 million. The convertible loan was fully converted on December 8, 2020. Please see Item 5.B. *“Operating and Financial Review and Prospects—Liquidity and Capital Resources—Borrowings”* for further details.

Pre-IPO Shareholders' Agreement

On March 18, 2020, we entered into a third amended and restated shareholders' agreement (the “Pre-IPO SHA”). Before our IPO, all our existing holders of our ordinary shares were parties to the Pre-IPO SHA, which set out rights and obligations of the parties and corporate governance regulations with regard to us and our subsidiaries. The Pre-IPO SHA contained our reporting undertakings towards the shareholders, regulations on composition of the decision-making authorities of the Group, including appointment rights of the shareholders, and also provisions related to issuance and transfer of our shares. The Pre-IPO SHA terminated upon the IPO.

Registration Rights Agreement

We entered into a registration rights agreement with the Baring Vostok Private Equity Funds and Sistema (the “Registration Rights Agreement”), dated November 22, 2020. The Registration Rights Agreement provides such shareholders certain registration rights relating to our ordinary shares held by them, subject to customary restrictions and exceptions. Under the Registration Rights Agreement, at any time following the IPO and the expiration of any related lock-up period, such shareholders and their permitted transferees may require us to register under the Securities Act, all or any portion of these shares, a so-called “demand request.” Such shareholders and their permitted transferees also have “piggyback” registration rights, such that they and their permitted transferees may include their respective shares in any future registrations of our equity securities, whether or not that registration relates to a primary offering by us or a secondary offering by or on behalf of any of our shareholders.

The Registration Rights Agreement sets forth customary registration procedures, including an agreement by us to make our management reasonably available to participate in road show presentations in connection with any underwritten offerings. We have also agreed to indemnify the shareholders and their permitted transferees with respect to liabilities resulting from untrue statements or omissions in any registration statement used in any such registration, other than untrue statements or omissions resulting from information furnished to us for use in a registration statement by such shareholders or any permitted transferee, and to pay certain fees, costs and expenses of such registrations.

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

Consolidated Financial Statements

See Item 18 “*Financial Statements*.”

Legal Proceedings

We are not currently involved in any material litigation or regulatory actions that we believe would have a material adverse effect on our financial condition or results of operation, nor are we aware of any such material litigation or regulatory actions threatened against us.

Dividend Policy

We have never declared or paid cash dividends on our ordinary shares. We intend to retain all available liquidity sources and future earnings, if any, to fund the development and expansion of our business, and we do not anticipate declaring or paying any cash dividends in the foreseeable future.

The terms of certain of our outstanding borrowings restrict our ability to pay dividends or make distributions on our ordinary shares without consent of a lender, and we may enter into credit agreements or other borrowing arrangements in the future that will restrict our ability to declare or pay cash dividends or make distributions on our ordinary shares.

Any future determination regarding the declaration and payment of dividends, if any, will be at the discretion of our shareholders at a general meeting and will depend on then-existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects and other factors our shareholders at a general meeting may deem relevant. We may only pay our dividends from the profits as shown in our annual IFRS accounts. Under Cyprus law, we are not allowed to make distributions if such distributions would reduce our net assets to below the total sum of the issued share capital and the reserves that we must maintain under Cyprus law and our amended and restated memorandum and articles of association. No dividend shall exceed the amount recommended by our Board of Directors.

B. Significant Changes

Except as disclosed elsewhere in this Annual Report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this Annual Report.

Item 9. The Offer and Listing

A. Offer and Listing Details

See Item 9.C. “—*Markets*.”

B. Plan of Distribution

Not applicable.

C. Markets

The ADSs, each representing one ordinary share, have been listed on the Nasdaq and MOEX since November 24, 2020 under the symbol “OZON.”

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

A copy of our amended and restated memorandum and articles of association is attached as Exhibit 1.1 to this Annual Report.

C. Material Contracts

Convertible bonds

In the first quarter of 2021, we issued and sold \$750 million in aggregate principal amount of 1.875% convertible bonds due 2026, to institutional investors that are not U.S. persons, outside the United States, in reliance on Regulation S under the U.S. Securities Act of 1933, as amended.

In connection with the offering of the bonds, we entered into a Trust Deed, dated February 24, 2021, with BNY Mellon Corporate Trustee Services Limited as trustee. The Trust Deed includes the terms and conditions upon which the bonds are to be authenticated, issued and delivered. The bonds are convertible into cash, the ADSs representing our ordinary shares or a combination of cash and the ADSs, at our election, based on a 42.5% premium above the reference share price of \$60.8056. The reference share price was calculated by taking the volume weighted average price of the ADSs between opening and closing of trading on the Nasdaq Global Select Market on February 17, 2021. Accordingly, the corresponding initial conversion price is \$86.6480 per ADS, subject to adjustment on the occurrence of certain events.

The bonds bear interest at a rate of 1.875% per year, payable semi-annually in arrears on August 24 and February 24 of each year, beginning on August 24, 2021. The bonds are senior unsecured obligations and mature on February 24, 2026, unless earlier repurchased, redeemed or converted in accordance with their terms.

The net proceeds from the convertible bond offering were approximately \$736.6 million, after deducting the initial purchasers' discount and estimated offering expenses.

D. Exchange Controls

There are no Cyprus exchange control regulations that would affect the import or export of capital or the remittance of dividends, interest or other payments to non-resident holders of our shares.

E. Taxation

The following summary contains a description of the material Cyprus, Russian and U.S. federal income tax consequences of the acquisition, ownership and disposition of ADSs, but it does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase ADSs. The summary is based upon the tax laws of Cyprus and regulations thereunder, the tax laws of Russia and regulations thereunder and the tax laws of the United States and regulations thereunder as of the date hereof, all of which are subject to change.

Material Cyprus Tax Considerations

Tax Residency

As a rule, a company is considered to be a resident of Cyprus for tax purposes if its management and control is exercised in Cyprus.

The Cyprus tax authorities have published guidelines which indicate the minimum requirements that need to be satisfied for a company to be considered a tax resident of Cyprus and be eligible to obtain a tax residency certificate. Such requirements include the following:

- whether the company is incorporated in Cyprus and is a tax resident only in Cyprus;
- whether the company's board of directors has a decision making power that is exercised in Cyprus in respect of key management and commercial decisions necessary for the company's operations and general policies and, specifically, whether the majority of the meeting of the board of directors take place in Cyprus and the minutes of the board of directors are prepared and kept in Cyprus, and, also, whether the majority of the board of directors are tax residents of Cyprus;
- whether the shareholders' meetings take place in Cyprus;
- whether the terms and conditions of the general powers of attorney issued by the company do not prevent the company and its board of directors to exercise control and make decisions;
- whether the corporate seal and all statutory books and records are maintained in Cyprus;
- whether the corporate filings and reporting functions are performed by representatives located in Cyprus; and
- whether the agreements relating to the company's business or assets are executed or signed in Cyprus.

With respect to an individual holder of ADSs, he or she may be considered to be a resident of Cyprus for tax purposes in a tax year (which is the calendar year) if he or she is physically present in Cyprus for a period or periods exceeding in aggregate more than 183 days in that calendar year. As from January 1, 2017, an individual can elect to be a tax resident of Cyprus even if he or she spends less than or equal to 183 days in Cyprus provided that he or she spends at least 60 days in Cyprus and satisfies all of the following criteria within the same tax year:

- the individual does not stay in any other country for one or more periods exceeding in aggregate 183 days in the same tax year;
- the individual is not a tax resident in any other country for the same tax year;
- the individual exercises any business in Cyprus and/or is employed in Cyprus and/or is an officer of a Cyprus tax resident person at any time during the relevant tax year provided that such is not terminated during the tax year; and
- the individual maintains a permanent residence in Cyprus (by owning or leasing such residence).

Corporate Income Tax Rate

A company which is considered a resident of Cyprus for tax purposes is subject to income tax in Cyprus on its worldwide income, subject to certain exemptions. The rate of the corporate income tax is currently 12.5%.

Personal Income Tax Rate

An individual who is considered a resident of Cyprus for tax purposes is subject to income tax in Cyprus on its worldwide income, subject to certain exemptions. The personal income tax rates are currently as follows:

Taxable Income, €	Tax Rate, %	Cumulative Tax, €
0 – 19,500	0	0
19,501 – 28,000	20	1,700
28,001 – 36,300	25	3,775
36,301 – 60,000	30	10,885
60,001 and over	35	

Taxation of Income and Gains of the Company

Gains from the disposal of securities

Subject to the following paragraph, any gain from disposal by the Company of securities (the definition of securities includes, among others, shares, GDRs and bonds of companies and options thereon) shall be exempt from taxation in Cyprus.

In case of a Cyprus company which is the direct or indirect (subject to conditions for indirect ownership) owner of immovable property situated in Cyprus and its shares are not listed on any recognized stock exchange, any gain from the disposal of such shares will be subject to capital gains tax at the rate of 20%, but only if the value of the immovable property is more than 50% of the value of the assets of the company the shares of which are sold. We do not own any immovable property located in Cyprus.

Dividend income

Dividend income (whether received from Cyprus resident or non-Cyprus resident companies) is exempt from income tax in Cyprus.

Dividend income received by a tax resident of Cyprus is subject to a special contribution for defense (the “SDC”) at a rate of 17%. In case the recipient of dividend is a company that is tax resident of Cyprus, such as the Company:

- it is exempt from the SDC on dividends if it receives the dividend from another company, which is a tax resident of Cyprus.
- it is exempt from the SDC on dividends if it receives the dividend from another company which is not a tax resident of Cyprus. This exemption will not apply if: (i) the payer engages directly or indirectly more than 50% in activities which lead to investment income and (ii) the foreign tax burden of the payer is substantially lower than the tax burden of the recipient. A Circular has been issued by the Cyprus Tax Authorities clarifying that “significantly lower” means an effective tax rate of less than 6.25% on the profit distributed.

Foreign tax paid or withheld on dividend income received by a Cyprus tax resident company can be credited against Cypriot tax payable on the same income provided proof of payment can be furnished.

Interest income

The tax treatment of interest income of any company which is a tax resident of Cyprus, such as the Company, will depend on whether such interest income is treated as “active” or “passive.”

Interest income which consists of interest which has been received by a company which is a tax resident of Cyprus in the ordinary course of its business, including interest which is closely connected with the ordinary course of its business (i.e. “active”) will be subject to income tax at the rate of 12.5%, after the deduction of any allowable business expenses.

Any other interest income, that is interest received not in the recipient’s ordinary course of business or in close relation to it (i.e. “passive”), will be subject to SDC at a rate of 30% which is levied on the gross interest received.

Specifically, interest income arising in connection with the provision of loans to related or associated parties should be generally considered as income arising from activities closely connected with the ordinary carrying on of a business and should, as such, be exempt from SDC and only be subject to income tax.

Taxation of Income and Gains of the Holders of the ADSs

Individual Non-Cyprus tax resident holders of the ADSs

Under Cyprus legislation, there is no withholding tax on dividends paid to non-Cyprus tax residents. As a response to the EU Council’s invitation to all EU member states to adopt from January 1, 2021 tax measures in relation to persons which are tax resident in jurisdictions included in the EU list of non-cooperative jurisdictions for tax purposes (the “Relevant Persons”), Cyprus is currently in the process of introducing withholding taxes on dividend and interest payments made to Relevant Persons, and, in this respect, the tax position of Relevant Persons may be affected.

Individual Cyprus tax resident holders of the ADSs

Gains from disposal of ADSs

Any gain from the disposal by a Cyprus tax resident individual of securities (including ADSs) shall be exempt from SDC and income tax. The term “securities” is defined as shares, bonds, debentures, founders’ shares and other securities of companies or other legal persons incorporated in Cyprus or abroad and options thereon. Circulars have been issued by the Cyprus Tax Authorities clarifying that the term also includes among others, options on securities, short positions on securities, futures/forwards on securities, swaps on securities, depositary receipts on securities (American Depositary Receipts, GDRs), rights of claim on bonds and debentures (rights on interest of these instruments are not included), index participations only if they result on securities, repurchase agreements or Repos on securities, units in open-end or close-end collective investment schemes.

Such gains are also not subject to capital gains tax provided that the Company the shares of which are disposed of does not directly or indirectly own any immovable property situated in Cyprus or such shares are listed on any recognized stock exchange. We do not own any immovable property located in Cyprus.

Dividend income

Cyprus tax resident individual holders of ADSs are exempt from income tax on dividend income, but are subject to SDC on dividends at the rate of 17% provided that they are also Cyprus domiciled. The tax is withheld prior to payment by the company to the shareholder.

An individual is considered to have his domicile in Cyprus if:

- subject to certain exceptions, if he/she has his/her domicile of origin in Cyprus based on the provisions of the Cyprus Wills and Succession Law, Cap. 195, or
- has been a tax resident of Cyprus for at least 17 years out of the last 20 years prior to the tax year.

Individuals holders of ADSs must consult their own tax advisors on the consequences of their residence or domicile in relation to the taxes applied to the payment of dividends.

Corporate Non-Cyprus tax resident holders of ADSs

No withholding tax applies in Cyprus with respect to payment of dividends by the Company to non-Cyprus tax resident holders of ADSs. As a response to the EU Council's invitation to all EU member states to adopt from January 1, 2021 tax measures in relation to persons which are tax resident in jurisdictions included in the EU list of non-cooperative jurisdictions for tax purposes (the "Relevant Persons"), Cyprus is currently in the process of introducing withholding taxes on dividend and interest payments made to Relevant Persons, and, in this respect, the tax position of Relevant Persons may be affected.

Corporate Cyprus tax resident holders of ADSs

Gains from disposal of the ADSs

Any gain from disposal by a Cyprus tax resident company of securities (including ADSs) shall be exempt from SDC and income tax. The term "securities" is defined as shares, bonds, debentures, founders' shares and other securities of companies or other legal persons incorporated in Cyprus or abroad and options thereon. Circulars have been issued by the Cyprus Tax Authorities clarifying that the term also includes among others, options on securities, short positions on securities, futures/forwards on securities, swaps on securities, depositary receipts on securities (American Depositary Receipts ("ADRs"), GDRs), rights of claim on bonds and debentures (rights on interest of these instruments are not included), index participations only if they result on securities, repurchase agreements or Repos on securities, units in open-end or close-end collective investment schemes.

Such gains are also not subject to capital gains tax provided that the company the shares of which are disposed of does not directly or indirectly own any immovable property situated in Cyprus or such shares are listed on any recognized stock exchange. We do not own any immovable property located in Cyprus.

Dividend income

Dividend income received by a Cyprus tax resident company, holder of ADSs, is exempt from income tax in Cyprus.

Dividend income received or deemed to be received by a Cyprus tax resident company, is exempt from SDC, except in the event that the payer is not a Cyprus tax resident company in which case SDC is levied at the rate of 17% provided the following conditions are met:

- if the payer engages directly or indirectly more than 50% in activities which lead to investment income; and
- the foreign tax burden of the payer is substantially lower than the tax burden of the recipient. A Circular has been issued by the Cyprus Tax Authorities clarifying that "significantly lower" means an effective tax rate of less than 6.25% on the profit distributed.

Foreign tax paid or withheld on dividend income received by the Cyprus tax resident company can be credited against Cypriot tax payable on the same income provided proof of payment can be furnished.

Deemed Distribution Rules

In case the Company does not distribute at least 70% of its after-tax profits within two years of the end of the year in which the profits arose would be deemed to have distributed this amount as a dividend two years after that year end. On such amount of deemed dividend SDC, currently at a rate of 17%, is imposed to the extent that the ultimate direct/indirect shareholders of the Company are both Cyprus tax resident and Cyprus tax domiciled.

SDC may also be payable on deemed dividends in case of liquidation or capital reduction of the company.

Tax Deductibility of Expenses, Including Interest Expense

The deductibility of the interest expenses by the Company is subject to the interest limitation rules under Cyprus law. More specifically:

1. The interest limitation rules limits the deductibility of the exceeding borrowing costs of the Cyprus tax resident company/Cyprus group to up to 30% of adjusted taxable profit (taxable EBITDA).
2. The interest limitation rules contain an annual EUR3,000,000 safe-harbor threshold. This means that borrowing costs up to and including EUR3,000,000 are in any case not limited by this rule (the EUR3,000,000 threshold would apply in cases where '30% of taxable EBITDA' results to an amount below EUR3,000,000).
3. In the case of a Cyprus group, the EUR3,000,000 applies for the aggregate exceeding borrowing costs of the Cyprus group and not per taxpayer. The interest limitation rules apply to the exceeding borrowing costs irrespective of whether the financing is with related parties or third parties.

Arm's Length Principles

Cyprus legislation contains principles that require transactions to be conducted on an arm's length basis and enables the authorities to ignore transactions which do not satisfy the arm's length principles.

We cannot exclude that the respective tax authorities may challenge the arm's length principle applied to transactions with our related parties and therefore additional tax liabilities may accrue. Additional taxes assessed in this respect may be material.

Stamp Duty

Cyprus levies stamp duty on every instrument if:

- it relates to any property situated in Cyprus; or
- it relates to any matter or thing which is performed or done in Cyprus.

There are documents which are subject to stamp duty in Cyprus at a fixed fee (ranging from €0.05 to €35) and documents which are subject to stamp duty based on the value of the document. The above obligation arises irrespective of whether the instrument is executed in Cyprus or abroad.

In case it is payable (a) the maximum amount of stamp duty would be €20,000 and (b) if not paid (i) this does not affect the validity of the relevant document and (ii) before the document is presented before any authority in Cyprus or is produced in evidence in a Cyprus court, the stamp duty together with a penalty of up to €4,100 would have to be paid.

In cases where the stamp duty Commissioner can estimate the value of a document, he or she has the authority to impose stamp duty as per the above rates. Any transactions involving ADSs between parties not resident in Cyprus will not be subject to stamp duty. There are no applicable stamp duties with respect to the purchase and sale of ADSs.

Withholding Taxes on Interest

No withholding taxes shall apply in Cyprus with respect to payments of interest by the company to non-Cyprus tax resident lenders (both corporations and individuals).

Capital Duty

€20 flat duty capital duty is payable to the Registrar of Companies on every issue, whether the shares are issued at their (par) nominal value or at a (share) premium value.

Material Russian Tax Considerations

The following discussion is a summary of the material Russian tax considerations relating to the purchase, ownership and disposition of the ADSs.

Prospective holders of the ADSs should consult their tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of ADSs and the effects of receiving payments of dividends and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect as at the date hereof. The information and analysis contained in this section are limited to issues relating to taxation, and prospective holders should not apply any information or analysis set out below to other issues, including (but not limited to) the legality of transactions involving the ADSs.

General

The following is a summary of certain Russian tax considerations relevant to the purchase, ownership and disposal of ADSs, as well as the receipt of dividend income, by Russian resident and non-resident investors based on the Russian laws in effect at the date hereof, which are subject to change (possibly with retroactive effect).

The summary does not seek to address the applicability of taxes levied at the level of regional, municipal, or other non-federal authorities of Russia or procedures related to them. Likewise, this overview does not address the availability of double tax treaty relief in respect of ADSs, and it should be noted that practical difficulties, including satisfying certain documentation requirements, may arise from claiming relief under a double tax treaty. Prospective holders should consult their own professional advisors regarding the tax consequences of investing in ADSs. No representations with respect to the Russian tax consequences for any particular holder are made hereby.

The provisions of the Russian Tax Code applicable to holders of and transactions involving ADSs are ambiguous and lack interpretive guidance. Both the substantive provisions of the Russian Tax Code applicable to financial instruments and the interpretation and application of those provisions by the Russian tax authorities may be subject to rapid and unpredictable change and inconsistency compared to jurisdictions with more developed capital markets or taxation systems. In practice, the interpretation and application of these provisions rests largely with local Russian tax inspectorates.

The interpretation of different tax inspectorates in Russia may be inconsistent or contradictory, and tax inspectorates may impose conditions, requirements or restrictions not stipulated by the existing legislation. Similarly, in the absence of binding precedents, court rulings on tax or related matters by different Russian courts relating to the same or similar circumstances may also be inconsistent or contradictory.

For the purposes of this summary, a "Russian Resident Holder" is a holder of ADSs who is:

- an individual holding ADSs who actually stays in Russia for an aggregate period of 183 days (including the day of arrival in Russia and the day of departure from Russia) or more in a period of 12 consecutive months. Medical treatment or education outside Russia also counts as days spent in Russia if the individual spent less than six months outside Russia for these purposes. The Ministry of Finance's interpretation of this definition suggests that for tax withholding purposes, an individual's tax residence status should be determined on the date of the income payment (based on the number of days in Russia in a 12 month period preceding the date of payment), and nevertheless, individuals' final tax liability in Russia for the reporting calendar year should be determined based on their tax residence status for such calendar year, i.e., those individuals who spend 183 days of a calendar year or more in Russia qualify as Russian tax residents. It should be noted that pursuant to the recent amendments of tax legislation and adoption of the Russian Federal Law dated July 31, 2020 individuals who spend in Russia from 90 to 182 days inclusively will be entitled to acquire the status of a Russian tax resident during the relevant tax period on a voluntary basis. However, the Russian tax resident status of such individuals will not be assigned automatically and they will be required to submit a corresponding application to the Russian tax authorities;
- a Russian legal entity;

- a legal entity or organization established in a jurisdiction other than Russia that purchases, holds and/or disposes of ADSs through a permanent establishment in Russia;
- a legal entity or organization established in a jurisdiction other than Russia that is recognized by the Russian tax authorities as a Russian tax resident based on Russian domestic law (whereby Russia is recognized as the place of effective management of the legal entity or organization as determined in the Russian Tax Code), unless otherwise envisaged by a double tax treaty;
- a legal entity or organization established in a jurisdiction other than Russia that is recognized as a Russian tax resident, despite conflicting tax residence as per relevant foreign and Russian law, based on the provisions of a double tax treaty (for the purposes of application of such double tax treaty); or
- a legal entity or organization established in a jurisdiction other than Russia that has voluntarily obtained Russian tax residence based on its place of effective management.

For the purposes of this summary, a “Non-Resident Holder” is a holder of ADSs who does not qualify as a Russian Resident Holder according to the criteria provided above.

According to Russian tax legislation, taxation of income of Non-Resident Holders who are individuals depends on whether the income is assessed as coming from Russian or non-Russian sources.

The definition of Russian-sourced income is broad, and in terms of investment income it generally includes dividends from Russian organizations and legal entities that are recognized as Russian tax residents, income from sale of securities in Russia, and other investment income received by taxpayers as a result of their activities in Russia.

Holders of ADSs should seek professional advice regarding their tax status and the relevant tax consequences in Russia.

Taxation of ADS Acquisition

The Russian Tax Code stipulates a capital gains principle with respect to the calculation of either personal or corporate income tax for operations with securities. Pursuant to this provision, personal/corporate income tax is to be calculated at the moment of security disposal. Thus, at the moment of security acquisition, no tax implications should arise, except for the cases described below.

Russian Resident Holders – Individuals

No Russian tax implications should generally arise for Russian Resident Holders – Individuals upon acquisition of ADSs except for the deemed income taxation as described below.

Taxable deemed income may arise for the Russian Resident Holders – Individuals when ADSs are purchased at a price below their market value, which is unlikely in the market conditions. For such cases, the tax base is determined in Russian rubles as the amount by which the market value (or the value within 20% range up and down from the market value) of the ADSs (determined at the date of the transaction) exceeds the amount of actual expenses of the individual during acquisition. The deemed income shall be taxed at a 13% tax rate in Russia for the income not exceeding ₴5 million per annum and at a 15% tax rate for income exceeding ₴5 million per annum.

We suggest that Russian Resident Holders – Individuals consult their tax advisors in this respect.

Russian Resident Holders – Legal Entities

No Russian tax implications generally arise for Russian Resident Holders – Legal Entities when they acquire ADSs for a consideration.

We suggest that Russian Resident Holders – Legal Entities consult their tax advisors in this respect.

Non-Resident Holders – Individuals

No Russian tax implications should arise for Non-Resident Holders – Individuals upon acquisition of ADSs for consideration.

However, in case Ozon Holdings PLC is treated by the Russian tax authorities as Russian tax resident (see Item 3.D. “*Key Information—Risk Factors—Risks Relating to Russian Taxation—Our Cypriot entities may be exposed to taxation in Russia if they are treated as having a Russian permanent establishment or as being Russian tax residents*”) Non-Resident Holders – Individuals may be taxed at a 30% tax rate on a taxable deemed income arising when ADSs are purchased at a price below their market value, which is unlikely in the market conditions.

Generally, deemed income should not be qualified as Russian-sourced income. However, considering its broad definition, if this income is deemed as a Russian-sourced the tax base will be determined in Russian rubles as the amount by which the market value (or the value within 20% range up and down from the market value) of the ADSs (determined at the date of the transaction) exceeds the actual expenses of the individual upon acquisition.

We suggest that Non-Resident Holders – Individuals consult their tax advisors in this respect.

Non-Resident Holders – Legal Entities

No Russian tax implications generally arise for Non-Resident Holders – Legal Entities when they acquire ADSs for a consideration.

We suggest that Non-Resident Holders – Legal Entities consult their tax advisors in this respect.

Taxation of Dividends and Other Distributions (including distributions in kind)

Currently, Ozon Holdings PLC is a Cyprus tax resident and, therefore, according to Russian tax law is not required to act in a capacity of a tax agent for the Russian tax purposes.

However, in case Ozon Holdings PLC is recognized by the Russian tax authorities as a Russian tax resident (see Item 3.D. “*Key Information—Risk Factors—Risks Relating to Russian Taxation—Our Cypriot entities may be exposed to taxation in Russia if they are treated as having a Russian permanent establishment or as being Russian tax residents*”) Russian tax implications could arise as described below. Whilst we do not anticipate such a scenario, we believe it is reasonable to assume that the Russian tax authorities may try to challenge our tax residency status.

In accordance with the Russian legislation, there is a special income taxation mechanism for income from securities of Russian issuers held in certain types of accounts with Russian custodians. These securities include in particular shares held in special accounts of foreign nominal holders (i.e. foreign custodians, depositaries, foreign authorized holders (for example, foreign brokers)) or depositary receipt programs. This regime provides for a payment of withholding tax on ADS dividends, including application of reduced withholding tax rates, based on the disclosure of aggregated information to the Russian custodian about the persons executing rights attached to the relevant shares.

Therefore, it may be unclear from the standpoint of Russian tax legislation who should act as a tax agent with respect to the ADSs income, given the impossibility of acting directly through a Russian custodian and given that a foreign custodian (if any) would not be able to perform the tax agent’s obligations under Russian tax legislation. As a conservative position, once becoming a Russian tax resident, Ozon Holdings PLC may be required to act as a tax agent.

In light of the above, Holders of ADSs would be required to provide tax agent with the relevant information in order to apply the reduced tax rates pursuant to either Russian tax legislation or double tax treaties, however, tax agent may reserve the right to withhold the tax at the standard rate and pay the dividends net of this amount pursuant to the provisions of the Russian Tax Code.

A recipient of dividend income who is entitled to reduced tax rates on dividends from the ADSs according to either the Russian Tax Code or a double tax treaty may apply for a refund in accordance with the general tax refund procedure envisaged by the Russian Tax Code. See “—*Refund of Russian Tax Withheld.*”

However, certain Russian double tax treaties, including the Russia-Cyprus double tax treaty, were revised, and the possibility of applying the reduced tax rates depends on the investor’s jurisdiction. See Item 3.D. “*Key Information—Risk Factors—Risks Relating to Russian Taxation—Changes to Russia-Cyprus double tax treaty could increase our tax burden.*”

Russian Resident Holders – Individuals

Payments of dividends from the ADSs to the Russian Resident Holders – Individuals should be subject to statutory Russian tax at a rate of 13% (or 15% for income exceeding ₴5 million per annum) of the gross dividend amount. Whereas the distribution is made in kind, the 13% tax rate (or 15% tax rate for income exceeding ₴5 million per annum) applies to the gross market price of the distribution received.

However, in case Ozon Holdings PLC is recognized by the Russian tax authorities as a Russian tax resident (see Item 3.D. “*Key Information—Risk Factors—Risks Relating to Russian Taxation—Our Cypriot entities may be exposed to taxation in Russia if they are treated as having a Russian permanent establishment or as being Russian tax residents*”), certain specifics and uncertainty surrounding the withholding tax mechanism in Russia may lead to taxation of dividends at source at a 15% tax rate, normally applicable to Russian non-resident individuals. For this reason, Holders that are Russian Resident Holders – Individuals would be required to send us an application along with relevant documents to apply for the lower withholding tax rate. Without said application, the Company may be required to withhold a 15% tax on dividends.

Russian Resident Holders – Individuals should therefore consult their own tax advisers with respect to the tax consequences of their receipt of dividend income with respect to the holding of the ADSs.

Russian Resident Holders – Legal Entities

Payment of dividends from ADSs received by Russian Resident Holders – Legal Entities should, in general, be subject to a statutory Russian tax at a rate of 13% of the gross dividend amount.

Notably, dividends received by Russian legal entities from qualified Russian and foreign subsidiaries are taxable at a rate of 0%, provided that the Russian legal entity owns no less than 50% of the subsidiary for at least 365 consecutive days. However, dividends from foreign companies registered in “low tax” jurisdictions listed in the official schedule of the Russian Ministry of Finance are excluded from this rule. The current version of the list of “low tax” jurisdictions does not include any countries where our Group has subsidiaries.

However, in case Ozon Holdings PLC is recognized by the Russian tax authorities as Russian tax resident (see Item 3.D. “*Key Information—Risk Factors—Risks Relating to Russian Taxation—Our Cypriot entities may be exposed to taxation in Russia if they are treated as having a Russian permanent establishment or as being Russian tax residents*”) the specifics and uncertainty of the withholding tax mechanism in Russia may lead to taxation of dividends at source at a 15% tax rate. Thus, Holders that are Russian Resident Holders – Legal Entities would be required to send us an application along with relevant documents to apply for the lower tax rate, without which the Company would be required to withhold a 15% tax on dividends.

Russian Resident Holders – Legal Entities should therefore consult their own tax advisers with respect to the tax consequences of their receipt of dividend income with respect to the holding of the ADSs.

Non-Resident Holders – Individuals

No Russian tax consequences shall arise for Non-Resident Holders – Individuals with respect to dividends on the ADSs. Nevertheless, we cannot rule out the risk that dividend income received by Non-Resident Holders – Individuals may be taxed in Russia if this income is assessed as received from Russian sources.

However, in case Ozon Holdings PLC is recognized by the Russian tax authorities as a Russian tax resident (see Item 3.D. “*Key Information—Risk Factors—Risks Relating to Russian Taxation—Our Cypriot entities may be exposed to taxation in Russia if they are treated as having a Russian permanent establishment or as being Russian tax residents*”) or in case of treatment of this income as Russian-sourced, provisions of the Russian Tax Code are to be applied in respect of dividends on ADSs as further described. Payments of Russian-sourced dividends from ADSs to the Non-Resident Holders – Individuals may be subject to a statutory Russian tax at a rate of 15% of the gross dividend amount or reduced tax rate under applicable double tax treaty. Whereas the distribution is made in kind, the 15% tax rate applies to the gross market price of the distribution received.

Noteworthy, specifics and uncertainty of the withholding tax mechanism in Russia may lead to taxation of dividends at source at a 15% tax rate, even when Non-Resident Holders – Individuals are legally entitled to a reduced tax rate based on a double tax treaty concluded with Russia. Thus, Holders that are Non-Resident Holders – Individuals would be required to send us an application along with relevant documents (i.e. a valid tax residence certificate for the year in question) to apply for the reduced tax rate (if any such rate is stipulated by a double tax treaty), without which the Company would be required to withhold a 15% tax on dividends.

The possibility of applying the reduced tax rate depends on the investor’s jurisdiction and provisions of an applicable double tax treaty. Non-Resident Holders – Individuals should therefore consult their own tax advisers. See Item 3.D. “*Key Information—Risk Factors—Risks Relating to Russian Taxation—Changes to Russia-Cyprus double tax treaty could increase our tax burden.*”

Non-Resident Holders – Legal Entities

No Russian tax consequences shall arise for Non-Resident Holders – Legal Entities with respect to dividends on the ADSs.

However, in case Ozon Holdings PLC is recognized by the Russian tax authorities as Russian tax resident (see Item 3.D. “*Key Information—Risk Factors—Risks Relating to Russian Taxation—Our Cypriot entities may be exposed to taxation in Russia if they are treated as having a Russian permanent establishment or as being Russian tax residents*”) provisions of the Russian Tax Code are to be applied in respect of dividends on ADSs as further described. In particular, Ozon Holdings PLC may be required to act as a tax agent and payment of dividends from ADSs received by Non-Resident Holders – Legal Entities will be subject to a statutory Russian tax at the rate of 15% of the gross dividend amount or reduced tax rate under applicable double tax treaty.

Despite the fact that, in this case, Non-Resident Holders – Legal Entities may be legally entitled to a reduced tax rate pursuant to the provisions of respective double tax treaties, the specifics and uncertainty of the withholding tax mechanism in Russia may lead to taxation of dividends at source at a 15% tax rate. Thus, Holders that Non-Resident Holders – Legal Entities would be required to send us an application along with relevant documents to apply for the reduced tax rate (if any is stipulated by double tax treaties), without which the Company may be required to withhold a 15% tax on dividends.

The possibility of applying the reduced tax rate depends on the investor’s jurisdiction and provisions of an applicable double tax treaty. Non-Resident Holders – Legal Entities should therefore consult their own tax advisers. See Item 3.D. “*Key Information—Risk Factors—Risks Relating to Russian Taxation—Changes to Russia-Cyprus double tax treaty could increase our tax burden.*”

Taxation of Disposal of ADS / Capital Gains

The following sections summarize the taxation of capital gains with respect to the disposal of ADSs.

Russian Resident Holders – Individuals

Capital gains arising from the sale, exchange or other disposal of ADSs by Russian Resident Holders – Individuals must be declared on the holder’s tax return and are subject to personal income tax at a rate of 13% (at a 15% tax rate for income exceeding ₪5 million per annum), unless there is a tax agent that calculates and withholds Russian personal income tax at source in full (for example, a Russian broker). See “*—Taxation of ADS Acquisition—Russian Resident Holders – Individuals.*”

The taxable capital gain of Russian Resident Holders – Individuals upon the sale of securities is calculated as the gross sale proceeds calculated in Russian rubles at the date of sale minus the actual expenses calculated in Russian rubles at the date of purchase. For the purpose of currency conversion, the official exchange rates of the CBR on specific dates are used. Expenses must be proved by documentary evidence related to the purchase of the ADSs (including the cost of the securities and the expenses associated with their purchase, holding and sale, and the deemed income amount on which personal income tax was accrued and paid on acquisition (receipt) of the ADSs).

Starting from 2021, subject to certain conditions, capital gains from the sale, exchange or other disposal of shares, including shares of non-Russian registered and/or tax resident entities may be exempt from tax in Russia if the shares disposed have been held continuously for not less than five years. It is currently not clear whether this exemption is applicable to the ADS. Therefore, Russian Resident Holders – Individuals should consult their own tax advisers.

Russian Resident Holders – Legal Entities

Capital gains arising from the sale or other disposal of the ADSs by a Russian Resident Holder – Legal Entity are taxable at the regular Russian corporate profits tax rate of 20%. According to the current Russian tax legislation, the financial result (profit or loss) arising from activities connected with securities quoted on a stock exchange, which meet the criteria established by the Russian Federal Law on the Securities Market dated April 22, 1996, may be accounted for together with the financial result arising from other operations (i.e., may be included into the general tax base). Therefore, Russian Resident Holders – Legal Entities may be able to offset losses incurred through operations on the quoted shares against other types of income (excluding income from non-quoted securities and derivatives). Special tax rules apply to Russian organizations that hold a broker and/or dealer license as well as certain other licenses related to the securities market. The Russian Tax Code also lays out special rules for the calculation of the tax base for the purposes of transactions with securities, which are subject to transfer pricing control in Russia.

Starting from 2021, subject to certain conditions, capital gains from the sale, exchange or other disposal of shares, including shares of non-Russian registered and/or tax resident entities may be exempt from tax in Russia if the shares disposed have been held continuously for not less than five years. It is currently not clear whether this exemption is applicable to the ADS. Therefore, Russian Resident Holders – Legal Entities should therefore consult their own tax advisers.

Non-Resident Holders – Individuals

Generally, income received by Non-Resident Holders – Individuals from disposal of ADSs is not considered as a taxable event in Russia unless it is qualified as Russian-sourced income (e.g., when Non-Resident Holders – Individuals conduct their transactions with a Russian broker).

According to Russian tax legislation, income received from the sale or disposal of ADSs should be treated as Russian-sourced income if the sale or disposal occurred in Russia. However, Russian tax law gives no clear indication as to how to identify the source of income received from the sale and disposal of securities, except that income received from the sale of securities “in the Russian Federation” will be treated as having been received from a Russian source.

However, in case Ozon Holdings PLC is recognized by the Russian tax authorities as Russian tax resident (see Item 3.D. “*Key Information—Risk Factors—Risks Relating to Russian Taxation—Our Cypriot entities may be exposed to taxation in Russia if they are treated as having a Russian permanent establishment or as being Russian tax residents*”) it is unclear whether the gains on sale of the ADSs will be treated as Russian source income or not. If this income is recognized as Russian sourced, capital gains arising from the sale, exchange or other disposal of ADSs by Non-Resident Holders – Individuals less any available cost deduction, including the original purchase price and deemed income taxed on acquisition, if any, may be subject to taxation in Russia at the statutory tax rate of 30%. Nevertheless, Non-Resident Holders – Individuals may be entitled to tax exemption on capital gains arising from the sale, exchange or other disposal of ADSs based on an applicable double tax treaty.

Non-Resident Holders – Individuals should consult their own tax advisers with respect to the tax consequences of disposal of ADSs.

Non-Resident Holders – Legal Entities

Capital gains arising from the sale, exchange or other disposal of the ADSs by Non-Resident Holders – Legal Entities should not be subject to tax in Russia if the immovable property located in Russia constitutes directly or indirectly 50% or less of the Company's assets or securities are treated as quoted on a stock exchange markets. In our opinion, ADSs should generally fall under the aforementioned exemption.

Stamp Duties

Holders are not subject to any Russian stamp duties for transactions with ADSs as discussed in this section of this Annual Report supplement (for example, on the purchase or sale of ADSs), except for transactions involving the inheritance of ADSs.

Double Tax Treaty Relief

Application of a foreign tax credit in Russia by Russian Resident Holders – Individuals

According to the general provisions of Russian tax law, the amounts of tax actually paid according to tax legislation of a foreign state by a taxpayer who is a Russian Resident Holder – Individual on the income received outside Russia could not be credited against Russian personal income tax liability of the taxpayer unless otherwise provided for by a relevant double tax treaty between Russia and that foreign state. Therefore, a taxpayer may have the right to make a foreign tax credit against his or her Russian personal income tax liabilities provided that all of the following conditions are met:

- a taxpayer is recognized as the Russian tax resident in the tax period when the income taxable in Russia and in the foreign state was received;
- there is a valid double tax treaty between Russia and the foreign state, which provides for a foreign tax credit in the state of residence (Russia);
- the taxpayer can confirm the amount claimed for tax credit with the documents required by Russian tax law. Also, the tax authorities may request a confirmation of the residency status, however, current provisions of the Russian Tax Code do not oblige the taxpayer to provide such evidence along with supporting documents when claiming a foreign tax credit.

If the above-mentioned conditions are not met, the taxpayer will not be able to apply foreign tax credit and reduce his or her tax liability in Russia.

Application of tax treaty relief

Currently, we are a Cyprus tax resident and, therefore, according to Russian tax law are not required to act in a capacity of a tax agent for the Russian tax purposes.

However, in case we are recognized by the Russian tax authorities as a Russian tax resident (see Item 3.D. “*Key Information—Risk Factors—Risks Relating to Russian Taxation—Our Cypriot entities may be exposed to taxation in Russia if they are treated as having a Russian permanent establishment or as being Russian tax residents*”) Russian tax implications could arise as described below. Whilst we do not anticipate such a scenario, we believe it is reasonable to assume that the Russian tax authorities may try to challenge our tax residency status.

Generally, Russian legislation prescribes how tax treaty benefits can be obtained by Non-Resident Holders via the tax agent, i.e. if tax on such income is subject to tax at source. Russian legislation requires the relevant claim and supporting documents to be filed to the tax agent or to the tax authorities (for refund of tax withheld). See “—*Refund of Russian Tax Withheld.*”

To receive the benefits of a double tax treaty in cases where any income on the ADSs is received from a Russian source and is subject to Russian taxes, Non-Resident Holders (individuals, legal entities, and organizations) are required to confirm that they are the beneficial owners of the income.

A Non-Resident Holder would need to provide the tax agent with a certificate of tax residence issued by the competent tax authority of the relevant treaty country before the income is paid and confirm that it is the beneficial owner of this income. However, the tax agent may request additional documents confirming the entitlement and eligibility of a Non-Resident Holder for the benefits of the relevant double tax treaty in relation to income concerned. The tax residence certificate should confirm that the respective Non-Resident Holder is a tax resident of the relevant double tax treaty country (for the applicable double tax treaty). This certificate should generally be apostilled or legalized. A notarized Russian translation of the certificate must be provided to the person regarded as a tax agent.

At the same time, provisions of the Russian law are not quite clear on how exemption should be claimed in terms of income, which is not subject to tax at source. Conservatively, a Non-Resident Holder should submit to the Russian tax authorities a certificate confirming his or her tax residency in the other country, amongst other documents, to substantiate the treaty exemption.

The possibility of applying the reduced tax rate depends on the investor's jurisdiction and provisions of an applicable double tax treaty. See Item 3.D. *"Key Information—Risk Factors—Risks Relating to Russian Taxation—Changes to Russia-Cyprus double tax treaty could increase our tax burden."*

Non-Resident Holders should consult their own tax advisors about available double tax treaty relief and the procedures for obtaining such relief with respect to any Russian taxes imposed in respect of dividend income from the ADSs or any income received in connection with the acquisition, sale or other disposal of the ADSs.

Refund of Russian Tax Withheld

Russian Resident Holders – Legal Entities and Individuals

In case Ozon Holdings PLC is recognized by the Russian tax authorities as a Russian tax resident (see Item 3.D. *"Key Information—Risk Factors—Risks Relating to Russian Taxation—Our Cypriot entities may be exposed to taxation in Russia if they are treated as having a Russian permanent establishment or as being Russian tax residents"*) and in the absence of a proper tax withholding mechanism, Russian Resident Holders may be subject to a 15% tax rate on the dividends paid to them. See *"—Taxation of Dividends and other distributions (including distributions in kind)."* To apply a lower tax rate on dividends pursuant to the Russian Tax Code, Russian Resident Holders may be required to provide documentary proof of their Russian tax residence. Alternatively, they may attempt to claim the refund of excessively withheld taxes.

In order to obtain a tax refund, Russian Resident Holders – Individuals should submit an application and the required documents to the tax agent within three years following the date when the respective tax was paid. The Russian Tax Code stipulates that a tax agent must refund over-withheld tax within a three-month period following the date when the application for a refund is submitted. Further, the tax agent itself may request a refund by applying to the Russian tax authorities within three years following the date when the respective tax was paid.

Russian Resident Holders – Legal Entities may claim a refund of excessively withheld tax by filing the application and required documents to the Russian tax authorities within three years following the date when the respective tax was paid.

Non-Resident Holders – Legal Entities and Individuals

If the Russian withholding tax on income derived from Russian sources for a Non-Resident Holder which is a legal entity or an organization, has been withheld at source, and such Non-Resident Holder, which is a legal entity or an organization, is entitled to benefits from a double tax treaty allowing such a legal entity or organization not to pay tax in Russia, or allowing it to pay tax at a reduced rate on such income, a claim for a refund of the tax withheld at the source can be filed with the Russian tax authorities within three years following the tax period in which the tax was withheld.

To process a claim for a refund, the Russian tax authorities require: (i) a confirmation of the tax treaty residence of the non-resident at the time the income was paid (this confirmation should be apostilled or legalized and should be provided for the year when the income in respect to which the refund is claimed was paid); (ii) a document confirming that the applicant satisfies any additional conditions envisaged under the Russian Tax Code or the relevant double tax treaty for application of the reduced tax rate; and (iii) an application for the refund of the tax withheld in a format provided by the Russian tax authorities. Where tax is withheld in respect of dividends on the ADSs registered in special accounts (i.e., foreign nominal holder, foreign authorized holder or foreign depository receipt program depo accounts) and opened with a Russian custodian, the following documents are required in addition to those listed under (i) and (ii) above: (a) a document confirming the exercise of rights (or confirming the exercise of rights in the interests of the applicant by a trustee or other similar person) attached to the ADSs on which the dividend income was paid, as at the date of the decision to distribute dividends by a Russian entity; (b) a document confirming the amount of dividend income on the ADSs; and (c) information on the custodian (custodians) that transferred the amount of dividend income to the foreign company (holder of the relevant account in the Russian custodian).

The Russian tax authorities require a Russian translation of the above documents if they are in a foreign language. The decision regarding the refund of the tax withheld should be taken within six months of filing the required documents with the Russian tax authorities. However, procedures for processing such claims have not been clearly established, and there is significant uncertainty regarding the availability and timing of such refunds.

If the Russian personal income tax on income derived from Russian sources by a Non-Resident Holder who is an individual was withheld at source, and such individual Non-Resident Holder is entitled to the benefits of a double tax treaty allowing such an individual not to pay the tax in Russia or allowing such an individual to pay the tax at a reduced rate in relation to such income, an application for a refund can be submitted to the tax agent within three years following the date when the respective tax was paid. The Russian Tax Code stipulates that a tax agent must refund over-withheld tax within a three-month period following the date when the application for a refund is submitted. Further, the tax agent itself may request a refund by applying to the Russian tax authorities within three years following the date when the respective tax was paid.

In practice, the Russian tax authorities require a wide variety of documentation confirming the right of a Non-Resident Holder to obtain the tax relief available under the applicable double tax treaty. Such documentation may not be explicitly required by the Russian Tax Code.

Obtaining a refund of Russian taxes withheld at source is likely to be a time-consuming process, and no assurance can be given that such a refund will be granted in practice.

The possibility of applying the reduced tax rate depends on the investor's jurisdiction and provisions of an applicable double tax treaty. See Item 3.D. *“Key Information—Risk Factors—Risks Relating to Russian Taxation—Changes to Russia-Cyprus double tax treaty could increase our tax burden.”*

Non-Resident Holders should consult their own tax advisers about possible tax treaty relief and/or tax refunds as applicable and the procedures required to obtain such treaty relief or refund with respect to any Russian taxes imposed on income received from the acquisition, ownership or disposition of ADSs.

U.S. Federal Income Tax Considerations for U.S. Holders

The following is a discussion of material U.S. federal income tax considerations relating to the purchase, ownership and disposition of the ADSs by U.S. Holders (as defined below) that purchase such ADSs for cash and hold such ADSs as capital assets. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the “Code”), U.S. Treasury regulations promulgated or proposed thereunder and administrative and

judicial interpretations thereof, all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect, or to different interpretation. This discussion does not address all of the U.S. federal income tax considerations that may be relevant to specific U.S. Holders in light of their particular circumstances or to U.S. Holders subject to special treatment under U.S. federal income tax law (such as banks, insurance companies, dealers in securities or other U.S. Holders that generally mark their securities to market for U.S. federal income tax purposes, tax-exempt entities, retirement plans, regulated investment companies, real estate investment trusts, certain former citizens, or residents of the United States, and accrual method U.S. Holders that have an “applicable financial statement,” U.S. Holders that hold the ADSs as part of a straddle, hedge, conversion or other integrated transaction, U.S. Holders that have a “functional currency” other than the U.S. dollar, or U.S. Holders that own (or are deemed to own) 10% or more (by vote or value) of our stock). This discussion does not address any U.S. state or local or non-U.S. tax considerations or any U.S. federal estate, gift or alternative minimum tax considerations.

As used in this discussion, the term “U.S. Holder” means a beneficial owner of an ADS that, for U.S. federal income tax purposes, is (i) an individual who is a citizen or resident of the United States, (ii) a corporation created or organized in or under the laws of the United States, any state thereof, or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source or (iv) a trust (x) with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions or (y) that has in effect a valid election under applicable U.S. Treasury regulations to be treated as a U.S. person.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes invests in an ADS, the U.S. federal income tax considerations relating to such investment will depend in part upon the status and activities of such partnership and the particular partner. Any such entity or arrangement should consult its own tax advisor regarding the U.S. federal income tax considerations applicable to it and its partners relating to the purchase, ownership and disposition of an ADS.

Except as discussed below under “—*Passive Foreign Investment Company Considerations*,” this discussion assumes that we are not and will not be a passive foreign investment company for U.S. federal income tax purposes.

EACH PERSON CONSIDERING AN INVESTMENT IN AN ADS SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE AND LOCAL AND NON-U.S. TAX CONSIDERATIONS RELATING TO THE PURCHASE, OWNERSHIP AND DISPOSITION OF AN ADS IN LIGHT OF SUCH PERSON’S PARTICULAR CIRCUMSTANCES.

Treatment of the ADSs

A U.S. Holder of an ADS generally should be treated for U.S. federal income tax purposes as the owner of such U.S. Holder’s proportionate interest in the ordinary shares held by the depositary (or its custodian) that are represented by such ADS. However, such tax treatment may be affected by actions taken by the depositary or other intermediaries in the chain of ownership between the holder of such ADS and us that are inconsistent with the beneficial ownership of the underlying shares. If the U.S. Holder is treated as the owner of such ordinary shares, any deposit or withdrawal of such ordinary shares by such U.S. Holder in exchange for its ADSs will not result in the realization of gain or loss to such U.S. Holder for U.S. federal income tax purposes. Each U.S. Holder should consult its own tax advisor regarding U.S. federal income tax considerations relating to the purchase, ownership and disposition of the ADSs (including tax consequences if the foregoing tax treatment is not respected and tax consequences of owning and disposing of ordinary shares not represented by ADSs). The following discussion assumes that the foregoing tax treatment is respected.

Distributions with respect to the ADSs

If we make a distribution of cash or other property (other than certain distributions of our stock or rights to acquire our stock) with respect to our ordinary shares, a U.S. Holder generally will be required to include the amount of such distribution made by us with respect to the ADSs owned by such U.S. Holder in gross income as a dividend (without reduction for any non-U.S. tax withheld from such distribution) to the extent of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). To the extent the amount of such distribution exceeds such current and accumulated earnings and profits, it generally will be treated first as a non-taxable return

of capital to the extent of such U.S. Holder's adjusted tax basis in such ADSs and then as gain (which will be treated in the manner described below under "*Sale, Exchange or Other Taxable Disposition of the ADSs*"). We have not maintained and do not plan to maintain calculations of earnings and profits for U.S. federal income tax purposes. As a result, a U.S. Holder should expect to include the entire amount of any such distribution in income as a dividend.

A distribution on an ADS that is treated as a dividend generally will constitute income from sources outside the United States and generally will be categorized for U.S. foreign tax credit purposes as "passive category income." Such dividend will not be eligible for the "dividends received" deduction generally allowed to corporate shareholders with respect to dividends received from U.S. corporations. A U.S. Holder may be eligible to claim a U.S. foreign tax credit against its U.S. federal income tax liability, subject to applicable limitations and holding period requirements, for any non-U.S. tax withheld from distributions received in respect of an ADS. A U.S. Holder that does not claim a U.S. foreign tax credit for non-U.S. income tax withheld may instead claim a deduction for such withheld tax, but only for a taxable year in which the U.S. Holder chooses to do so with respect to all non-U.S. income taxes paid or accrued by such U.S. Holder in such taxable year. The rules relating to U.S. foreign tax credits are complex, and each U.S. Holder should consult its own tax advisor regarding the application of such rules.

The amount of any distribution paid in non-U.S. currency will be equal to the U.S. dollar value of such currency, translated at the spot rate of exchange on the date such distribution is received, regardless of whether the payment is in fact converted into U.S. dollars at that time. If a distribution received in non-U.S. currency is converted into U.S. dollars on the day it is received, the U.S. Holder generally will not be required to recognize foreign currency gain or loss in respect of such distribution.

A distribution on an ADS treated as a dividend that is received by an individual (or certain other non-corporate U.S. Holders) in respect of stock of a non-U.S. corporation that is readily tradable on an established securities market in the United States generally qualifies for preferential rates of tax so long as (i) the distributing corporation is not a passive foreign investment company (as described below under "*Passive Foreign Investment Company Considerations*") during the taxable year in which the distribution is made or the preceding taxable year and (ii) certain holding period and other requirements are met. So long as the ADSs are listed on Nasdaq, if the conditions in clauses (i) and (ii) above are met, dividends paid on an ADS should qualify for the preferential rates of tax. Special rules apply with respect to dividends qualifying for the preferential rates for purposes of determining the recipient's investment income (which may limit deductions for investment interest) and foreign income (which may affect the amount of U.S. foreign tax credit) and to certain extraordinary dividends. Each U.S. Holder that is a non-corporate taxpayer should consult its own tax advisor regarding the possible applicability of the preferential rates of tax and the related restrictions and special rules.

Sale, Exchange or Other Taxable Disposition of the ADSs

A U.S. Holder generally will recognize gain or loss for U.S. federal income tax purposes upon the sale, exchange or other taxable disposition of an ADS in an amount equal to the difference, if any, between the amount realized on such sale, exchange or disposition and such U.S. Holder's adjusted tax basis in such ADS. Any gain or loss so recognized generally will be capital gain or loss and will be long-term capital gain or loss if such U.S. Holder has held such ADS for more than one year at the time of such sale, exchange or disposition. Net long-term capital gain of certain non-corporate U.S. Holders generally is subject to preferential rates of tax. The deductibility of capital losses is subject to limitations. Such gain or loss generally will be from sources within the United States.

Passive Foreign Investment Company Considerations

Based on the current and anticipated profile of our income, assets and operations, we intend to take the position that we were not in 2020, and we do not currently expect to become, a passive foreign investment company ("PFIC") for U.S. federal income tax purposes. However, because this determination is made annually at the end of each taxable year and is dependent upon a number of factors, some of which are beyond our control, such as the value of our assets (including goodwill) and the amount and type of our income, there can be no assurance that we were not and will not be a PFIC in any taxable year or that the U.S. Internal Revenue Service (the "IRS") will agree with our conclusion regarding our PFIC status in any taxable year. If we are a PFIC in any taxable year, U.S. Holders could suffer adverse consequences as discussed below.

In general, a corporation organized outside the United States will be treated as a PFIC in any taxable year in which either (i) at least 75% of its gross income is “passive income” or (ii) at least 50% (determined on the basis of a quarterly average unless elected otherwise) of the value of its assets is attributable to assets that produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, royalties, rents, and net gains from commodities transactions and from the sale or exchange of property that gives rise to passive income. In determining whether a non U.S. corporation is a PFIC, a proportionate share of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest (by value) generally is taken into account.

If we are a PFIC in any taxable year during which a U.S. Holder owns an ADS, such U.S. Holder could be liable for additional taxes and interest charges upon certain distributions by us or upon a sale, exchange or other disposition of an ADS at a gain, whether or not we continue to be a PFIC. The tax would be determined by allocating such distributions or gain, ratably to each day of such U.S. Holder’s holding period. The amount allocated to the current taxable year and any holding period of such U.S. Holder prior to the first taxable year in which we are a PFIC would be taxed as ordinary income (rather than capital gain) earned in the current taxable year. The amount allocated to other taxable years would be taxed at the highest marginal rates applicable to ordinary income for each such taxable year, and an interest charge would also be imposed on the amount of taxes so derived for each such taxable year.

The tax consequences that would apply if we were a PFIC would be different from those described above if a “mark-to-market” election were available and a U.S. Holder validly made such an election as of the beginning of such U.S. Holder’s holding period. If such election were made, (i) such U.S. Holder generally would be required to take into account the difference, if any, between the fair market value of, and its adjusted tax basis in, an ADS at the end of each taxable year in which we were a PFIC as ordinary income or, to the extent of any net mark-to-market gains previously included in income, ordinary loss, and to make corresponding adjustments to the tax basis in such ADS and (ii) any gain from a sale, exchange or other disposition of such ADS in a taxable year in which we were a PFIC would be treated as ordinary income, and any loss from such sale, exchange or other disposition would be treated first as ordinary loss (to the extent of any net mark-to-market gains previously included in income) and thereafter as capital loss. A mark-to-market election would be available to a U.S. Holder only if the ADS is considered “marketable stock.” Generally, stock is considered marketable stock if it is “regularly traded” on a “qualified exchange” within the meaning of the applicable U.S. Treasury regulations. A class of stock is regularly traded during any calendar year during which such class of stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. Nasdaq constitutes a qualified exchange.

The tax consequences that would apply if we were a PFIC would also be different from those described above if a U.S. Holder were eligible for and timely made a valid “qualified electing fund” (“QEF”) election. If a QEF election were made, such U.S. Holder generally would be required to include in income on a current basis its pro rata share of our ordinary income and net capital gains in each taxable year in which we are a PFIC. In order for a U.S. Holder to be able to make a QEF election, however, we would be required to provide such U.S. Holder with certain information. As we do not expect to provide U.S. Holders with the required information, prospective investors should assume that a QEF election would not be available.

If we were a PFIC in any taxable year during which a U.S. Holder owns an ADS, such U.S. Holder (i) may also suffer adverse tax consequences under the PFIC rules described above with respect to any other PFIC in which we have a direct or indirect equity interest and (ii) generally will be required to file annually a statement setting forth certain information with its U.S. federal income tax returns.

Prospective investors should consult their own tax advisors regarding the U.S. federal income tax consequences of an investment in a PFIC, including the potential extension of the period of limitations on assessment and collection of U.S. federal income taxes arising from a failure to file the statement described in the preceding paragraph.

Medicare Taxes

In addition to regular U.S. federal income tax, certain U.S. Holders that are individuals, estates or trusts are subject to a 3.8% tax on all or a portion of their “net investment income,” which may include all or a portion of their income arising from a distribution with respect to an ADS and net gain from the sale, exchange or other disposition of an ADS.

Information Reporting and Backup Withholding

Under certain circumstances, information reporting and/or backup withholding may apply to U.S. Holders with respect to payments made on or proceeds from the sale, exchange or other disposition of an ADS, unless an applicable exemption is satisfied. A U.S. Holder may be eligible for an exemption from backup withholding if the U.S. Holder furnishes the appropriate documentation (generally, IRS Form W-9) to the applicable withholding agent certifying that, among other things, its taxpayer identification number is correct. U.S. Holders who are required to establish their exempt status may be required to provide such certification on IRS Form W-9. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against a U.S. Holder's U.S. federal income tax liability if the required information is furnished by the U.S. Holder on a timely basis to the IRS.

Disclosure Requirements for Specified Foreign Financial Assets

Individual U.S. Holders (and certain U.S. entities specified in U.S. Treasury regulations) who, during any taxable year, hold any interest in any "specified foreign financial asset" generally will be required to file with their U.S. federal income tax returns certain information on IRS Form 8938 if the aggregate value of all such assets exceeds certain specified amounts. "Specified foreign financial asset" generally includes any financial account maintained with a non-U.S. financial institution and may also include an ADS if it is not held in an account maintained with a financial institution. Substantial penalties may be imposed, and the period of limitations on assessment and collection of U.S. federal income taxes may be extended, in the event of a failure to comply. U.S. Holders should consult their own tax advisors as to the possible application to them of this filing requirement.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F within four months after the end of each fiscal year, which is December 31. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to a variety of risks in the ordinary course of our business, including, but not limited to, foreign currency risk and interest rate risk. We regularly assess each of these risks to minimize any adverse effects on our business as a result of those factors. For a detailed discussion and sensitivity analyses of our exposure to these risks, see note 26 to our consolidated financial statements for the year ended December 31, 2020 included elsewhere in this Annual Report.

Item 12. Description of Securities Other than Equity Securities

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Persons depositing or withdrawing shares or ADS holders must pay:

\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)

\$.05 (or less) per ADS

A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs

\$.05 (or less) per ADS per calendar year

Registration or transfer fees

Expenses of the depositary

Taxes and other governmental charges the depositary or the custodian has to pay on any ADSs or shares underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes

Any charges incurred by the depositary or its agents for servicing the deposited securities

For:

Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property

Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates

Any cash distribution to ADS holders

Distribution of securities distributed to holders of deposited securities (including rights) that are distributed by the depositary to ADS holders

Depositary services

Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares

Cable (including SWIFT) and facsimile transmissions (when expressly provided in the deposit agreement)

Converting foreign currency to U.S. dollars

As necessary

As necessary

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may collect any of its fees by deduction from any cash distribution payable (or by selling a portion of securities or other property distributable) to ADS holders that are obligated to pay those fees. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

From time to time, the depositary may make payments to us to reimburse us for costs and expenses generally arising out of establishment and maintenance of the ADS program, waive fees and expenses for services provided to us by the depositary or share revenue from the fees collected from ADS holders. In performing its duties under the deposit agreement, the depositary may use brokers, dealers, foreign currency dealers or other service providers that are owned by or affiliated with the depositary and that may earn or share fees, spreads or commissions.

The depositary may convert currency itself or through any of its affiliates, or the custodian or we may convert currency and pay U.S. dollars to the depositary. Where the depositary converts currency itself or through any of its affiliates, the depositary acts as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under the deposit agreement and the rate that the depositary or its affiliate receives when buying or selling foreign currency for its own account. The depositary makes no representation that the exchange rate used or obtained by it or its affiliate in any currency conversion under the deposit agreement will be the most favorable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favorable to ADS holders, subject to the depositary's obligation to act without negligence or bad faith. The methodology used to determine exchange rates used in currency conversions made by the depositary is available upon request. Where the custodian converts currency, the custodian has no obligation to obtain the most favorable rate that could be obtained at the time or to ensure that the method by which that rate will be determined will be the most favorable to ADS holders, and the depositary makes no representation that the rate is the most favorable rate and will not be liable for any direct or indirect losses associated with the rate. In certain instances, the depositary may receive dividends or other distributions from us in U.S. dollars that represent the proceeds of a conversion of foreign currency or translation from foreign currency at a rate that was obtained or determined by us and, in such cases, the depositary will not engage in, or be responsible for, any foreign currency transactions and neither it nor we make any representation that the rate obtained or determined by us is the most favorable rate and neither it nor we will be liable for any direct or indirect losses associated with the rate.

Payment of Taxes

Holders will be responsible for any taxes or other governmental charges payable on their ADSs or on the deposited securities represented by any of such ADSs. The depositary may refuse to register any transfer of their ADSs or allow holders to withdraw the deposited securities represented by their ADSs until those taxes or other charges are paid. It may apply payments owed to such holder or sell deposited securities represented by such holder's ADSs to pay any taxes owed and such holder will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to ADS holders any proceeds, or send to ADS holders any property, remaining after it has paid the taxes.

See also Item 3.D. "*Key Information—Risk Factors*" and Item 10.E. "*Additional Information—Taxation*" as regards dividend distributions. A full description of the ADSs is set out in Exhibit 2.4 to this Annual Report.

Part II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Upon our IPO, on November 27, 2020, we amended and restated our articles of association. A copy of our amended and restated articles of association was filed as Exhibit 3.1 to the registration statement on Form F-1, as amended (File No. 333-249810) (the "F-1 Registration Statement") filed in November 2020. See Item 10.B. "*Additional Information—Memorandum and Articles of Association*." A copy of our amended and restated memorandum and articles of association is also attached as Exhibit 1.1 to this Annual Report.

Use of Proceeds

The following “Use of Proceeds” information relates to the F-1 Registration Statement in relation to our IPO of 37,950,000 ADSs (including 4,950,000 ADSs sold upon the exercise of the over-allotment option by our underwriters) representing 37,950,000 ordinary shares. We completed our IPO on November 27, 2020. Morgan Stanley & Co. LLC and Goldman Sachs & Co. LLC acted as representatives of the several underwriters for our IPO.

The F-1 Registration Statement was declared effective by the SEC on November 23, 2020. For the period from the effective date of the F-1 Registration Statement to December 31, 2020, the total expenses incurred for our company’s account in connection with our IPO were approximately \$81.9 million, which included approximately \$73.0 million in underwriting discounts and commissions for our IPO and approximately \$8.9 million in other costs and expenses for our IPO.

We offered and sold an aggregate of 42,450,000 ADSs, including 4,500,000 ADSs issued to the existing shareholders, Sistema and The Baring Vostok Private Equity Funds, under the Concurrent Private Placements, at an IPO price of \$30.00 per ADS. We received approximately \$1,200.5 million in net proceeds from our IPO and the Concurrent Private Placements after deducting underwriting commissions and discounts and the IPO expenses payable by us. None of the transaction expenses included payments to directors or officers of our company or their associates, persons owning more than 10% or more of our equity securities or our affiliates. None of the net proceeds from our IPO and the Concurrent Private Placements were paid, directly or indirectly, to any of our directors or officers or their associates, persons owning 10% or more of our equity securities or our affiliates.

For the period from the effective date of the F-1 Registration Statement to December 31, 2020, we have not used any of the proceeds received from our IPO to finance our operations. As of the date of this Annual Report, there have been no material changes in the use of proceeds as disclosed in the F-1 Registration Statement.

Item 15. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (“Exchange Act”)) that are designed to ensure that information required to be disclosed in the Company’s reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2020. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as a result of the material weakness in our internal control over financial reporting described below, the design and operation of our disclosure controls and procedures were not effective as of December 31, 2020.

Management’s Annual Report on Internal Control over Financial Reporting

This Annual Report does not include a report of management’s assessment regarding internal control over financial reporting due to a transition period established by rules of the SEC for newly public companies. This Annual Report also does not include an attestation report of our independent registered public accounting firm due to a transition period established by rules of the SEC for newly public companies.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act) that occurred during the period covered by this Annual Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 16. [Reserved]**Item 16A. Audit Committee Financial Expert**

Our board of directors has determined that Lydia Jett and Charles Ryan are each considered an “audit committee financial expert” as defined in Item 16A of Form 20-F under the Exchange Act. Our board of directors has also determined that Lydia Jett and Charles Ryan each satisfy the “independence” requirements set forth in Rule 10A-3 under the Exchange Act.

Item 16B. Code of Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all our employees, officers and directors. The Code of Business Conduct and Ethics covers a broad range of matters including the handling of conflicts of interest, compliance issues and other corporate policies such as equal opportunity and non-discrimination standards. The full text of the Code of Business Conduct and Ethics is available on our website at <https://corporate.ozon.ru>.

Item 16C. Principal Accountant Fees and Services

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by JSC “KPMG”, our independent registered public accounting firm, for the periods indicated.

(₽ in millions)	For the year ended December 31,	
	2020	2019
Audit Fees	37	30
Audit-related Fees	40	—
Tax Fees	—	—
All Other Fees	—	—
Total Fees	77	30

- (1) Audit Fees for years ended December 31, 2020 and 2019 were related to professional services provided for the interim review procedures and the audit of our consolidated financial statements included in our Annual Reports on Form 20-F or services normally provided in connection with statutory engagements for those fiscal years.
- (2) Audit-related Fees for the year ended December 31, 2019 relate to services in connection with our IPO.

Item 16D. Exemptions from the Listing Standards for Audit Committees

None.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 16F. Change in Registrant's Certifying Accountant

None.

Item 16G. Corporate Governance

As the Company is not listed on a regulated market or the Cyprus Stock Exchange, we are not required to comply with any corporate governance requirements applicable to Cypriot public companies. As a foreign private issuer whose shares are traded on Nasdaq, we have the option to follow certain Cypriot corporate governance practices rather than those of Nasdaq, except to the extent that such laws would be contrary to U.S. securities laws and provided that we disclose the practices we are not following and describe the home country practices we are following. We rely on this "foreign private issuer exemption" with respect to the following Nasdaq requirements:

- We follow home country practice that permits us not to provide in our bylaws for a generally applicable quorum of not less than one-third of the outstanding voting stock, rather than Nasdaq Listing Rule 5620(c), which requires an issuer to provide in its bylaws for a generally applicable quorum, and that such quorum may not be less than one-third of the outstanding voting stock;
- We follow home country practice that permits our board of directors to consist of less than a majority of independent directors, rather than Nasdaq Listing Rule 5605(b)(1), which requires that a majority of the board be independent (although all of the members of the audit committee must be independent under the Exchange Act);
- We follow home country practice that permits the compensation committee of our board of directors not to consist entirely of independent directors, rather than Nasdaq Listing Rule 5605(d)(2), which requires boards to have a compensation committee consisting entirely of independent directors;
- We follow home country practice that does not require our board of directors to be nominated by a majority of our independent directors, rather than Nasdaq Listing Rule 5605(e)(1), which requires director nominees to either be selected, or recommended for the board's selection, either by independent directors constituting a majority of the board's independent directors in a vote in which only independent directors participate, or a nominations committee comprised solely of independent directors;
- We follow home country practice that permits us not to hold regular executive sessions where only independent directors are present, rather than Nasdaq Listing Rule 5605(b)(2), which requires an issuer to have regularly scheduled meetings at which only independent directors attend;
- We follow home country practice that generally permits the board of directors, without shareholder approval, to establish or materially amend any equity compensation arrangements, rather than Nasdaq Listing Rule 5635(c) of the Nasdaq Rules that requires that our shareholders approve the establishment or any material amendments to any equity compensation arrangements; and
- Our board of directors has not made any determination with respect to the Company's intention to follow Rule 5635(a), (b) and (d) of the Nasdaq Rules, relating to matters requiring shareholder approval. Cyprus law and our articles of association generally permit us, with approval of our board of directors and without shareholder approval, to take the following actions:
 - acquire the stock or assets of another company, where such acquisition results in the issuance of 20% or more of our outstanding share capital or voting power, in contrast to Rule 5635(a) of the Nasdaq Rules, which would require shareholder approval in order to enter into such an acquisition;
 - enter into any transaction that may result in a person, or group of persons acting together, holding more than 20% of our outstanding share capital or voting power. Such transaction may be considered a change of control under Rule 5635(b) of the Nasdaq Rules, requiring shareholder approval. Notwithstanding the above, Cyprus law would not permit us to enter into any reorganization, merger or consolidation and take certain other actions without shareholder or board approval; and

- enter into any transaction other than a public offering involving the sale, issuance or potential issuance by the company of shares (or securities convertible into or exercisable for shares) equal to 20% or more of the outstanding share capital of the Company or 20% or more of the voting power outstanding before the issuance for less than the greater of book or market value of the stock, in contrast to Rule 5635(d), which would require shareholder approval for such issuance of shares (or securities convertible into or exercisable for shares).

Item 16 H. Mine Safety Disclosure

Not applicable.

Part III

Item 17. Financial Statements

We have elected to provide financial statements pursuant to Item 18.

Item 18. Financial Statements

The audited consolidated financial statements as required under Item 18 are attached hereto starting on page F-1 of this Annual Report. The audit report of JSC “KPMG”, an independent registered public accounting firm, is included herein preceding the audited consolidated financial statements.

Item 19. Exhibits

Exhibit No.	Description	Form	File No.	Exhibit No.	Filing Date	Filed/ Furnished
1.1	Articles of Association of Ozon Holdings PLC.	F-1	333-249810	3.1	November 2, 2020	
2.1	Form of Deposit Agreement among Ozon Holdings PLC, The Bank of New York Mellon as depositary, and Owners and Holders of American Depositary Shares issued thereunder.	F-1/A	333-249810	4.1	November 17, 2020	
2.2	Form of American Depositary Receipt (included in Exhibit 2.1).	F-1/A	333-249810	4.2	November 17, 2020	
2.3	Registration Rights Agreement among Ozon Holdings PLC, Sistema, BVFVNL, Ozon LP and BVSIL, dated November 22, 2020.					*
2.4	Description of Securities.					*
4.1	Office Premises Lease Agreement between City Center Investment B.V. as lessor and Internet Solutions LLC as tenant, dated April 28, 2018 (as amended).	F-1/A	333-249810	10.10	November 17, 2020	
4.2	Office Premises Lease Agreement between City Center Investment B.V. as lessor and Internet Solutions LLC as tenant, dated October 29, 2018.	F-1/A	333-249810	10.11	November 17, 2020	

Exhibit No.	Description	Form	File No.	Exhibit No.	Filing Date	Filed/ Furnished
4.3	<u>English translation of Long-term Lease Agreement between Caravella LLC as lessor and Internet Solutions LLC as tenant, dated December 28, 2018 (as amended).</u>	F-1/A	333-249810	10.12	November 17, 2020	
4.4	<u>English translation of Preliminary Lease Agreement between Caravella LLC as lessor and Internet Solutions LLC as tenant, dated December 28, 2018 (as amended).</u>	F-1/A	333-249810	10.13	November 17, 2020	
4.5	<u>English translation of Preliminary Lease Agreement between BaltStone LLC as lessor and Internet Solutions LLC as tenant, dated November 8, 2019 (as amended).</u>	F-1/A	333-249810	10.14	November 17, 2020	
4.6	<u>English translation of Long-term Lease Agreement between Adva LLC as lessor and Internet Solutions LLC as tenant, dated July 1, 2020.</u>	F-1/A	333-249810	10.15	November 17, 2020	
4.7	<u>English translation of Preliminary Lease Agreement between ORC Zelenodolsk 2 LLC as lessor and Ozon Volga LLC as tenant, dated September 6, 2019 (as amended).</u>	F-1/A	333-249810	10.16	November 17, 2020	
4.8	<u>English translation of Preliminary Lease Agreement between Adva LLC as lessor and Internet Solutions LLC as tenant, dated November 6, 2019 (as amended).</u>	F-1/A	333-249810	10.17	November 17, 2020	
4.9	<u>English translation of Long-term Lease Agreement between Managing Company A-Class Capital (Fiduciary Manager of Combined Closed-End Investment Fund PNK Development) as lessor and Internet Solutions LLC as tenant, dated April 29, 2020 (as amended).</u>	F-1/A	333-249810	10.18	November 17, 2020	
4.10	<u>English translation of Preliminary Lease Agreement No. 26-10-20 PLA FF between Orientir Zapad-1 LLC as lessor and Internet Solutions LLC as tenant, dated October 26, 2020.</u>	F-1/A	333-249810	10.19	November 17, 2020	
4.11	<u>English translation of Preliminary Lease Agreement No. 26-10-20 PLA ST between Orientir Zapad-1 LLC as lessor and Internet Solutions LLC as tenant, dated October 26, 2020.</u>	F-1/A	333-249810	10.20	November 17, 2020	
4.12	<u>English translation of Long-term Lease Agreement between Internet Logistics LLC as lessor and Internet Solutions LLC as tenant, dated August 4, 2020.</u>	F-1/A	333-249810	10.21	November 17, 2020	

Exhibit No.	Description	Form	File No.	Exhibit No.	Filing Date	Filed/ Furnished
4.13	English translation of Sale and Purchase Agreement between Internet Logistics LLC as seller and Tetis Capital (Fiduciary Manager of Closed-End Investment Fund Tetis Capital) as purchaser, dated September 25, 2020 (as amended).	F-1/A	333-249810	10.22	November 17, 2020	
4.14	English translation of Additional Agreement to Long-term Lease Agreement between Internet Solutions LLC as tenant, Internet Logistics LLC as former landlord and Tetis Capital (Fiduciary Manager of Closed-End Investment Fund Tetis Capital) as landlord, dated October 9, 2020.	F-1/A	333-249810	10.23	November 17, 2020	
4.15	Trust Deed between Ozon Holdings PLC and BNY Mellon Corporate Trustee Services Limited, dated February 24, 2021.					*
4.16†	Rules of the Equity Incentive Plan 2020.	S-8	333-252457	10.1	January 27, 2021	
4.17†	Amended and Restated Stock Option Agreement by and between Mr. Bernard Lukey and the Company, dated December 30, 2020.	S-8	333-252457	10.2	January 27, 2021	
4.18†	Notice of Senior Executive Option Award, dated August 1, 2018 (as amended and restated on November 17, 2020) and Amended and Restated Equity Incentive Agreement for Award of an Option to Purchase Ordinary Shares by and between Mr. Alexander Shulgin and the Registrant, dated November 17, 2020.	F-1/A	333-249810	10.9	November 17, 2020	
		S-8	333-252457	10.3	January 27, 2021	
4.19†	Rules of the Equity Incentive Plan 2018.	S-8	333-252457	10.4	January 27, 2021	
8.1	List of Subsidiaries.					*
12.1	Principal Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					*
12.2	Principal Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					*
13.1	Principal Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					**
13.2	Principal Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					**
15.1	Consent of JSC “KPMG,” independent registered public accounting firm.					*

Exhibit No.	Description	Form	File No.	Exhibit No.	Filing Date	Filed/ Furnished
101.INS	XBRL Instance Document.					#
101.SCH	XBRL Taxonomy Extension Schema Document.					#
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.					#
101.DEF	XBRL Taxonomy Definition Linkbase Document.					#
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.					#
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.					#

* Filed herewith.

** Furnished herewith.

† Indicates management contract or compensatory plan or arrangement.

To be filed by amendment pursuant to Rule 405(f)(2) of Regulation S-T.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

Date: March 30, 2021

Ozon Holdings PLC

By: /s/ Alexander Shulgin

Name: Alexander Shulgin

Title: Chief Executive Officer

By: /s/ Igor Gerasimov

Name: Igor Gerasimov

Title: Chief Financial Officer

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ANNUAL CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Ozon Holdings PLC:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Ozon Holdings PLC and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Change in Accounting Principle

As discussed in Note 2.3 to the consolidated financial statements, the Company has changed its method of accounting for leases as of January 1, 2019 due to the adoption of International Financial Reporting Standard 16, *Leases*.

Basis for Opinion

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

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

Critical Audit Matter

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

Measurement of inventory valuation allowance

As discussed in Note 16 to the consolidated financial statements, the Company has inventories of RUB 15,342 million and an inventory valuation allowance of RUB 1,082 million as of December 31, 2020. As discussed in Note 2.4 (n), the Company records an inventory valuation allowance to write down the cost of inventory to the estimated net realizable value. In determining the write-downs to inventories, the Company considers the historical demand for inventories and expected selling prices.

We identified the measurement of inventory valuation allowance as a critical audit matter. Evaluating the net realizable value required subjective and complex auditor judgment, specifically the identification of obsolete inventory.

The following are the primary procedures we performed to address this critical audit matter. We inquired with management to obtain an understanding of the changes in merchandising strategy and expected sales trends to assess the identification of obsolete inventory. We evaluated the completeness of obsolete inventory by assessing internal data such as internal audit reports and external data such as media reports. We compared actual realized inventory values to historical estimated valuation allowances to evaluate management's ability to accurately estimate net realizable value adjustments.

/s/ JSC "KPMG"

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

Moscow, Russia
March 30, 2021

OZON HOLDINGS PLC

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

(in millions of Russian Rubles, unless otherwise stated)

	Notes	2020	2019	2018
Revenue:				
Sales of goods		81,414	53,487	33,920
Service revenue		22,936	6,617	3,300
Total revenue	4	104,350	60,104	37,220
Operating expenses:				
Cost of sales		(72,859)	(48,845)	(27,662)
Fulfillment and delivery	6	(30,676)	(16,808)	(8,232)
Sales and marketing	7	(10,015)	(7,153)	(3,335)
Technology and content	8	(4,394)	(3,520)	(2,123)
General and administrative	9	(3,729)	(2,390)	(1,742)
Total operating expenses		(121,673)	(78,716)	(43,094)
Operating loss		(17,323)	(18,612)	(5,874)
Loss on disposal of non-current assets		(35)	(7)	(3)
Finance costs		(2,115)	(980)	(66)
Finance income		311	179	195
Share of profit of an associate	10	112	54	82
Foreign currency exchange (loss) / gain, net		(1,984)	(213)	78
Other non-operating expenses	11	(1,000)	—	—
Total non-operating (expense) / income		(4,711)	(967)	286
Loss before income tax		(22,034)	(19,579)	(5,588)
Income tax (expense) / benefit	12	(230)	216	(73)
Loss for the year		(22,264)	(19,363)	(5,661)
Total comprehensive income for the year		(22,264)	(19,363)	(5,661)
Loss per share, in RUB				
Basic and diluted loss per share attributable to ordinary equity holders of the parent	13	(135.1)	(150.4)	(60.6)
Basic and diluted weighted average number of ordinary shares	13	164,605,952	128,597,975	92,999,825

The accompanying notes are an integral part of these financial statements

OZON HOLDINGS PLC

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020 AND 2019

(in millions of Russian Rubles)

	Notes	December 31, 2020	December 31, 2019
Assets			
Non-current assets			
Property, plant and equipment	14	11,869	7,176
Right-of-use assets	15	14,579	9,269
Intangible assets		317	130
Investments in an associate	10	1,111	1,139
Deferred tax assets	12	44	253
Advances for non-current assets and security deposits		1,880	1,601
Total non-current assets		29,800	19,568
Current assets			
Inventories	16	15,342	10,774
Accounts receivable	17	3,405	2,743
Prepaid income tax		14	17
VAT receivable		908	1,378
Advances and prepaid expenses		1,055	933
Other current assets		382	19
Cash and cash equivalents	18	103,702	3,003
Total current assets		124,808	18,867
Total assets		154,608	38,435
Equity and liabilities			
Equity			
Share capital	19	11	6
Share premium	19	133,439	32,053
Equity-settled employee benefits reserves	24	1,152	541
Other capital reserves	19	—	1,043
Accumulated deficit		(55,345)	(32,826)
Total equity		79,257	817
Non-current liabilities			
Borrowings	20	2,323	166
Lease liabilities	15	12,267	7,790
Deferred tax liabilities	12	66	156
Deferred income	23	406	—
Other non-current liabilities	21	78	—
Total non-current liabilities		15,140	8,112
Current liabilities			
Trade and other payables	21	42,545	21,242
Borrowings	20	7,125	3,950
Lease liabilities	15	3,223	1,819
Taxes payable		816	186
Accrued expenses	22	1,677	907
Customer advances and deferred revenue	23	4,825	1,402
Total current liabilities		60,211	29,506
Total liabilities		75,351	37,618
Total equity and liabilities		154,608	38,435

The accompanying notes are an integral part of these financial statements

OZON HOLDINGS PLC

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018**
(in millions of Russian Rubles)

	Share capital	Share premium	Equity- settled employee benefits reserves	Other capital reserves	Accumulated losses	Total
Balance at January 1, 2018	3	9,999	301	—	(6,957)	3,346
Loss for the year	—	—	—	—	(5,661)	(5,661)
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	(5,661)	(5,661)
Issue of ordinary shares, net of transaction costs	1	5,375	—	—	—	5,376
Issue of shares upon exercise of share-based awards	—	110	(110)	—	—	—
Sale of share options to employees	—	—	93	—	—	93
Share-based compensation expense	—	—	82	—	—	82
Balance at December 31, 2018	4	15,484	366	—	(12,618)	3,236
Balance at January 1, 2019	4	15,484	366	—	(12,618)	3,236
Impact of IFRS 16 adoption	—	—	—	—	158	158
Adjusted balance at January 1, 2019	4	15,484	366	—	(12,460)	3,394
Loss for the year	—	—	—	—	(19,363)	(19,363)
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	(19,363)	(19,363)
Issue of ordinary shares, net of transaction costs (note 19)	2	16,554	—	—	—	16,556
Issue of shares upon exercise of share-based awards (note 24)	—	15	(15)	—	—	—
Share-based compensation expense	—	—	190	—	—	190
Convertible loans (note 19)	—	—	—	1,043	(1,003)	40
Balance at December 31, 2019	6	32,053	541	1,043	(32,826)	817
Loss for the year	—	—	—	—	(22,264)	(22,264)
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	(22,264)	(22,264)
Issue of ordinary shares, net of transaction costs (note 19)	5	101,353	—	—	—	101,358
Issue of shares upon exercise of share-based awards (note 24)	—	33	(33)	—	—	—
Share-based compensation expense	—	—	644	—	—	644
Convertible loans (note 19)	—	—	—	(1,043)	(255)	(1,298)
Balance at December 31, 2020	11	133,439	1,152	—	(55,345)	79,257

The accompanying notes are an integral part of these financial statements

OZON HOLDINGS PLC

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(in millions of Russian Rubles)

	Notes	2020	2019	2018
Cash flows from operating activities				
Loss before income tax		(22,034)	(19,579)	(5,588)
Adjusted for:				
Depreciation and amortization of non-current assets		4,963	2,590	487
Finance costs		2,115	980	66
Finance income		(311)	(179)	(195)
Foreign currency exchange loss / (gain), net		1,984	213	(78)
Write-downs and losses of inventories	16	482	1,217	243
Loss on disposal of non-current assets		35	7	3
Share of profit of an associate	10	(112)	(54)	(82)
Changes in allowances on accounts receivable and advances paid		131	169	12
Forgiveness of lease payments	15	(21)	—	—
Share-based compensation expense		644	190	82
Movements in working capital:				
Changes in inventories		(5,005)	(5,577)	(3,539)
Changes in accounts receivable		(482)	(1,146)	(572)
Changes in advances paid and other assets		(481)	(2,089)	(1,005)
Changes in trade accounts payable		20,885	8,776	6,355
Changes in other liabilities		5,202	1,051	278
Cash generated from / (used) in operations		7,995	(13,431)	(3,533)
Interest paid		(1,356)	(876)	(58)
Income tax paid		(69)	(5)	(8)
Net cash generated from / (used in) operating activities		6,570	(14,312)	(3,599)
Cash flows from investing activities				
Purchase of property, plant and equipment		(6,714)	(4,742)	(2,472)
Purchase of intangible assets		(126)	(26)	(93)
Proceeds from disposal of property, plant and equipment		—	—	6
Interest received		260	158	192
Dividends received from an associate		—	71	80
Acquisition of interest in an associate		—	—	(576)
Net cash used in investing activities		(6,580)	(4,539)	(2,863)
Cash flows from financing activities				
Convertible loans issue proceeds	19	6,171	20,099	—
Equity instruments issue proceeds	19	90,480	—	5,471
Proceeds from borrowings		8,711	413	—
Repayment of borrowings		(499)	(310)	(162)
Payment of principal portion of lease liabilities		(2,296)	(867)	(39)
Net cash generated from financing activities		102,567	19,335	5,270
Net increase / (decrease) in cash and cash equivalents		102,557	484	(1,192)
Cash and cash equivalents at the beginning of the year		2,994	2,684	3,803
Effects of exchange rate changes on the balance of cash held in foreign currencies		(1,849)	(174)	73
Cash and cash equivalents at the end of the year		103,702	2,994	2,684

The accompanying notes are an integral part of these financial statements

OZON HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018 (in millions of Russian Rubles, unless otherwise stated)

1. CORPORATE INFORMATION

These consolidated financial statements of Ozon Holdings PLC (hereinafter “the Company”) and its subsidiaries (collectively, “the Group”) for the year ended December 31, 2020 were authorized for issue in accordance with a resolution of the directors on March 30, 2021.

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

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

Subsidiary	Principal activity	% equity interest	
		2020	2019
Internet Solutions LLC	Internet retailer of consumer goods	100%	100%
Internet Logistics LLC	Management of fulfillment facilities	100%	100%
Internet Travel LLC	Internet retailer of travel services	100%	100%
Ozon Technologies LLC	IT services and development	100%	100%

All the principal subsidiaries of the Company are incorporated in the Russian Federation (“Russia”).

The Group is an internet retailer of multi-category consumer products to the general public through the Group’s mobile apps and websites (ozon.ru and ozon.travel). The Group also manages an online marketplace platform that enables third-party sellers to offer their products to consumers on its mobile app and website. In addition, the Group provides advertising services to vendors and third-party sellers.

On November 27, 2020, the Company completed an initial public offering (“IPO”) of 37,950,000 newly issued ordinary shares, represented by 37,950,000 American depositary shares (“ADSs”), on Nasdaq. In addition, the Group issued 4,500,000 ordinary shares to its existing shareholders, Sistema PJSC and Baring Vostok Private Equity Funds (“Baring Vostok”), in concurrent private placements. Sistema PJSC and Baring Vostok are the Group’s major shareholders with the ownership share of 32.68% and 32.62%, respectively, as at December 31, 2020. The Group has no ultimate controlling party since March 5, 2012.

The Group’s principal geographic market is Russia.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The consolidated financial statements have been prepared on a historical cost basis.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power to affect its returns.

The accompanying notes are an integral part of these financial statements

OZON HOLDINGS PLC

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The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

2.3 New standards, interpretations and amendments adopted by the Group

The Group applied for the first-time certain standards, interpretations and amendments, which are effective for annual periods beginning on or after January 1, 2020. These standards, interpretations and amendments do not have a significant impact on the consolidated financial statements of the Group.

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

- IFRS 17 Insurance Contracts (effective date – January 1, 2023).
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (effective date – January 1, 2023).
- Reference to the Conceptual Framework – Amendments to IFRS 3 (effective date – January 1, 2022).
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (effective date – January 1, 2022).
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (effective date – January 1, 2022).
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter (effective date – January 1, 2022).
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities ((effective date – January 1, 2022).
- IAS 41 Agriculture – Taxation in fair value measurements (effective date – January 1, 2022).

Nature of the effect of adoption of IFRS 16 from January 1, 2019

As at January 1, 2019, the Group applied IFRS 16 Leases for the first time. IFRS 16 superseded 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. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Group adopted IFRS 16 using the modified retrospective approach with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts for which the underlying asset is of low value ("low-value assets").

The effect of adoption IFRS 16 as at January 1, 2019 (increase / (decrease)) is as follows:

	January 1, 2019
Assets	
Right-of-use assets	5,534
Property, plant and equipment	(85)
Advances paid and other current non-financial assets	(185)
Total assets	5,264
Liabilities	

Lease liabilities	5,264
Trade and other payables	(158)
Total liabilities	<u>5,106</u>
Equity	
Accumulated losses	158
Total equity	<u>158</u>

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The Group has lease contracts of office premises, warehouses, vehicles, pickup points and sorting centers. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in profit or loss on a straight-line basis over the lease term. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under IAS 17). The requirements of IFRS 16 was applied to these leases from January 1, 2019.

Leases previously accounted for as operating leases

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized in the consolidated statement of financial position immediately before the date of initial application. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Not separated non-lease components from lease components, and instead accounted for each lease component and any associated non-lease components as a single lease component.

Based on the foregoing, as at January 1, 2019:

- Right-of-use assets of 5,534 were recognized and presented separately in the consolidated statement of financial position. This includes the lease assets recognized previously under finance leases of 85 that were reclassified from Property, plant and equipment.
- Additional lease liabilities of 5,264 were recognized.
- Prepayments of 185 related to previous operating leases were derecognized.
- Accrued provision of 158 for straight-line adjustments under SIC-15 Operating Leases-Incentives in trade and other payables was adjusted to accumulated losses.

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

Operating lease commitments as at December 31, 2018	7,212
Weighted average incremental borrowing rate as at January 1, 2019	11.3%
Discounted operating lease commitments as at January 1, 2019	5,264
Add: Commitments relating to leases previously classified as finance leases	69
Lease liabilities as at January 1, 2019	5,333

Information on the Group's accounting policies with respect to leases is provided in note 2.4(d). Information on the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements since the initial adoption date is provided in note 15.

2.4 Summary of significant accounting policies

a) Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are accounted for using the equity method. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate since the acquisition date. Dividends received or receivable from an associate reduce the carrying amount of the investments in associates. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

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The consolidated statement of profit or loss and other comprehensive income reflects the Group's share of the results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit or loss of an associate is shown on the face of the consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss within "Share of profit / (loss) of an associate" in the consolidated statement of profit or loss and other comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

b) Foreign currencies

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

Transactions in foreign currencies are initially recorded by the Group's subsidiaries in their functional currency at exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at exchange rates prevailing at the reporting date. Differences arising on settlement or translation of monetary items are recognized within "Foreign currency exchange gain / (loss), net", in the consolidated statement of profit and loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The RUB is not a fully convertible currency outside Russia. Within the Russian Federation, official exchange rates are determined by the Central Bank of the Russian Federation.

c) Revenue from contracts with customers

The Group evaluates whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned as commissions based on a determination of whether it is a principal in providing a good or a service to a customer (a principal controls the goods or services before they are transferred to customers) or whether it is an agent of another entity. When the Group is primarily obligated in a transaction, is subject to inventory risk, has discretion in establishing prices, or has several but not all of these indicators, revenues should be recorded on a gross basis. When the Group is not the primary obligor, does not bear the inventory risk and does not have the ability to establish the price, revenues are recorded on a net basis.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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i. Revenue from sales of goods

The Group recognizes revenue from sales of goods on a gross basis as the Group is acting as a principal in these transactions and is primarily obligated in these transactions, is subject to inventory risk and has discretion in establishing prices. Payment for the purchased goods is generally made either before delivery or upon delivery. Revenue is recognized at the point in time when control of the promised goods is transferred to customers which generally occurs upon delivery to the customers. The Group recognizes revenue net of return allowances when the goods are delivered to customers. Delivery of goods to customers, who place their orders for goods online through the Group's website and mobile app, is not separately identifiable from sales of goods, and the Group accounts for sales of goods and delivery services to its customers as a single performance obligation.

ii. Right of return

For certain categories of goods customers have a right to return these goods within a specified period. Return allowances, which reduce revenues from sales of goods, are estimated based on historical experiences. The Group updates its estimates on a quarterly basis.

For goods that are expected to be returned from the customers, the Group recognizes a refund liability (included in Accrued expenses in the consolidated statement of financial position). The liability is measured at the amount the Group ultimately expects it will have to return to the customer. A right of return asset (included in Inventories in the consolidated statement of financial position) and corresponding adjustment to cost of sales are also recognized for the right to recover products from the customers.

iii. Financing component in revenue arrangements

The Group has a service ("Ozon Installment") that allows customers to pay for goods in installments generally over a six-month period. The Group applies the practical expedient and does not adjust the promised amount of consideration for the effects of a significant financing component because the period between the transfer of the promised good and the payment is less than one year.

iv. Loyalty program

The Group has a loyalty points program which allows customers to accumulate points that can be redeemed against future purchases, subject to a certain threshold. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. A portion of the transaction price is allocated to the loyalty points awarded to customers based on a stand-alone selling price of points and recognized as deferred revenue (contract liability) in the consolidated statement of financial position. Deferred revenue is recognized as revenue when loyalty points are redeemed, expire or the likelihood of the customer redeeming the points becomes remote. When estimating the stand-alone selling price of the loyalty points, the Group considers the likelihood that the customer will redeem the points. The Group updates its estimates of the points that will be redeemed on a quarterly basis and any adjustments to the deferred revenue balance are charged against revenue.

v. Gift certificates

The Group sells gift certificates which can be redeemed to purchase products sold on the Group's website ozon.ru or mobile app. The cash collected from the sales of gift certificates is initially recorded as deferred revenue (contract liability) in the consolidated statement of financial position and subsequently recognized as revenue upon the sales of the respective products through redemption of gift certificates. Revenue from redeemed gift certificates is included in Revenue from sales of goods (note 4). Revenue from unredeemed gift certificates is recognized over the expected customer redemption period (usually 12 months) and included in service revenue.

vi. Premium subscription

In 2019, the Group launched an Ozon Premium program ("Ozon Premium"), a subscription-based service which provides customers with free delivery and additional discounts. The cash collected from the sales of Ozon Premium is initially recorded as deferred revenue (contract liability) in the consolidated statement of financial position and subsequently recognized as revenues over the subscription period (1, 6 or 12 months). Revenue from Ozon Premium is included in service revenue.

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vii. Marketplace commission

Marketplace commission represents commission fees charged to third-party sellers for selling their goods through the Group's online marketplace. The Group offers a marketplace platform that enables sellers to sell their products through the Group's website. Upon sale, the Group charges the third-party sellers a commission fee, which consists of a base fee component and a variable fee component. The base fee is based on the percentage of the selling price depending on the product category. The variable fee component of the commission is paid by the sellers based on the additional services the Group renders to the sellers, such as storage and fulfillment fees for products stored at the Group's fulfillment centers and delivery fees. The Group's performance obligation with respect to these transactions is to arrange the transaction through the online platform. Marketplace commission is recognized on a net basis at the point of delivery of products as the Group generally is not the primary obligor, does not bear the inventory risk, and does not have the ability to establish prices for the other party's goods. The commission revenue is generally withheld by the Company from the payments collected from the customers, either before delivery or upon delivery.

viii. Advertising revenue

The Group's advertising services allow vendors and third-party sellers to place advertisements in particular areas of the Group's websites at fixed or variable prices (cost per click or cost per view). Advertising revenue is recognized evenly over the period in which the advertisement is displayed or based on the number of views or clicks, when the advertisement has been displayed. Payment is generally due within 30 to 60 days from providing advertising services.

ix. Travel services

Revenue from travel services consists of commission fees and ticketing fees charged from the travel supplier and/or traveler for the sale of airline and railway tickets through the Group's website ozon.travel. The Group acts as the agent in these transactions, passing reservations booked by the traveler to the relevant travel provider. Commission fees and ticketing fees are recognized upon booking of airline and railway transactions as the Group has no significant post-delivery obligations. In addition, revenue from travel services also includes volume incentive fees from certain airlines and global distribution systems partners that control the computer systems through which these reservations are booked. Volume incentive fees are recognized evenly on a monthly basis based on performance estimates under agreements.

d) Leases

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Fulfillment and sorting centers	3-10
Office premises	2-7
Pick-up points	3
Vehicles	3-4

Right-of use assets are also subject to impairment. Refer to the accounting policies in section (p) Impairment of long-lived assets.

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Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Leases of low-value assets

The Group applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Sale and leaseback transactions

In a sale and leaseback transaction, an entity (seller-lessee) sells an asset to another entity (buyer-lessor) who then leases it back to the seller-lessee. The Group applies the requirements of IFRS 15 for determining when a performance obligation is satisfied in order to determine whether the transfer of an asset is accounted for as a sale of that asset.

If the transfer of an asset by the seller-lessee does not satisfy the requirements of IFRS 15 to be accounted for as a sale of the asset, the seller-lessee continues to recognize the transferred asset and recognizes a financial liability equal to the transfer proceeds. The Group accounts for the financial liability applying IFRS 9.

Presentation in the consolidated statement of cash flows

The Group classifies cash payments for the principal portion of lease liabilities within financing activities and cash payments for the interest portion of the lease liabilities within operating activities.

e) Cost of sales

Cost of sales consists of purchase price of consumer products, including vendor's rebates and subsidies, write-downs and losses of inventories, cost of travel services and costs of obtaining and fulfilling contracts with third-party sellers on the marketplace platform.

Rebates and subsidies

The Group periodically receives considerations from certain vendors, representing rebates for products sold and subsidies for the sales of the vendors' products over a period of time. The rebates are not sufficiently separable from the Group's purchase of the vendors' products and they do not represent a reimbursement of costs incurred by the Group to sell vendors' products. The Group accounts for the rebates received from its vendors as a reduction to costs of purchased goods and therefore the Group records such amounts as a reduction of cost of sales when such sales occur. Vendor rebates typically depend on reaching minimum purchase thresholds for a specified period. When volume rebates can be reasonably estimated based on the Group's past experiences, a portion of the rebates is recognized as the Group makes progress towards the purchase threshold. Subsidies are calculated based on the volume of products sold through the Group and are recorded as a reduction of cost of sales when the sales have been completed and the amount is determinable.

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f) Fulfillment and delivery expenses

Fulfillment and delivery expenses primarily consist of outbound shipping costs, packaging material costs, costs incurred in operating and staffing the Group's fulfillment centers, sorting centers, customer service centers and pickup points, expenses related to payment processing, costs associated with use by these functions of facilities and equipment, such as depreciation expenses, and other related costs. Fulfillment and delivery expenses also include amounts paid to third parties that assist the Group in fulfillment, sorting, delivery and customer service operations. Fulfillment and delivery costs are expensed as incurred.

g) Sales and marketing expenses

Sales and marketing expenses consist primarily of advertising costs and payroll including related expenses for employees involved in marketing and sales activities.

The Group pays commissions to participants in the affiliates program when their customer referrals result in successful product sales and records such costs in sales and marketing expenses. The Group also participates in cooperative advertising arrangements with certain of the Group's vendors and third-party sellers. Sales and marketing costs are expensed as incurred.

h) Technology and content expenses

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

i) General and administrative expenses

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

j) Share-based awards

All of the Group's share-based awards are equity-settled.

Certain employees of the Group receive remuneration in the form of share-based compensation, whereby employees render services as consideration for equity instruments.

The Group issues equity-settled share-based awards, including share options, share appreciation rights and restricted share units, and accounts for these awards in accordance with IFRS 2. The cost of equity-settled share-based awards is measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant using a Black-Scholes valuation model. That cost is recognized as an employee benefits expense, together with a corresponding increase in equity (equity-settled employee benefits reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the consolidated statement of profit or loss and other comprehensive income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Market-based performance criteria are taken into account when determining the fair value at the date of grant. Non-market based performance criteria are taken into account when estimating the number of share-based awards expected to vest. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

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No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified to the employee's benefit, the Company continues to recognize the grant date fair value of the award over the original vesting term. Further, from the modification date through the modified vesting date, the Company recognizes an additional expense for any modification that increases the total fair value of the share-based compensation transaction, or is otherwise beneficial to the employee.

Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

k) Income taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Income taxes are computed in accordance with the laws of the Company's and its subsidiaries' jurisdictions. Taxable income of the Group's companies incorporated in Russia and Cyprus is subject to local income taxes at rates of 20.0% and 12.5%, respectively.

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. A valuation allowance is recorded when it is no longer probable that sufficient taxable profit will be available against which the deductible temporary differences can be recognized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

l) Cash and cash equivalents

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

m) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property, plant and equipment is recognized as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. The Group does not apply any thresholds for capitalising items of property, plant and equipment.

Property, plant and equipment include major expenditures for new assets, improvements and replacement assets that extend the useful lives of assets or increase their revenue-generating capacities. Repair and maintenance costs are expensed as incurred.

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

Land	Indefinite
Buildings	16-50
Engineering facilities	5-30
Warehouse equipment	1-10
Transportation vehicles	4-7
Computer equipment	2-4
Other computer hardware and office facilities	1-10
Other assets	5-20

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

The carrying amount of an item of property, plant and equipment is derecognized on disposal, or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in "Gain / (loss) on disposal of non-current assets, net" in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognized.

Management of the Group reviews the carrying amount of property, plant and equipment for impairment when there is an indication that the carrying amount may exceed the expected recoverable amount.

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n) Inventories

Inventories, consisting of products available for sale, are primarily accounted for using the weighted average cost method, and are valued at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less estimated costs necessary to make the sale. Adjustments are recorded to write down the cost of inventory (including slow-moving merchandise and damaged goods) to the estimated net realisable value based on assumptions about the write-down percentage that is applicable to various aging groups of goods. In determining the allowance percentages on inventories, the Group considers the historical and forecasted demand for inventories and expected selling prices. The Group takes ownership, risks and rewards of the products purchased, but has arrangements to return unsold goods with certain vendors. Write-downs and losses of inventories are recorded in Cost of sales.

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

o) Intangible assets

An intangible asset is recognized if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets are amortized on a straight-line basis over the useful economic life. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in the consolidated statement of profit and loss and other comprehensive income when the asset is derecognized.

Management of the Group reviews the carrying amount of intangible assets for an impairment as a part of the respective cash-generating unit when there is an indication that the carrying amount of such cash-generating unit may exceed the expected recoverable amount.

p) Impairment of long-lived assets

The Group assesses, at each reporting date, whether there is any indication that an asset may be impaired. If any indication exists, the Group estimates the recoverable amount of the asset in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs to sell ("FVLCS") and value in use ("VIU"). In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of profit or loss and other comprehensive income.

q) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

r) Value added tax

Expenses and assets are recognized net of the amount of value added tax ("VAT"), except when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item.

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

s) Financial instruments

Initial recognition and measurement

In accordance with IFRS 9, financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

In accordance with IFRS 9, financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and financial liabilities at amortized cost, as appropriate.

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

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Group's financial assets include cash and cash equivalents, security deposits (accounted for as cash collateral provided to the lessor) and accounts receivable. The Group's financial liabilities include trade and other payables, accrued expenses, lease liabilities, and loans and borrowings including bank overdrafts.

Subsequent measurement

Financial assets and financial liabilities at amortized cost

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

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- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest expense in the consolidated statement of profit or loss and other comprehensive income.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss and other comprehensive income.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all financial assets measured at amortized cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. ECLs are discounted at the effective interest rate of the financial asset in case of long-term assets.

Under IFRS 9, ECLs are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group applies a simplified approach in calculating lifetime ECLs for accounts receivable. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For all other financial assets, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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When determining whether the credit risk of a financial instrument 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.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default – when the counterparty has an external credit rating of 'investment grade' in accordance with the globally understood definition (rating BBB- or higher, based on Standard & Poor's and Fitch ratings);
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term.

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

At each reporting date, the Group assesses whether financial assets carried at amortized cost 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.

Allowances for expected credit losses for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses related to accounts receivable are presented as part of cost of sales.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

t) Convertible instruments

Convertible instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

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

Deferred tax assets

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

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Estimates and assumptions

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

Inventory valuation

Inventory is valued at the lower of cost or net realisable value. Net realisable value represents the estimated selling price less estimated costs necessary to make the sale. Adjustments are recorded to write down the cost of inventory (including slow-moving merchandise and damaged goods) to the estimated net realisable value based on assumptions about the write-down percentage that is applicable to various aging groups of goods. In determining the allowance percentages on inventories, the Group considers the historical and forecasted demand for inventories and expected selling prices. The valuation allowance for inventory represents the difference between cost of inventory and its estimated net realisable value. The changes in estimates may impact the amount of allowance for inventory that may be required. Further details about inventory valuation allowance are provided in note 16.

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

4.1 Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers by type and timing of revenue recognition:

For the year ended December 31, 2020

	At a point in time	Over time	Total revenue
Sales of goods	81,414	—	81,414
Service revenue:			
Marketplace commission	16,503	—	16,503
Delivery services	1,481	280	1,761
Advertising revenue	—	3,965	3,965
Travel ticketing commission	425	20	445
Other revenue	262	—	262
Total service revenue	18,671	4,265	22,936
Total revenue	100,085	4,265	104,350

For the year ended December 31, 2019

	At a point in time	Over time	Total revenue
Sales of goods	53,487	—	53,487
Service revenue:			
Marketplace commission	2,132	—	2,132
Delivery services	1,574	184	1,758
Advertising revenue	—	1,421	1,421
Travel ticketing commission	950	237	1,187
Other revenue	119	—	119
Total service revenue	4,775	1,842	6,617
Total revenue	58,262	1,842	60,104

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For the year ended December 31, 2018

	At a point in time	Over time	Total revenue
Sales of goods	33,920	—	33,920
Service revenue:			
Marketplace commission	45	—	45
Delivery services	1,595	—	1,595
Advertising revenue	—	282	282
Travel ticketing commission	991	283	1,274
Other revenue	104	—	104
Total service revenue	2,735	565	3,300
Total revenue	36,655	565	37,220

4.2 Contract balances

The following table provides information about the Group's accounts receivable and contract liabilities from contracts with customers:

	2020	2019
Accounts receivable (included in the total accounts receivable in note 17)	1,550	787
Contract liabilities (note 23)	(5,231)	(1,402)

Contract liabilities include customer advances, unredeemed gift certificates, deferred revenue of Ozon Premium, incentive fees from the depository and loyalty points not yet redeemed. The outstanding balances of contract liabilities increased in 2020 due to the continuous increase in the Group's customer base.

4.3 Right of return assets and refund liabilities

The following table provides information about the Group's right of return assets and refund liabilities from contracts with customers:

	2020	2019
Right of return assets (note 16)	231	125
Refund liabilities arising from right of return (note 22)	(231)	(124)

5. SEGMENT INFORMATION

The Group has two operating segments, as described below, which are the Group's strategic business units. These business units are managed separately and the results of their operations are reviewed by the chief operating decision maker (CODM) on a regular basis for the purpose of making decisions about resource allocation and performance assessment.

Ozon.ru – sales of multi-category consumer products through our Ozon mobile app and our Ozon website; and

Ozon.travel – sales of airline and train tickets through our Ozon.Travel mobile app and our Ozon.Travel website.

Ozon.ru represents over 99%, 98% and 96% of the Group's revenue for the years ended December 31, 2020, 2019 and 2018, respectively, therefore, the Group presents Ozon.ru as the only reportable operating segment, as this reflects the consolidated view of operating segments noted above.

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6. FULFILLMENT AND DELIVERY EXPENSES

	2020	2019	2018
Employee-related cost	8,417	6,029	3,632
Outsourcing services	5,103	1,889	535
Delivery fees	3,909	1,783	844
Depreciation and amortization	3,690	1,643	337
Transportation services and vehicle maintenance	3,367	2,097	897
Fees for cash collection	2,795	1,447	789
Premises maintenance and packaging costs	1,589	1,032	530
Share-based compensation expense (reversal)	53	19	(18)
Premises rental	—	—	416
Other fulfillment and delivery expenses	1,753	869	270
	<u>30,676</u>	<u>16,808</u>	<u>8,232</u>

7. SALES AND MARKETING EXPENSES

	2020	2019	2018
Online marketing	5,447	4,553	2,150
Employee-related cost	2,265	1,178	703
Offline media	1,502	1,146	344
Share-based compensation expense (reversal)	81	14	(42)
Other sales and marketing expenses	720	262	180
	<u>10,015</u>	<u>7,153</u>	<u>3,335</u>

8. TECHNOLOGY AND CONTENT EXPENSES

	2020	2019	2018
Employee-related cost	3,490	2,956	1,826
IT and telecommunication services	615	446	222
Share-based compensation expense	152	16	18
Other technology and content expenses	137	102	57
	<u>4,394</u>	<u>3,520</u>	<u>2,123</u>

9. GENERAL AND ADMINISTRATIVE EXPENSES

	2020	2019	2018
Employee-related cost	1,600	924	680
Depreciation and amortization	1,273	947	150
Share-based compensation expense	358	141	124
Premises rental	—	—	428
Other general and administrative expenses	498	378	360
	<u>3,729</u>	<u>2,390</u>	<u>1,742</u>

10. INVESTMENT IN ASSOCIATE

The Group has a 42.27% interest in Litres Holdings Limited (together with its subsidiaries “Litres”), which is incorporated and domiciled in Cyprus. Litres is a leading distributor of e-books and audiobooks in Russia. Litres is not publicly listed. The Group accounts for the investment in Litres using the equity method.

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The following table summarizes the financial information of Litres as included in its own consolidated financial statements, adjusted for fair value adjustments at acquisition (disclosed below separately) and differences in accounting policies. The table also reconciles the summarized financial information to the carrying amount of the Group's interest in Litres.

	December 31, 2020	December 31, 2019	
Current assets	805	713	
Non-current assets	360	267	
Current liabilities	(951)	(682)	
Non-current liabilities	(2)	(19)	
Net assets of the associate	212	279	
Group's share of net assets – 42.27% (2019: 42.27%)	90	118	
Goodwill	964	964	
Fair value adjustments (including the effect of the subsequent accounting)	57	57	
Group's carrying amount of the investment	1,111	1,139	

	2020	2019	2018
Revenue	5,077	3,823	2,600
Profit for the year	278	168	236
Other comprehensive income	—	—	—
Total comprehensive income	278	168	236
The Group's share of profit before fair value adjustments	118	71	99
Amortization of assets based on their fair values at acquisition	(6)	(17)	(17)
The Group's share of total comprehensive income	112	54	82

The movement of the investment in Litres is presented below:

	December 31, 2020	December 31, 2019
Carrying amount of the investment at the beginning of the year	1,139	1,156
Share of total comprehensive income	112	54
Dividends received / receivable	(140)	(71)
Carrying amount of the investment at the end of the year	1,111	1,139

The associate had no contingent liabilities or capital commitments as at December 31, 2020 and 2019.

11. OTHER NON-OPERATING EXPENSES

In November 2020, the Company and Sberbank of Russia PJSC ("Sberbank") reached an agreement relating to an alleged breach of an exclusivity undertaking contained in the term sheet that had been entered into between the Company, its principal shareholders and Sberbank in June 2020. The agreement resolved all disputes and waived any claims against each other relating to the term sheet and confirmed absence of any known non-contractual claims between the Company and Sberbank. While the Company did not admit any breach nor concede any liability under the term sheet, the Company agreed under the settlement agreement to pay Sberbank 1,000 (reported as an operating cash outflow in the cash flow statement).

12. INCOME TAX

The major components of income tax expense / benefit for the years ended December 31, 2020, 2019 and 2018 are:

	2020	2019	2018
Current income tax expense	(111)	(9)	(1)
Deferred tax (expense) / benefit	(119)	188	(62)
Tax provision	—	37	(10)
Income tax (expense) / benefit for the year	(230)	216	(73)

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The major part of the Group's pre-tax losses and income tax expenses / benefits is generated in Russia. Pre-tax gains or losses of the Group's companies in Cyprus mainly relate to foreign exchange gains and losses and other items which are generally non-taxable (non-deductible) in that jurisdiction. These items affect pre-tax loss but do not have any impact on income tax expense / benefit.

Below is a reconciliation of theoretical income tax based on the Russian statutory income tax rate of 20% to the actual tax recorded in the consolidated statement of profit or loss and other comprehensive income:

	2020	2019	2018
Loss before income tax	(22,034)	(19,579)	(5,588)
Income tax benefit calculated at Russia's statutory tax rate (20%)	4,407	3,915	1,118
Effect of unrecognized deferred tax assets	(3,669)	(3,463)	(1,100)
Effect of non-deductible expenses in determining taxable profit	(559)	(234)	(94)
Effect of accrued tax provision	—	37	(10)
Effect of foreign exchange loss that is exempt from taxation	(409)	(39)	13
Income tax (expense) / benefit for the year	(230)	216	(73)

Set out below is the summary of deferred tax assets and liabilities as at December 31, 2020 and 2019:

	Consolidated statement of financial position as at December 31,		Consolidated statement of profit or loss and OCI	
	2020	2019	2020	2019
Deferred tax assets arising from:				
Tax losses carried forward	8,739	5,557	3,182	3,463
Inventories	298	232	66	190
Leases	248	114	134	114
Employee benefits	195	87	108	(1)
Accounts receivable and advances paid	80	57	23	33
Loyalty points program	21	3	18	(12)
Prepaid and accrued expenses	8	5	3	(33)
Other items	15	—	15	—
Total deferred tax assets	9,604	6,055	3,549	3,754
less: unrecognized deferred tax assets	(9,226)	(5,557)	(3,669)	(3,463)
Total deferred tax assets, net of unrecognized deferred tax assets	378	498	(120)	291
Deferred tax liabilities arising from:				
Property, plant and equipment	(311)	(352)	41	(110)
Accrued revenue	(89)	(49)	(40)	6
Other items	—	—	—	1
Total deferred tax liabilities	(400)	(401)	1	(103)
Net deferred tax asset / (liability)	(22)	97	—	—
Net deferred tax asset	44	253	—	—
Net deferred tax liability	(66)	(156)	—	—
Deferred tax (expense) / benefit	—	—	(119)	188

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Deferred tax assets have not been recognized in respect of tax losses and other deductible temporary differences in the cumulative amounts of 43,700 and 2,430, respectively, as at December 31, 2020, and tax losses in the amount of 27,785 as at December 31, 2019. The tax losses and deductible temporary differences do not expire. Deferred tax assets have not been recognized in respect of tax losses and other deductible temporary differences, because it is not probable that sufficient taxable profit will be available in the foreseeable future against which the Group will be able to utilize the respective benefits.

13. EARNINGS PER SHARE (EPS)

Basic EPS is calculated by dividing the profit / (loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

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

At December 31, 2020, 2019 and 2018, outstanding share-based awards and a convertible loan recognized as a financial liability were excluded from the diluted weighted average number of ordinary shares calculation because their effect would have been antidilutive.

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

	2020	2019	2018
Loss attributable to the parent entity	(22,264)	(19,363)	(5,661)
Effects of the settlement of preference shares classified as equity	33	15	29
Loss attributable to ordinary equity holders of the parent entity	(22,231)	(19,348)	(5,632)
Weighted average number of ordinary shares	164,605,952	128,597,975	92,999,825
Basic and diluted loss per share (RUB)	(135.1)	(150.4)	(60.6)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements.

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14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Engineering facilities	Warehouse equipment	Transportation vehicles	Computer equipment	Other computer hardware and office facilities	Construction in-progress	Total
Cost									
Balance at January 1, 2019	80	1,279	221	1,733	172	588	800	660	5,533
Additions	—	—	—	—	—	—	—	3,833	3,833
Transfer	—	544	68	2,070	—	445	1,124	(4,251)	—
Reclassification to right-of-use assets	—	—	—	—	(118)	—	—	—	(118)
Disposals	—	—	—	(10)	—	(13)	(16)	—	(39)
Balance at December 31, 2019	80	1,823	289	3,793	54	1,020	1,908	242	9,209
Additions	—	—	—	—	—	—	—	6,618	6,618
Transfer	—	—	14	4,240	—	792	1,452	(6,498)	—
Disposals	—	—	—	(93)	—	(80)	(113)	—	(286)
Balance at December 31, 2020	80	1,823	303	7,940	54	1,732	3,247	362	15,541
Accumulated depreciation									
Balance at January 1, 2019	—	(135)	(109)	(419)	(79)	(140)	(335)	—	(1,217)
Charge for the year	—	(38)	(19)	(352)	(7)	(250)	(213)	—	(879)
Reclassification to right-of-use assets	—	—	—	—	33	—	—	—	33
Disposals	—	—	—	5	—	10	15	—	30
Balance at December 31, 2019	—	(173)	(128)	(766)	(53)	(380)	(533)	—	(2,033)
Charge for the year	—	(40)	(24)	(755)	(1)	(495)	(534)	—	(1,849)
Disposals	—	—	—	80	—	74	56	—	210
Balance at December 31, 2020	—	(213)	(152)	(1,441)	(54)	(801)	(1,011)	—	(3,672)
Carrying amounts									
Balance at December 31, 2019	80	1,650	161	3,027	1	640	1,375	242	7,176
Balance at December 31, 2020	80	1,610	151	6,499	—	931	2,236	362	11,869

The accompanying notes are an integral part of these financial statements

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As at December 31, 2020, the Group pledged part of its property, plant and equipment with a carrying amount of 297 (December 31, 2019: 1,238) in order to fulfil the collateral requirements for certain Group's borrowings (note 20).

15. LEASES

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

	Right-of-use assets					Lease liabilities
	Fulfillment and sorting centers	Office premises	Pick-up points	Vehicles	Total	
As at January 1, 2019	1,295	3,898	256	85	5,534	5,333
Additions	3,064	495	1,016	796	5,371	5,171
Remeasurement / modification	(65)	27	10	—	(28)	(28)
Reclassification	31	—	(31)	—	—	—
Depreciation expense	(636)	(660)	(167)	(145)	(1,608)	—
Interest expense	—	—	—	—	—	833
Payments	—	—	—	—	—	(1,700)
As at December 31, 2019	3,689	3,760	1,084	736	9,269	9,609
Additions	5,931	435	1,503	574	8,443	8,275
Remeasurement / modification	145	—	(2)	—	143	143
Change in use of leased premises	518	(518)	—	—	—	—
Disposals	(25)	(6)	(232)	—	(263)	(275)
Adjustment of lease payments	—	—	—	—	—	(21)
Depreciation expense	(1,320)	(647)	(682)	(364)	(3,013)	—
Interest expense	—	—	—	—	—	1,299
Payments	—	—	—	—	—	(3,540)
As at December 31, 2020	8,938	3,024	1,671	946	14,579	15,490

The Group recognized variable lease payments of 169 for the year ended December 31, 2020 (2019: 93).

Lease commitments

The Group entered into lease contracts for offices, fulfillment and sorting centers that have not yet commenced as at December 31, 2020. The lease terms are from 3 to 10 years. The future lease payments for these lease contracts are 848 during 2021, 6,175 from 2022 to 2024, 6,730 from 2025 to 2027 and 5,368 thereafter.

16. INVENTORIES

	December 31, 2020	December 31, 2019
Merchandise held for resale	15,977	11,439
Right of return assets	231	125
Other inventories	216	119
Inventory valuation allowance	(1,082)	(909)
	15,342	10,774

In 2020, inventories of 75,929 (2019: 49,524) were recognized as an expense during the year, in which the related revenue is recognized, and included in cost of sales. In addition, the Group recorded 4,871 (2019: 2,488) of rebates and subsidies from certain vendors which were recognized as a reduction of cost of sales.

In 2020, inventories were reduced by 173 (2019: 703) as a result of the write-down to net realizable value. In addition, losses of inventories amounted to 309 (2019: 514). The write-downs and losses of inventories were recognized as an expense during the period and included in cost of sales.

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17. ACCOUNTS RECEIVABLE

	December 31, 2020	December 31, 2019
Accounts receivable	3,451	2,826
Allowance for expected credit losses and impaired receivables	(46)	(83)
	<u>3,405</u>	<u>2,743</u>

Set out below is the movement in the allowance for expected credit losses of accounts receivable:

	2020	2019
Balance at the beginning of the year	(83)	(94)
Allowance for expected credit losses	(20)	(17)
Amounts written off during the year as uncollectable	57	28
Balance at the end of the year	<u>(46)</u>	<u>(83)</u>

Information about the Group's exposure to credit and market risks is presented in note 26.

18. CASH AND CASH EQUIVALENTS

	December 31, 2020	December 31, 2019
Short-term deposits	59,331	1,955
Current bank accounts	43,749	701
Cash in transit	606	320
Petty cash	16	27
Cash and cash equivalents in the consolidated statements of financial position	103,702	3,003
Bank overdrafts	—	(9)
Cash and cash equivalents in the consolidated statements of cash flows	<u>103,702</u>	<u>2,994</u>

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Information about the credit risk over cash and cash equivalents is presented in note 26.

19. SHARE CAPITAL, SHARE PREMIUM AND OTHER CAPITAL RESERVES

Capital reorganization

In October 2020, pursuant to a special resolution at a general meeting of shareholders, the Company

- converted all issued redeemable preference shares into ordinary shares and eliminated redeemable preference shares as a separate class of shares; and
- made a 25-for-1 split of its ordinary shares. All shares, per-share amounts and related information in these consolidated financial statements have been retroactively adjusted, where applicable, to reflect the impact of the share split and are presented on a split-adjusted basis; and
- increased the authorized share capital by the creation of additional 374,999,998 ordinary shares of USD 0.001 each and two class A shares of USD 0.001 each up to 559,999,998 ordinary shares and two class A shares and issued one class A share to each of its major shareholders, Sistema PJSC and Baring Vostok. Each class A share confers the right to appoint and remove two directors so long as such class A shareholder holds at least 15% of voting power of the ordinary shares or one director so long as such class A shareholder holds less than 15% but at least 7.5% of voting power of the ordinary shares and each ordinary share has the right to one vote at a meeting of shareholders.

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	Authorised		Issued and fully paid	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Ordinary shares of USD 0.001 each	559,999,998	147,525,950	203,729,958	137,472,875
Preference shares of USD 0.001 each	—	9,974,050	—	134,575
Class A shares of USD 0.001 each	2	—	2	—
	560,000,000	157,500,000	203,729,960	137,607,450

Share capital and share premium

	Quantity		Share capital	Share premium
	Ordinary shares	Preference shares		
At January 1, 2019	98,780,600	91,675	4	15,484
Issue of shares from a conversion of loans	38,692,275	—	2	16,558
Issue of shares upon exercise of share-based awards	—	42,900	—	15
Transaction costs	—	—	—	(4)
At December 31, 2019	137,472,875	134,575	6	32,053
Issue of shares in the IPO	37,950,000	—	3	85,899
Issue of shares in the private placement	4,500,000	—	—	10,186
Issue of shares from a conversion of loans	23,484,183	—	2	11,088
Issue of shares upon exercise of share-based awards	—	188,325	—	33
Conversion of preference shares	322,900	(322,900)	—	—
Issue of Class A shares	2	—	—	—
Transaction costs	—	—	—	(5,820)
At December 31, 2020	203,729,960	—	11	133,439

On November 27, 2020, the Group issued an aggregate of 37,950,000 ordinary shares, represented by the ADSs, in the IPO on Nasdaq. In addition, the Group issued 4,500,000 ordinary shares to the existing shareholders, Sistema PJSFC and Baring Vostok, in concurrent private placements.

The Group received 90,480 in net proceeds from the IPO and the concurrent private placement after deducting underwriting commissions and other transaction costs. The Group incurred 5,820 of total expenses (transaction costs) in connection with the IPO, which included 5,512 of underwriting commissions (withheld by underwriters from the proceeds) and 308 of other transaction costs directly related to the offering.

Other capital reserves

From January to April 2020, the Group received 6,196 under the convertible loan agreements with its existing shareholders. In October-November 2020, the Group converted these loans (together with 1,043 of the loans not converted as at December 31, 2019) into 15,086,709 ordinary shares of the Company.

20. BORROWINGS

	Effective interest rate	Currency	Maturity	December 31, 2020	December 31, 2019
				Amount, incl. accrued interest	Amount, incl. accrued interest
Convertible loan	n/a	RUB	n/a	—	3,594
Bank loans	15.0%	RUB	March 2021	6,639	246
Equipment financing	9.8%	RUB	2021-2030	2,809	267
Bank overdrafts	n/a	RUB	n/a	—	9
Total				9,448	4,116
Current				7,125	3,950
Non-current				2,323	166

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Convertible loan

In December 2020, the Group converted the loan of 3,594 from a third party into 8,397,474 ordinary shares of the Company.

Bank loans

In March 2020, the Group received 6,000 in cash under a one-year loan facility agreement with a third party. In order to secure financing under the loan, the Group pledged shares of its key operating subsidiary. In January 2021, this loan was repaid in full (note 28). The pledge was released after the full repayment of the loan.

Equipment financing

The Group ("the seller-lessee") entered into a sale and leaseback of warehouse equipment and fulfillment center with third parties ("the buyers-lessors"). The Group has determined that these sale and leaseback transactions do not meet the requirements of IFRS 15 to be accounted for as a sale of the asset. The Group continued to account for the warehouse equipment and fulfillment center as part of property, plant and equipment and recognized financial liabilities equal to the transfer proceeds.

The Group pledged part of its property, plant and equipment to fulfil collateral requirements under a sale and leaseback transaction. Refer to note 14 for details.

21. TRADE AND OTHER PAYABLES

	December 31, 2020	December 31, 2019
Trade payables	32,437	18,725
Payables to third-party sellers on the marketplace platform	9,437	1,912
Payables under the reverse factoring program	223	—
Payroll payables, including related taxes	372	299
Other payables	154	306
Total	42,623	21,242
Current	42,545	21,242
Non-current	78	—

The average credit period on domestic purchases of certain goods is 1-4 months. No interest is charged on the trade payables from the invoice received. Information about the Group's exposure to currency and liquidity risk in relation to its trade and other payables is included in note 26.

The Group participates in a reverse factoring program under which its suppliers may elect to receive early payment of their invoice from a bank by factoring their receivable from the Group. Under the arrangement, a bank agrees to pay amounts to a participating supplier in respect of invoices owed by the Group and receives settlement from the Group at a later date. From the Group's perspective, the arrangement does not significantly extend payment terms beyond the normal terms agreed with other suppliers that are not participating.

The Group has not derecognized the original liabilities to which the arrangement applies because neither a legal release was obtained nor the original liability was substantially modified on entering into the arrangement. The Group includes the amounts factored by suppliers within trade payables because the nature and function of the financial liability remain the same as those of other trade payables.

The payments to the bank are included within operating cash flows because they continue to be part of the normal operating cycle of the Group and their principal nature remains operating. The payments to a supplier by the bank are considered non-cash transactions.

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22. ACCRUED EXPENSES

	December 31, 2020	December 31, 2019
Holiday provision, including payroll related taxes	665	351
Provision for reimbursements to third-party sellers	407	256
Employee bonuses, including payroll related taxes	309	86
Refund liability	231	124
Tax provisions	65	90
Total	1,677	907

23. CUSTOMER ADVANCES AND DEFERRED INCOME

	December 31, 2020	December 31, 2019
Customer advances	3,763	972
Unredeemed gift certificates	864	374
Upfront fees under ADS program	408	—
Loyalty points program	148	15
Ozon Premium	48	41
Total	5,231	1,402
Current	4,825	1,402
Non-current	406	—

24. SHARE-BASED COMPENSATION

The Group maintains the 2020 Equity Incentive Plan (the “EIP” or “2020 Plan”) and its predecessor, the 2018 Equity Incentive Plan (the “2018 Plan”). The Group also has outstanding awards under a 2018 Equity Incentive Agreement (“2018 EIA”) and a 2009 Stock Option Agreement (“2009 SOA”).

The EIP

The 2020 Plan was approved by the Company’s Board of Directors on December 21, 2020. Awards under the 2018 Plan have been amended and are now subject to the same terms as the 2020 Plan. Subsequently, on January 27, 2021, the Company registered 30,800,000 ordinary shares available for issuance under the 2020 Plan, including in respect of previously granted awards. The EIP authorizes the grant of equity awards in the form of restricted share units (“RSUs”), share appreciation rights (“SARs”) or stock options (“Options”) to employees, consultants and advisors of the Group.

Under the 2020 Plan, all awards will expire on the tenth anniversary of the date of grant or, in the case of an award that has vested but not lapsed, if earlier, 90 days after the date on which the recipient ceases to be an eligible participant. All vested awards remain exercisable until delivery of an acquisition notice by participant to the Company. Awards under the 2020 Plan generally vest over a four-year period. 1/16 of each award vests at the end of each calendar quarter following the grant of the award. Awards provide the participant with the right to receive ADSs (while ADSs remain listed) immediately upon vesting or any other date after the vesting.

2018 EIA

The 2018 EIA represents a share option agreement between the Company and Mr. Shulgin, Chief Executive Officer of the Company’s key operating subsidiary, Internet Solutions LLC, to purchase, in whole or in part, subject to vesting and other terms, at his voluntary decision or mandatory upon occurrence of some events such as control stake sale transaction as defined in the Company’s articles of association or on the tenth anniversary from the award date up to 1,058,275 ordinary shares of the Company. The exercise price per option will be determined by a certain formula based on a total exercise price of USD 4 million and 8% p.a. interest rate. The option has vested but has not been exercised as of the date of these consolidated financial statements. The shares can be acquired by the payment of the exercise price or on a net basis by forfeiting rights to a portion of shares.

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2009 SOA

The 2009 SOA is an agreement made between the Company and its former CEO, Bernard Lukey, giving Mr. Lukey the right to purchase up to 500,000 ordinary shares exercisable after a vesting period, which has now been completed, and up to June 10, 2021 at an exercise price of USD 1.95304 per share.

Awards are, other than upon retirement or in exceptional circumstances, subject to the condition that the contractual arrangement with the recipient remains in place at the time of exercise. No amounts are paid or payable by the recipient on receipt of the award, except for purchase price of USD 1.5 million paid in 2018 by the participant under the 2018 EIA. The awards do not carry voting rights. The number of shares to which each award relates and the vesting conditions of awards granted to participants are approved by the Board of Directors.

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

	Weighted average remaining contractual life (in years)	Options		SARs		RSUs	
		Quantity	Weighted average exercise price per share, RUB	Quantity	Weighted average exercise price per share, RUB	Quantity	Weighted average grant date fair value per share
As at December 31, 2018	8.6	1,558,275	240	833,650	258	4,905,000	324
Granted	—	—	—	—	—	3,207,875	428
Forfeited	—	—	—	(180,750)	260	(1,795,000)	340
As at December 31, 2019	8.2	1,558,275	240	652,900	257	6,317,875	364
Granted	—	—	—	—	—	5,288,725	1,713
Exercised	—	—	—	(8,050)	260	(187,850)	326
Forfeited	—	—	—	(121,036)	258	(1,008,163)	411
As at December 31, 2020	8.2	1,558,275	240	523,814	257	10,410,587	1,047
Exercisable as at December 31, 2020	6.8	1,558,275	240	506,494	257	3,140,056	355

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Stock-based compensation expense

Stock-based compensation expense is allocated based on the cost center to which the award holder belongs. The following table summarizes total stock-based compensation expense / (reversal) by function for the years ended December 31, 2020, 2019 and 2018.

	2020	2019	2018
Fulfillment and delivery (note 6)	53	19	(18)
Sales and marketing (note 7)	81	14	(42)
Technology and content (note 8)	152	16	18
General and administrative (note 9)	358	141	124
	<u>644</u>	<u>190</u>	<u>82</u>

Measurement of fair values

The fair values of awards have been measured using the Black-Scholes model. The weighted average inputs used in the measurement of the fair values at grant date of the equity incentive plans for the years ended December 31, 2020, 2019 and 2018 are the following:

	2020	2019	2018
Expected annual volatility	48%	45%	42%
Expected term, years	4	4	4
Dividend yield	None	None	None
Risk-free interest rate	5.7%	7.3%	7.4%

Expected volatility. Because the Company's shares are publicly traded since November 24, 2020, expected volatility has been estimated based on an analysis of the historical share price volatility of comparable public companies for a preceding period equal to 4 years.

Expected term. The expected terms of the instruments have been based on general award holder behavior. Where relevant, the expected life has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioral considerations.

Dividend yield. Expected dividend yield is nil, the Company did not declare any dividends with respect to 2018, 2019 and 2020 and does not have any plans to pay dividends in the near term.

Risk-free rates were assessed based on Russian government bonds yield for RUB-denominated awards and US Treasury bonds yield for USD-denominated awards.

Fair value of ordinary share

Subsequent to the Company's IPO in November 2020, the fair value of ordinary share was determined on the grant date using the closing price of the Company's ADS traded on Nasdaq.

Prior to the IPO, the absence of an active market for the Company's ordinary shares required the Board of Directors, the members of which the Company believes have extensive business, finance and venture capital experience, to determine the fair value of its ordinary share to grant stock-based awards and to calculate stock-based compensation expense. The Company obtained contemporaneous third-party valuations to assist the Board of Directors in determining fair value.

Factors taken into consideration in assessing the fair value of the Company's ordinary share included: the sale of the Company's shares to investors in private offerings; the Company's capital resources and financial condition; the likelihood and timing of achieving a qualifying event, such as an IPO or sale of the Company

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given prevailing market conditions; the Company's historical operating and financial performance as well as the Company's estimates of future financial performance; valuations of comparable companies; the hiring of key personnel; the status of the Company's development, product introduction and sales efforts; industry information such as market growth and volume and macro-economic events; and, additional objective and subjective factors relating to its business.

25. RELATED PARTIES

Notes 10 and 19 provide information about the Group's ownership structure and investment in an associate. The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

		Sales to related parties	Purchases from related parties	Amounts owed by related parties*	Amounts owed to related parties*
Entities with significant influence over the Group:					
Sistema PJSFC	2020	—	193	—	9
Sistema PJSFC	2019	—	309	—	18
Sistema PJSFC	2018	5	226	—	15
Associate:					
Litres	2020	6	11	144**	2
Litres	2019	5	6	1	3
Litres	2018	5	1	—	1

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

** Including 141 of accrued but not paid dividends for the year ended December 31, 2020.

The Group has several accounts at MTS-Bank PJSC (a subsidiary of Sistema PJSFC), related party, including short-term deposit accounts. As at December 31, 2020 total cash balance of the Group's current and deposit accounts at MTS-Bank PJSC was 86 (December 31, 2019: 26). In 2020, the Group received interest income of 2 (2019: 37) from holding short-term deposits at MTS-Bank PJSC.

Purchases from Sistema PJSFC (as a group of companies) relate mainly to the purchases of telecommunication services (phone service, internet, etc.), payment processing services and agent services (cash collection from the Group's customers). Purchases from Litres relate to the subscription for the library of e-books. Sales to Litres relate to the commission for the participation in the affiliates program when the Group's customer referrals result in successful sales by Litres.

Outstanding balances with related parties at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended December 31, 2020, the Group recognized no provision for expected credit losses relating to amounts owed by related parties (2019 and 2018: nil).

Transactions with key management personnel

The remuneration of key management personnel for the year ended December 31, 2020, 2019 and 2018 amounted to:

	2020	2019	2018
Short-term employee benefits (i)	53	33	31
Share-based compensation expense (ii)	224	93	188
	<u>277</u>	<u>126</u>	<u>219</u>

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- i. Short-term benefits include salaries, bonuses, paid annual leave and social security contributions.
- ii. Amounts related to the participation of the key management personnel in the incentive scheme posted in consolidated statements of profit or loss and other comprehensive income.

26. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL MANAGEMENT

26.1 Financial assets and financial liabilities

The following table shows the carrying amounts of financial assets and financial liabilities. The Group does not hold any financial assets and financial liabilities other than those measured at amortized cost. Management assessed that the carrying values of the Group's financial assets and financial liabilities measured at amortized cost are a reasonable approximation of their fair values.

	December 31, 2020	December 31, 2019
Financial assets measured at amortized cost		
Cash and cash equivalents (note 18)	103,702	3,003
Accounts receivable (note 17)	3,405	2,743
Security deposits	332	213
Other financial assets	111	—
Total financial assets	107,550	5,959
Financial liabilities measured at amortized cost		
Trade and other payables (note 21)	42,623	21,242
Lease liabilities (note 15)	15,490	9,609
Borrowings (note 20)	9,448	4,116
Accrued expenses (note 22)	1,677	907
Total financial liabilities	69,238	35,874

26.2 Financial risk management

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. The Group has exposure to the following risks arising from financial instruments: market risk, credit risk and liquidity risk.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods.

26.2.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk, which mostly impacts the Group, comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include cash and cash equivalents, accounts receivable and trade and other payables.

The Group does not enter into any derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates is currently limited as the Group manages its interest risk having all its cash deposits and its borrowings at fixed rates of interest.

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Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

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

	USD denominated		EUR denominated	
	2020	2019	2020	2019
Assets	68,224	148	58	34
Liabilities	(314)	(32)	(94)	(27)
Net position	67,910	116	(36)	7

The Group keeps part of its cash and cash equivalents in USD and EUR interest-bearing accounts to manage against the risk of RUB decline or devaluation, and also to match its foreign currency liabilities.

Foreign currency sensitivity

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

	Change in foreign exchange rates	Effect on profit before tax
Year ended December 31, 2020		
USD	+30%/-30%	20,373/(20,373)
EUR	+30%/-30%	(11)/11
Year ended December 31, 2019		
USD	+30%/-30%	35/(35)
EUR	+30%/-30%	2/(2)

26.2.2 Credit risk

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

Accounts receivable

The Group's accounts receivable mainly consist of amounts due from vendors (advertising services, rebates and subsidies). Accounts receivable owed by vendors have low credit risk because the debtors have a strong capacity to meet their contractual cash flow obligations in the near term.

The table below reflects the allowance for expected credit losses of accounts receivable by customer types:

	December 31, 2020	December 31, 2019
Cash collectors	20	66
Others	26	17
Total allowance for expected credit losses	46	83

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Generally, accounts receivable are written-off if past due for more than three years. The maximum exposure to credit risk at the reporting date is the carrying value of accounts receivable disclosed in note 17.

Cash and cash equivalents

The Group held cash and cash equivalents of 103,702 at December 31, 2020 (2019: 3,003). The cash and cash equivalents are primarily held with banks, which are rated not less than BBB- to BBB, based on Standard & Poor's and Fitch ratings. As at December 31, 2020, the Group held over 99% of its cash and cash equivalents with banks having external credit ratings of BBB-/BBB (2019: 97%).

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. No impairment allowance was recognized at December 31, 2020 (2019: nil).

26.2.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they fall due. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

	On demand	Within 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
2020						
Trade and other payables	—	42,545	78	—	—	42,623
Borrowings	—	7,582	1,121	572	1,521	10,796
Lease liabilities	—	4,763	7,637	4,845	2,865	20,110
Accrued expenses	—	1,677	—	—	—	1,677
Total financial liabilities	—	56,567	8,836	5,417	4,386	75,206
	On demand	Within 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
2019						
Trade and other payables	—	21,242	—	—	—	21,242
Borrowings	3,840	110	166	—	—	4,116
Lease liabilities	—	2,737	5,042	3,183	1,613	12,575
Accrued expenses	—	907	—	—	—	907
Total financial liabilities	3,840	24,996	5,208	3,183	1,613	38,840

26.3 Changes in liabilities arising from financing activities

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

	January 1, 2020	Financing cash flows	Leases (non-cash)	Conversion of the loan into equity	Other	December 31, 2020
Borrowings	4,116	8,212	—	(3,594)	714	9,448
Lease liabilities	9,609	(2,296)	8,122	—	55	15,490
	13,725	5,916	8,122	(3,594)	769	24,938

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	January 1, 2019	Financing cash flows	Leases (non-cash)	Other	December 31, 2019
Borrowings	409	3,603	—	104	4,116
Lease liabilities	5,333	(867)	5,143	—	9,609
	<u>5,742</u>	<u>2,736</u>	<u>5,143</u>	<u>104</u>	<u>13,725</u>

The 'Other' column includes the effect of accrued but not yet paid interest on the Group's borrowings and lease liabilities. The Group classifies interest paid as cash flows from operating activities.

26.4 Capital management

The Group manages its capital to ensure that companies in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net cash (cash and cash equivalents offset by borrowings as detailed in note 20) and equity (as detailed in the consolidated statements of financial position).

In order to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to the borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call borrowings.

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2020 and 2019.

27. CONTINGENCIES

Legal proceedings

The Group has been and continues to be the subject of legal proceedings and adjudications from time to time, none of which has had, individually or in the aggregate, a material adverse impact on the Group. Management believes that the resolution of all current and potential legal matters will not have a material adverse impact on the Group's financial position or operating results.

Russian Federation tax and regulatory environment

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

Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed. A tax year generally remains open for review by the tax authorities during the three subsequent calendar years. Under certain circumstances reviews may cover longer periods.

The Group estimates that possible exposure in relation to the above mentioned risks, as well as other tax risks (e.g. unjustified tax benefits), that are more than remote, but for which no liability is required to be recognized, could be up to approximately 169. This estimation is provided for possible taxes disclosure only and should not be considered as an estimate of the Group's potential tax liability.

Operating environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation, which display the characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which contribute together with other legal and fiscal impediments to the challenges faced by entities operating in the Russian Federation.

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Starting in 2014, the United States of America, the European Union and some other countries have imposed and gradually expanded economic sanctions against a number of Russian individuals and legal entities. The imposition of the sanctions has led to increased economic uncertainty, including more volatile equity markets, a depreciation of the Russian Ruble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. As a result, some Russian entities may experience difficulties accessing the international equity and debt markets and may become increasingly dependent on state support for their operations. The long-term effects of the imposed and possible additional sanctions are difficult to determine.

The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

COVID-19

In March 2020, the World Health Organization declared the COVID-19 virus a global pandemic. The highly contagious disease has spread to most of the countries including Russia, creating a negative impact on customers, workforces, and suppliers, disrupting economies and financial markets, and potentially leading to a worldwide economic downturn. However, the full impact of the COVID-19 outbreak continues to evolve as at the date of issuance of these consolidated financial statements. As such, it is uncertain as to the full magnitude that the pandemic will have on the Group's financial condition, liquidity, and future results of operations.

28. EVENTS AFTER THE REPORTING DATE

In January 2021, the Group repaid all the bank loans outstanding at December 31, 2020 in the amount of 6,639 (note 20).

In February 2021, the Company completed an offering of USD 750 million in aggregate principal amount of 1.875% senior unsecured convertible bonds due 2026 at par. Interest is payable semi-annually in arrears in each year, with the first payment beginning on August 24, 2021. The bonds are convertible into cash, ordinary shares of the Company, represented by the ADSs, or a combination of cash and the ADSs, at the Group's discretion, based the conversion price set at USD 86.6480.

In March 2021, the Company granted to certain employees 314,230 RSUs with zero exercise price. Under this grant, each RSU entitles the recipient, subject to vesting and other terms, to receive on the fourth anniversary from the award date for nil consideration one ordinary share of the Company.

In March 2021, the Company issued 193,358 ordinary shares upon exercise of 200,000 options under 2009 SOA.

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (this “**Agreement**”), is made as of the November 22, 2020, by and among Ozon Holdings PLC, a Cypriot public limited company, having its registered office at 2-4 Arch. Makarios III, 9th Floor Capital Center, Nicosia, Cyprus, registered (the “**Company**”), and each of the investors listed on Schedule A hereto, each of which is referred to in this Agreement as an “**Investor**” and, the Investors together with the Company, the “**Parties**” and each, a “**Party**.”

RECITALS

WHEREAS, the Company is currently contemplating an underwritten initial public offering of its Ordinary Shares (as defined below) in the United States (the “**IPO**” as defined below); and

WHEREAS, the Company desires to grant registration rights to the Investors on the terms and conditions set out in this Agreement;

NOW, THEREFORE, in consideration of the covenants and agreements contained herein, the Parties hereto agree as follows:

1. Definitions. For purposes of this Agreement:

1.1 “**Affiliate**” means, with respect to any specified Person, (i) a Person that directly, or indirectly through one or more intermediaries, Controls, or is Controlled by, or is under common Control with, the specified Person; (ii) a legal entity that shares the same investment management or investment advisory company with, or acts solely as bare nominee holder on behalf of, the specified Person; and (iii) upon any liquidation or other dissolution of a Person which is not a natural person, any Person that is a beneficial owner of the interests held by the entity being liquidated or dissolved.

1.2 “**American Depositary Shares**,” or “**ADSs**” means those certain American Depositary Shares issued pursuant to a deposit agreement by and among the Company, the depositary, and the owners and holders from time to time of American Depositary Shares issued thereunder, as such agreement may from time to time be amended, each initially representing the right to receive Ordinary Share(s) deposited under the deposit agreement.

1.3 “**Baring Vostok Holder**” means a Holder that is a fund entity advised by Baring Vostok Capital Partners Group Limited or any of its successors, or an Affiliate of such Holder.

1.4 “**Board of Directors**” means the board of directors of the Company.

1.5 “**Business Day**” means any day that is not a Saturday, Sunday or U.S. federal holiday or a day on which banking institutions are authorized or required to be closed in Nicosia, Cyprus and Moscow, Russia.

1.6 **“Control”** (including the terms **“Controls”**, **“Controlled”** and **“under common Control with”**) means, with respect to any Person, (i) the ownership, directly or indirectly, of interests representing more than fifty percent (50%) of the voting power of a legal entity; or (ii) having the power to control the management, operations or policies of such Person (whether pursuant to a contract, trust arrangement or otherwise) or (iii) having the power to elect a majority of members to the board of directors or equivalent decision-making body of such legal entity; provided that, all voting power held by entities under common control (including investment funds under common control) shall be aggregated together and attributed to each other such entity under common control for the purpose of determining the voting power percentage of each such entity.

1.7 **“Damages”** means any loss, damage, judgment, claim or liability (joint or several) to which a party hereto may become subject under the Securities Act, the Exchange Act, or other U.S. federal or state law.

1.8 **“Exchange Act”** means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

1.9 **“Excluded Registration”** means (i) a registration relating to the sale or grant of securities to employees of the Company or a subsidiary of the Company pursuant to a stock option, stock purchase, equity incentive or similar plan; (ii) a registration relating to a business combination of the type described under Rule 145; (iii) a registration on any form that does not include substantially the same information as would be required to be included in a Registration Statement covering the sale of the Registrable Securities; or (iv) a registration in which the only Ordinary Shares being registered are Ordinary Shares issuable upon conversion of debt securities that are also being registered.

1.10 **“Foreign Private Issuer”** means a “foreign private issuer” within the meaning of Rule 405 of the Securities Act.

1.11 **“Form F-1”** means such form under the Securities Act as in effect on the date hereof or any successor registration form under the Securities Act subsequently adopted by the SEC for use by a Foreign Private Issuer or, if the Company is no longer a Foreign Private Issuer, a Form S-1 under the Securities Act as in effect on the date hereof or any successor registration form under the Securities Act subsequently adopted by the SEC for use by domestic issuers.

1.12 **“Form F-3”** means such form under the Securities Act as in effect on the date hereof or any registration form under the Securities Act subsequently adopted by the SEC for use by a Foreign Private Issuer that permits incorporation of substantial information by reference to other documents filed by the Company with the SEC or, if the Company is no longer a Foreign Private Issuer, a Form S-3 under the Securities Act as in effect on the date hereof or any registration form under the Securities Act subsequently adopted by the SEC for use by domestic issuers that permits incorporation of substantial information by reference to other documents filed by the Company with the SEC.

1.13 **“Holder”** means any Investor who is a holder of Registrable Securities and who is a party to this Agreement and included in Schedule A or any Permitted Transferee of the such holder.

1.14 **“Immediate Family Member”** means a child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including, adoptive relationships, of a natural person referred to herein.

1.15 “**Investor(s)**” means each of the shareholders of the Company listed in Schedule A, individually, or any group of these Investors, collectively.

1.16 “**Initiating Holder(s)**” means a Holder or Holders, as applicable, who initiate a registration request pursuant to Section 2.1.

1.17 “**IPO**” means the underwritten initial public offering of the Company’s American Depositary Shares, each of which represents one Ordinary Share of the Company, pursuant to an effective Registration Statement under the Securities Act.

1.18 “**Ordinary Shares**” means the ordinary shares of the Company, nominal value U.S.\$0.001 per share.

1.19 “**Permitted Transferee**” means a transferee of Registrable Securities that (i) is an Affiliate of a Holder; (ii) is a Holder’s or an Affiliate of a Holder’s Immediate Family Member or trust for the benefit of an individual Holder or an Affiliate of a Holder, or one or more of Immediate Family Members of such Holder or Affiliate of a Holder or (iii) in the case of a Holder that is a partnership, limited liability company, special purpose company or any equivalent thereof, any partner, shareholder or equivalent thereof of such Holder (provided that the transfer is made in a *pro rata* distribution).

1.20 “**Person**” means any individual, corporation, partnership, trust, limited liability company, association or other entity or group.

1.21 “**Registrable Securities**” means (i) any Ordinary Shares of the Company held by the Holders, (ii) any Ordinary Shares issued or issuable pursuant to the conversion of (x) any convertible or exchangeable securities or (y) preferred shares held by the Holders, (iii) any other securities of the Company held by the Holders issued or issuable with respect any such shares described in clauses (i) and (ii) above by way of a stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization, (iv) any Ordinary Shares issuable upon conversion of any convertible loan instrument held by or beneficially owned by a Holder and (v) any ADSs in respect of any securities described in clause (i), (ii), (iii) or (iv).

1.22 “**Registrable Securities then outstanding**” means the number of Ordinary Shares determined by adding the number of all outstanding Ordinary Shares that are Registrable Securities and the number of Ordinary Shares issuable (directly or indirectly) pursuant to then exercisable and/or convertible securities that are Registrable Securities.

1.23 “**registration**” means a registration with the SEC of the offer and sale to the public of Ordinary Shares under a Registration Statement. The terms “registered,” “registered” and “registering” shall have correlative meaning.

1.24 “**Registration Expenses**” all expenses incurred by the Company in complying with Clauses 2.1, 2.2 and 2.3 hereof, including, without limitation, all registration, filing and qualification fees, underwriters’ expense allowances (other than fees, commission and discounts), printing expenses, fees and disbursements of counsel for the Company, blue sky fees and expenses and expense of any special audits incidental to or required by any such compliance.

1.25 “**Registration Statement**” means any Registration Statement of the Company on Form F-1 or F-3 filed with, or to be filed with, the SEC under the rules and regulations promulgated under the Securities Act, including the related prospectus, amendments and supplements to such Registration Statement, including any post-effective amendments, and all exhibits and all material incorporated by reference in such Registration Statement.

1.26 “**SEC**” means the U.S. Securities and Exchange Commission.

1.27 “**Rule 144**” means Rule 144 promulgated by the SEC under the Securities Act.

1.28 “**Rule 145**” means Rule 145 promulgated by the SEC under the Securities Act.

1.29 “**Securities Act**” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

1.30 “**Selling Expenses**” means all underwriting discounts, fees, selling commissions, and stock transfer taxes applicable to the sale of Registrable Securities, and fees and disbursements of counsel for any Holder.

1.31 “**Shelf Registration Statement**” has the meaning given to such term in Section 2.1(b).

1.32 “**Sistema Holder**” means a Holder that is Sistema Public Joint Stock Financial Corporation or an Affiliate of Sistema Public Joint Stock Financial Corporation.

1.33 “**Underwritten Offering**” means a sale of Registrable Securities to an underwriter or underwriters for reoffering to the public.

1.34 “**WKSJ**” means a well-known seasoned issuer as defined in Rule 405 (or successor rule) promulgated under the Securities Act.

2. Registration Rights. The Company covenants and agrees as follows:

2.1 Demand Registration.

(a) Form F-1 Demand. If at any time after the earlier of (i) one hundred eighty (180) days following the effective date of the Registration Statement for the IPO and (ii) such date, if any, on which the underwriters for the IPO, pursuant to the lock-up agreements between the Investors and Morgan Stanley & Co. LLC and Goldman Sachs & Co. LLC, as representatives of the underwriters for the IPO, consent to the making of a demand for, or the exercise of any right with respect to, the registration of any Registrable Securities, the Company receives a request from any Baring Vostok Holder or Sistema Holder that the Company file a Form F-1 Registration Statement with respect to such number of Registrable Securities that the Initiating Holder(s) indicates in the request and that would reasonably be expected to result in anticipated aggregate offering proceeds, net of Selling Expenses, of at least \$50 million, then (A) the Company shall within five (5) Business Days after the date such request is given, give notice thereof to any Holder who has the right to be an Initiating Holder under this Section 2.1(a), if any, other than the Initiating Holder(s), (B) such Holder

who thereafter wishes to include all or a portion of its Registrable Securities in such registration shall notify the Company thereof in writing within fifteen (15) days after receipt by the Holder of the notice from the Company; and (C) the Company shall, as soon as practicable, and in any event within fifty (50) days after the date such request is given by the Initiating Holder(s), file a Form F-1 Registration Statement under the Securities Act covering all Registrable Securities that the Initiating Holder(s) requested to be registered and any additional Registrable Securities requested to be included in such registration by any other Holder who has the right to be an Initiating Holder under this Section 2.1(a), subject to Section 2.1(c), Section 2.1(d), Section 2.3 and Section 2.4.

(b) Form F-3 Demand. The Company shall use its reasonable best efforts to qualify and remain qualified to register securities pursuant to a registration statement on Form F-3 (or any successor form) under the Securities Act. At any time when the Company is eligible to use a registration statement on Form F-3, a Baring Vostok Holder or Sistema Holder holding Registrable Securities reasonably expected to have an aggregate sale price (net of underwriting discounts and commissions, if any) in excess of \$50,000,000 shall have the right to require that the Company file a registration statement (which shall be, if requested by such Holder, a shelf-registration statement, and if the Company is a WKSI, an automatic shelf-registration statement, providing for the registration of, and the sale on a continuous or delayed basis of, the Registrable Securities (a “**Shelf Registration Statement**”)) on Form F-3 or any successor form under the Securities Act covering all or any part of the their Registrable Securities, by delivering a written notice to the Company. Such written notice shall state the number of Registrable Securities to be included in such registration statement. The Company, upon receipt of such a notice, shall within five (5) Business Days give notice to a Holder who has the right to be an Initiating Holder under this Section 2.1(b), if any, other than the Initiating Holder(s), of the receipt of a request for registration and the Holders shall have fifteen (15) Business Days from the date of such notice to notify the Company in writing of their desire to participate in the registration. The Company shall file, as soon as practicable, and in any event within fifty (50) days after receipt of the Initiating Holder’s written notice, a Form F-3 Registration Statement (or a comparable successor form) under the Securities Act covering all Registrable Securities that the Initiating Holder(s) requested to be registered and any additional Registrable Securities requested to be included in such registration by any other Holder who has the right to be an Initiating Holder under this Section 2.1(b), subject to Section 2.1(c), Section 2.1(d), Section 2.3 and Section 2.4.

(c) If the Company furnishes to the Holders participating in a registration a certificate signed by the Company’s chief executive officer stating that in the good faith judgment of the Board of Directors it would be materially detrimental to the Company and its shareholders for such Registration Statement to be filed, become effective or be used in connection with an offer or sale of Registrable Securities, because such action would (i) materially interfere with a significant acquisition, corporate reorganization or other similar transaction involving the Company; (ii) require premature disclosure of material information that the Company has a bona fide business purpose for preserving as confidential; or (iii) render the Company unable to comply with requirements under the Securities Act or Exchange Act, then the Company shall have the right to defer taking action with respect to such Registration Statement and/or suspend the use thereof, and any time periods with respect to filing or effectiveness thereof shall be tolled correspondingly, until the earlier of (x) the date that is seventy-five (75) days after the request of the Initiating Holder(s) is given, (y) the filing of a Form 6-K with respect to such information referred to in clause (ii) above and (z) the cessation of consideration of such transaction referred to in clause (i); provided, however, that the Company may not invoke this right more than two times in any twelve (12) month period; and provided further that the Company shall not register any securities for its own account or that of any other shareholder during such seventy-five (75) day period other than an Excluded Registration.

(d) The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to Section 2.1(a): (i) during the period that is sixty (60) days before the Company's good faith estimate of the expected date of filing of, and ending on a date that is one hundred eighty (180) days after the effective date of, a Company-initiated registration; (ii) after the Company has effected three registrations within the twelve (12) month period immediately preceding the date of such request pursuant to Section 2.1(a); or (iii) if the Initiating Holder(s) requests the registration of Registrable Securities that may be immediately registered on Form F-3 pursuant to a request made pursuant to Section 2.1(b).

The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to Section 2.1(b): (i) during the period that is fifty (50) days before the Company's good faith estimate of the expected date of filing of, and ending on a date that is ninety (90) days after the effective date of, a Company-initiated registration; or (ii) if the Company has effected three registration pursuant to Section 2.1(b) within the twelve (12) month period immediately preceding the date of such request.

A registration shall not be counted as "effected" for purposes of this Agreement until such time as the applicable Registration Statement has been declared effective by the SEC, unless the Initiating Holder(s) withdraws their request for such registration (other than as a result of a material adverse change to the Company), in which case such withdrawn Registration Statement shall be counted as "effected" for purposes of this Section 2.1(d); provided, that if such withdrawal is during a period the Company has deferred taking action pursuant to Section 2.1(c), then such withdrawal at the request of the Initiating Holder(s) will not be counted as "effected" for purposes of this Agreement.

(e) Any Holder who has the right to request the Company to include its Registrable Securities in a registration under Section 2.1 or Section 2.2 hereof, as applicable, and has notified the Company to include any or all of its Registrable Securities in a Registration Statement under the Securities Act, whether pursuant to this Section 2.1 or Section 2.2, as applicable, shall have the right to withdraw any such notice or direction with respect to any or all of the Registrable Securities designated by it for registration by giving written notice to such effect to the Company at least five (5) Business Days prior to the effective date of such Registration Statement. In the event of such withdrawal, the Company shall not include such Registrable Securities in the applicable Registration Statement and such Registrable Securities shall continue to be Registrable Securities for all purposes of this Agreement. No such withdrawal shall affect the obligations of the Company with respect to the Registrable Securities not so withdrawn; provided, that if such withdrawal shall reduce the number of Registrable Securities sought to be included in any registration below ten percent (10%) of the total number of Registrable Securities with respect to which registration has been requested pursuant to Section 2.1(a) or Section 2.1(b) above, then the Company shall as promptly as practicable give notice to such effect to each Holder of Registrable Securities sought to be registered pursuant to Section 2.1 or Section 2.2 hereof, as applicable, and, within ten (10) Business Days following the mailing of such notice, such Holder of Registrable Securities still seeking registration shall have the option to elect to register additional Registrable Securities to increase the total number of Registrable Securities sought to be registered in the offering above ten percent (10%) of the total number of Registrable Securities with respect to which a registration has been requested or elect that such

Registration Statement not be filed or, if theretofore filed, be withdrawn, provided, however, that any such election to withdraw such Registration Statement shall not make the abandoned registration “effected” for purposes of this Agreement with respect to Holders other than Initiating Holder(s). During any such ten (10) Business Day period, the Company shall not file such Registration Statement or, if such Registration Statement has already been filed, the Company shall not seek, and shall use reasonable best efforts to prevent, the effectiveness thereof.

(f) Notwithstanding anything to the contrary herein, any registration pursuant to Section 2.1(a) or Section 2.1(b) of any Registrable Securities shall be in the form of ADSs, unless the Company has previously caused the Ordinary Shares to be listed on a national securities exchange or trading system (it being acknowledged that the Company shall have no obligation to so list the Ordinary Shares), including any such exchange or system in Russia, Cyprus or elsewhere, and a market exists for the Ordinary Shares not held in the form of ADSs and the Initiating Holder requests the registration of Ordinary Shares.

2.2 Company Registration. If the Company proposes to register any of its Ordinary Shares under the Securities Act in connection with the public offering of such securities solely for cash (other than in an Excluded Registration unless the only Ordinary Shares being registered are Ordinary Shares issuable upon conversion of debt securities that are also being registered), the Company shall, at such time, promptly give notice of such proposed registration to each Holder, but in any event no later than 20 days prior to the proposed date of filing of the applicable registration statement, and each Holder shall be entitled to “piggyback” on such registration. Upon the request of each Holder given within fifteen (15) days after such notice is given by the Company, the Company shall, subject to the provisions of Sections 2.3 and 2.5 below, use its reasonable best efforts to cause to be registered all of the Registrable Securities that each such Holder has requested to be included in such registration, provided that unless the Holder otherwise agrees, any Registrable Securities included in such registration pursuant to this Section 2.2 shall be sold pursuant thereto in the form of ADSs. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 2.2 before the effective date of such registration, whether or not any Holder has elected to include Registrable Securities in such registration. The Registration Expenses of such withdrawn registration shall be borne by the Company in accordance with Section 2.6.

2.3 Underwriting Requirements.

(a) If, pursuant to Section 2.1, the Initiating Holder(s) intend(s) to distribute the Registrable Securities covered by their request by means of an Underwritten Offering, they shall so advise the Company as a part of their request made pursuant to Section 2.1, and the Company shall include such information in their notice of the registration request to any Holder who has the right to request a registration under Section 2.1(a) or Section 2.1(b) hereof. The underwriter(s) will be selected by the Company and shall be reasonably satisfactory to the Initiating Holder(s). In connection with any Underwritten Offering, the right of a Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder’s participation in such underwriting and the inclusion of such Holder’s Registrable Securities in the underwriting to the extent provided herein. The Holders proposing to distribute their Registrable Securities in the relevant Underwritten Offering shall (together with the Company as provided in Section 2.4(e)) enter into an underwriting agreement in customary form with the underwriter(s) selected for such Underwritten Offering

on terms agreed to among the Company, the underwriter(s) and the Initiating Holder(s). Notwithstanding any other provision of this Section 2.3(a), if the underwriter(s) advise(s) the Initiating Holder(s) in writing that marketing factors require a limitation on the number of shares to be underwritten, then the Initiating Holder(s) shall so advise all Holders whose Registrable Securities would otherwise be underwritten pursuant hereto, and the number of Registrable Securities that may be included in the Underwritten Offering shall be allocated among the participating Holders in the Underwritten Offering, including those of the Initiating Holder(s), in proportion (as nearly as practicable) to the number of Registrable Securities owned by each Holder or in such other proportion as shall mutually be agreed to by all such selling Holders. To facilitate the determination of the number of Registrable Securities held by a Holder to be included in such underwriting in accordance with the above provisions, the Company or the underwriters may round the number of shares or ADSs, as the case may be, held by any Holder to the nearest one hundred (100) shares or ADSs.

(b) In connection with any offering involving an underwriting of Ordinary Shares/ADSs pursuant to a Company – initiated registration, the Company shall not be required to include any of the Holders' Registrable Securities in such underwriting unless such Holders accept the terms of the underwriting as agreed upon between the Company and its underwriters (including the entry into an underwriting agreement containing customary provisions applicable to a selling Holder), and then only in such quantity as the underwriters in their sole discretion determine is compatible with the success of the offering by the Company. If the total number of securities, including Registrable Securities, requested by the Holders to be included in such offering exceeds the number of securities to be sold (other than by the Company) that the underwriters in their reasonable discretion determine will not jeopardize the success of the offering, then the Company shall be required to include in the offering only that number of such securities, including Registrable Securities, which the underwriters and the Company in their sole discretion determine will not jeopardize the success of the offering. If the underwriters determine that less than all of the Registrable Securities requested to be registered can be included in such offering, then the Registrable Securities that are included in such offering shall be allocated among the selling Holders in proportion (as nearly applicable to) the number of Registrable Securities owned by each selling Holder or in such other proportions as shall mutually be agreed to by all such selling Holders. To facilitate the determination of the number of Registrable Securities held by a Holder to be included in such underwriting in accordance with the above provisions, the Company or the underwriters may round the number of shares or ADSs, as the case may be, held by any Holder to the nearest one hundred (100) shares or ADS. Notwithstanding the foregoing, in no event shall the number of Registrable Securities requested to be included in any offering involving an underwriting of Ordinary Shares/ADSs pursuant to a Company-initiated registration be reduced below twenty percent (20%) of the total number of securities included in such offering. For purposes of the provisions in this Section 2.3 concerning apportionment, a Holder and any Affiliates of such Holder, shall be deemed to be a single "selling Holder," and any pro rata reduction with respect to such "selling Holder" shall be based upon the aggregate number of Registrable Securities owned by all Persons included in such "selling Holder," as defined in this sentence.

(c) Shelf Take-Downs. If at any time that a Shelf Registration Statement covering Registrable Securities is effective, if any Baring Vostok Holder or Sistema Holder delivers a notice to the Company (a "**Take-Down Notice**") stating that it intends to effect an Underwritten Offering of all or part of its Registrable Securities included by it on the Shelf Registration Statement (a "**Shelf Underwritten Offering**"), then the Company shall amend or supplement the Shelf Registration Statement as may be necessary in order to enable such

Registrable Securities to be distributed pursuant to the Shelf Underwritten Offering (taking into account the inclusion of Registrable Securities by any other Holder who has the right under this Section 2.3(c) to deliver a notice to the Company to the effect that it intends to effect an Underwritten Offering pursuant to this Section 2.3(c)). If any such Holder intends to sell Registrable Securities pursuant to any Shelf Registration Statement through an Underwritten Offering, the Company shall take all steps to facilitate such an offering, including the actions required pursuant to this Section 2.3, as appropriate. A Baring Vostok Holder or Sistema Holder shall be entitled to request no more than 3 (three) of shelf takedowns in any 12 (twelve) month period to effect a Shelf Underwritten Offering. In connection with any Shelf Underwritten Offering:

- (i) The Company shall within five (5) Business Days of receipt of the Take-Down Notice deliver the Take-Down Notice to all other Holders of Registrable Securities who have the right under Section 2.3(c) hereof to deliver a notice to the Company to the effect that it intends to effect an Underwritten Offering and permit such Holder to include such Registrable Securities in the Shelf Underwritten Offering if such Holder notifies the requesting Holder and the Company within 5 (five) Business Days after distribution or dissemination (including via e-mail, if available) of the Take-Down Notice to such Holder, provided that no such notice shall be required if the requesting Holder wishes to engage in a block sale;
- (ii) in the event that the underwriter(s) advises the requesting Holder in writing that marketing factors require a limitation on the number of securities to be underwritten, then the requesting Holder shall so advise any Holder whose Registrable Securities would otherwise be underwritten pursuant to this Section 2.3(c), and the number of Registrable Securities that may be included in the Underwritten Offering shall be allocated among participating Holders as described in Section 2.3(b); and
- (iii) the underwriter(s) will be selected by the requesting Holder and shall be reasonably satisfactory to the Company.

(d) For purposes of Section 2.1, a registration shall not be counted as “effected” if, as a result of an exercise of the underwriter’s cutback provisions in Section 2.3(a), fewer than fifty percent (50%) of the total number of Registrable Securities that Holders have requested to be included in such Registration Statement are actually included.

2.4 Obligations of the Company. Whenever required under this Section 2 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) prepare and file with the SEC a Registration Statement with respect to such Registrable Securities and use its reasonable best efforts to cause such Registration Statement to become effective and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such Registration Statement effective for a period of up to one hundred twenty (120) days or, if earlier, until the distribution contemplated in the Registration Statement has been completed; provided, however, that (i) such one hundred twenty (120) day period shall be extended for a period of time equal to the period the Holder refrains, at the request of an underwriter of Ordinary Shares (or other securities) of the Company (which request may be disregarded by any such Holder), from selling any securities

included in such registration, and (ii) in the case of any registration of Registrable Securities on Form F-3 that are intended to be offered on a continuous or delayed basis, subject to compliance with applicable SEC rules, the Company shall use reasonable best efforts to keep the Registration Statement effective until all such Registrable Securities registered thereunder are sold or are no longer outstanding;

(b) prepare and file with the SEC such amendments and supplements to such Registration Statement, and the prospectus used in connection with such Registration Statement, as may be necessary to comply with the Securities Act in order to enable the disposition of all securities covered by such Registration Statement;

(c) within a reasonable time before each filing of the Registration Statement or prospectus or amendments or supplements thereto with the SEC, furnish to counsel selected by the Holders of Registrable Securities copies of such documents proposed to be filed, which documents shall be subject to the approval of such counsel, which shall not be unreasonably withheld;

(d) furnish to the selling Holders such number of copies of a prospectus, including a preliminary prospectus and such other documents as the Holders may reasonably request in order to facilitate their disposition of their Registrable Securities;

(e) use its reasonable best efforts to register and qualify the securities covered by such Registration Statement under such other securities or blue-sky laws of such jurisdictions as shall be reasonably requested by the selling Holders, cooperate with each selling Holder and underwriter and their respective counsel in connection with any filings required to be made with FINRA, and cause the securities to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the consummation of the disposition of the Registrable Securities; provided that the Company shall not be required to qualify to do business in any such jurisdictions;

(f) in the event of any Underwritten Offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the underwriter(s) of such offering;

(g) furnish to the underwriter(s) and each prospective selling Holder a signed counterpart, addressed to the underwriter(s) and prospective selling Holder, of (i) an opinion of counsel for the Company, dated the effective date of the Registration Statement, and (ii) a "comfort" letter signed by the independent public accountants who have certified the Company's financial statements included in the Registration Statement, covering substantially the same matters with respect to the Registration Statement (and the prospectus included therein) and (in the case of the accountants' letter) with respect to events subsequent to the date of the financial statements, as are customarily covered (at the time of such registration) in opinions of the Company's counsel and in accountants' letters delivered to the underwriters in underwritten public offerings of securities;

(h) in connection with an Underwritten Offering, have appropriate officers of the Company prepare and make presentations at any "road shows" and before analysts and rating agencies, as the case may be, and otherwise use its reasonable best efforts to cooperate as reasonably requested by the underwriters in the offering, marketing or selling of the Registrable Securities;

(i) use its reasonable best efforts to cause all such Registrable Securities covered by such Registration Statement (or the ADSs representing such Registrable Securities) to be listed on The Nasdaq Global Select Market or on such other national securities exchange or trading system on which such securities are then listed as the Initiating Holder may request;

(j) provide a transfer agent and registrar for all Registrable Securities registered pursuant to this Agreement and provide a CUSIP number for all such Registrable Securities (or the ADSs representing such Registrable Securities), in each case not later than the effective date of such registration;

(k) promptly make available for inspection by the selling Holders, any managing underwriter(s) participating in any disposition pursuant to such Registration Statement, and any attorney or accountant or other agent retained by any such underwriter or selected by the selling Holders, all financial and other records, pertinent corporate documents, and properties of the Company, and cause the Company's officers, directors, employees, and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant, or agent, in each case, as necessary or advisable to verify the accuracy of the information in such Registration Statement and to conduct appropriate due diligence in connection therewith;

(l) notify each selling Holder, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, upon discovery that, or upon the happening of any event as a result of which, the Registration Statement, the prospectus included in such Registration Statement or any document incorporated or deemed to be incorporated therein by reference, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to be stated in order to make the statements therein not misleading, and, at the request of any selling Holder, as promptly as reasonably practicable prepare and furnish to such selling Holder a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to be stated in order to make the statements therein not misleading;

(m) notify each selling Holder, promptly after the Company receives notice thereof, of the time when such Registration Statement has been declared effective or a supplement to, or amendment of, any prospectus forming a part of such Registration Statement has been filed;

(n) after such Registration Statement becomes effective, notify each selling Holder of any request by the SEC or any other U.S. or state-governmental authority that the Company amend or supplement such Registration Statement or prospectus;

(o) notify each selling Holder of the issuance by the SEC of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings by any Person for that purpose;

(p) use reasonable best efforts to obtain the withdrawal of any order suspending the effectiveness of the Registration Statement;

(q) take all other customary steps reasonably necessary to effect the registration, offering and sale of the Registrable Securities; and

(r) if the Holder holds Ordinary Shares and it wishes to deposit such Ordinary Shares with the depositary bank for the ADSs, the Company shall use all reasonable best efforts to cooperate with such Holder and take any action it is required to take, if any, promptly and expeditiously in connection with the deposit of Ordinary Shares by such Holder and the issuance of ADSs to such Holder.

2.5 Furnish Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 2 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as is reasonably required to effect the registration of such Holder's Registrable Securities.

2.6 Expenses of Registration. Except as specifically provided herein, all Registration Expenses incurred in connection with any registration pursuant to Sections 2.1, 2.2, or 2.3 hereof (except as otherwise provided below) shall be borne by the Company; ~~provided, however,~~ that the selling Holders must bear all Registration Expenses for registration proceedings begun pursuant to Section 2.1 and subsequently withdrawn by the Holders. All Selling Expenses shall be borne by the selling Holders pursuant to such registration pro rata on the basis of the number of Registrable Securities so registered on their behalf. All legal expenses in connection with issuance of any legal opinion required by the depositary bank for the ADSs in connection with a deposit of Ordinary Shares by a Holder with such depositary bank and the issuance of ADSs to such Holder, and a transfer of ADSs of a Holder held on the books of the depositary bank shall be borne by the Company. Subject to the immediately preceding sentence, all expenses relating to any selling Holders' legal counsel, financial advisor or other professional advisors (whether so classified as Registration Expenses or Selling Expenses) shall be borne by the relevant Holder(s) that retained such advisor.

2.7 Delay of Registration. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any registration pursuant to this Agreement as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 2.

2.8 Indemnification. If any Registrable Securities are included in a Registration Statement under this Section 2:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each selling Holder, and the partners, members, officers, directors, employees, and shareholders of each such Holder; agents of each such Holder; any underwriter (as defined in Section 2(a)(11) of the Securities Act) for each such Holder; and each Person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any Damages, insofar as such loss, damage, judgment, claim or liability (or any action in respect thereof) arises out of or is based upon: (i) any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement of the Company, including any preliminary prospectus or final prospectus contained therein, any amendments or supplements thereto or any document incorporated therein by reference; (ii) an omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading; or (iii) any violation or alleged violation by the indemnifying party (or any of its agents or Affiliates) of the Securities Act, the Exchange Act, any state securities law, or any rule or regulation promulgated under the Securities Act, the

Exchange Act, or any state securities law, and the Company will pay to each such Holder, underwriter, controlling Person, or other aforementioned Person any legal or other expenses reasonably incurred thereby in connection with investigating or defending any claim or proceeding from which Damages may result, as such expenses are incurred; provided, however, that the indemnity agreement contained in this Section 2.8(a) shall not apply to amounts paid in settlement of any such claim or proceeding if such settlement is effected without the written consent of the Company, which consent shall not be unreasonably withheld, nor shall the Company be liable for any Damages to the extent that they arise out of or are based upon actions or omissions made in reliance upon and in conformity with written information furnished by or on behalf of any such Holder, underwriter, controlling Person, or other aforementioned Person expressly for use in connection with such registration.

(b) To the extent permitted by law, each selling Holder, severally and not jointly, will indemnify and hold harmless the Company, and each of its directors, each of its officers who has signed the Registration Statement, each Person (if any), who controls the Company within the meaning of the Securities Act, agents of the Company, any underwriter (as defined in Section 2(a)(11) of the Securities Act), any other Holder selling securities in such Registration Statement, and any controlling Person of any such underwriter or other Holder, against any Damages, in each case only to the extent that such Damages arise out of or are based upon actions or omissions made in reliance upon and in conformity with written information furnished by or on behalf of such selling Holder expressly for use in connection with such registration; and each such selling Holder will pay to the Company and each other aforementioned Person any legal or other expenses reasonably incurred thereby in connection with investigating or defending any claim or proceeding from which Damages may result, as such expenses are incurred; provided, however, that the indemnity agreement contained in this Section 2.8(b) shall not apply to amounts paid in settlement of any such claim or proceeding if such settlement is effected without the written consent of the Holder, which consent shall not be unreasonably withheld; and provided further that in no event shall the aggregate amounts payable by any Holder by way of indemnity or contribution under Sections 2.8(b) and 2.8(d) exceed the proceeds from the offering received by such Holder (net of any Selling Expenses paid by such Holder), except in the case of fraud or willful misconduct by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 2.8 of notice of the commencement of any action (including any governmental action) for which a party may be entitled to indemnification hereunder, such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 2.8, give the indemnifying party notice of the commencement thereof. The indemnifying party shall have the right to participate in such action and, to the extent the indemnifying party so desires, participate jointly with any other indemnifying party to which notice has been given, and to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties that may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such action. The failure to give notice to the indemnifying party within a reasonable time of receipt of notice of the commencement of any such action shall relieve such indemnifying party of any liability to the indemnified party under this Section 2.8, to the extent that such failure materially prejudices the indemnifying party's ability to defend such action. The failure to give notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 2.8.

(d) To provide for just and equitable contribution to joint liability under the Securities Act in any case in which either: (i) any party otherwise entitled to indemnification hereunder makes a claim for indemnification pursuant to this Section 2.8 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case, notwithstanding the fact that this Section 2.8 provides for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of any party hereto for which indemnification is provided under this Section 2.8, then, and in each such case, such parties will contribute to the aggregate losses, claims, damages, judgments, liabilities, or expenses to which they may be subject (after contribution from others) in such proportion as is appropriate to reflect the relative fault of each of the indemnifying party and the indemnified party in connection with the statements, omissions, or other actions that resulted in such loss, claim, damage, judgment, liability, or expense, as well as to reflect any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or allegedly untrue statement of a material fact, or the omission or alleged omission of a material fact, relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission; provided, however, that, in any such case (x) no Holder will be required to contribute any amount in excess of the public offering price of all such Registrable Securities offered and sold by such Holder pursuant to such Registration Statement, and (y) no Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation; and provided further that in no event shall a Holder's liability pursuant to this Section 2.8(d), when combined with the amounts paid or payable by such Holder pursuant to Section 2.8(b), exceed the proceeds from the offering received by such Holder (net of any Selling Expenses paid by such Holder), except in the case of willful misconduct or fraud by such Holder.

(e) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with any Underwritten Offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

(f) Unless otherwise superseded by an underwriting agreement entered into in connection with an Underwritten Offering, the obligations of the Company and Holders under this Section 2.8 shall survive the completion of any offering of Registrable Securities in a registration under this Section 2, and otherwise shall survive the termination of this Agreement.

2.9 Reports Under Exchange Act. With a view to making available to the Holders the benefits of Rule 144 and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form F-3, the Company shall:

(a) use reasonable best efforts to (i) file in a timely fashion the reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations adopted by the SEC thereunder (at any time after the Company has become subject to such reporting requirements) and (ii) make publicly available adequate current public information and any other information so long as necessary to permit sales in compliance with Rule 144 and Regulation S under the Securities Act (as such rules may be amended from time to time), at all times after the effective date of the Registration Statement filed by the Company for the IPO; and

(b) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) to the extent accurate, a written statement by the Company that it has complied with the reporting requirements of Rule 144 (at any time after ninety (90) days after the effective date of the Registration Statement filed by the Company for the IPO), the Securities Act, and the Exchange Act (at any time after the Company has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form F-3 (at any time after the Company so qualifies); and (ii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC that permits the selling of any such securities without registration (at any time after the Company has become subject to the reporting requirements under the Exchange Act) or pursuant to Form F-3 (at any time after the Company so qualifies to use such form).

2.10 Termination of Registration Rights. The right of any Holder to request registration or inclusion of Registrable Securities in any registration pursuant to any of Section 2.1, Section 2.2 or Section 2.3 shall terminate upon the earliest to occur of:

(a) a Registration Statement or Statements with respect to the sale of the Registrable Securities shall have become effective under the Securities Act and all the Registrable Securities held by the relevant Holder have been disposed of in accordance with such Registration Statement(s);

(b) with respect to a Holder, all the Registrable Securities of such Holder have been sold to the public pursuant to Rule 144 (or any successor provision) promulgated under the Securities Act; and

(c) with respect to a Holder, if such Holder of such Registrable Securities holds less than one percent (1%) of the then issued and outstanding securities of the Company (determined as the aggregate number of Registrable Securities held by such Holder and its Permitted Transferees) and such Registrable Securities are eligible for sale pursuant to Rule 144 under the Securities Act (or any successor provision) without compliance with the manner of sale, volume and other limitations under such rule and are not otherwise subject to transfer restriction.

3. Miscellaneous.

3.1 Successors and Assigns. The rights under this Agreement may be assigned (but only with all related obligations) by a Holder to a Permitted Transferee; provided, however, that (x) the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such Permitted Transferee and the number of Registrable Securities with respect to which such rights are being transferred; and (y) such Permitted Transferee agrees in a customary written instrument delivered to the Company to be bound by and subject to the terms and conditions of this Agreement, including the provisions

of Section 2.10. The terms and conditions of this Agreement inure to the benefit of and are binding upon the respective successors and permitted assignees of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and permitted assignees any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided herein.

3.2 Governing Law. This Agreement shall be governed by the internal law of the State of New York, without regard to conflict of law principles that would result in the application of any law other than the law of the State of New York.

3.3 Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, *e.g.*, www.docuSign.com) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

3.4 Titles and Subtitles. The titles and subtitles used in this Agreement are for convenience only and are not to be considered in construing or interpreting this Agreement.

3.5 Notices.

(a) All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given upon the earlier of actual receipt or (i) personal delivery to the party to be notified; (ii) when sent, if sent by electronic mail or facsimile during the recipient's normal business hours, and if not sent during normal business hours, then on the recipient's next business day; (iii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or (iv) one (1) business day after the date of receipt provided to an internationally recognized courier service (such as DHL, FedEx, TNT, UPS). All communications shall be sent to the respective parties at their addresses as set forth on Schedule A hereto, or to the principal office of the Company and to the attention of the Chief Executive Officer and Board of Directors, in the case of the Company, or to such email address, facsimile number, or address as subsequently modified by written notice given in accordance with this Section 3.5.

3.6 Amendments and Waivers. Any term of this Agreement may be amended, modified or terminated and the observance of any term of this Agreement may be waived (either generally or in a particular instance, and either retroactively or prospectively) only with the written consent of the Company each Baring Vostok Holder and Sistema Holder and the holders of at least the majority of the Registrable Securities then outstanding provided that any provision hereof may be waived by any waiving party on such party's own behalf, without the consent of any other party. Notwithstanding the foregoing, this Agreement may not be amended, modified or terminated and the observance of any term hereof may not be waived with respect to (a) Registrable Securities without the written consent of each Baring Vostok Holder and Sistema Holder and the holders of at least the majority of the Registrable Securities then outstanding or (b) any Holder without the written consent of such Holder, unless such amendment, termination, or waiver applies to all Holders, as the case may be, in the same fashion. The Company shall give prompt notice of any amendment, modification or termination hereof or waiver hereunder to any party hereto that did not consent in writing to such amendment, modification, termination, or waiver. Any amendment, modification,

termination, or waiver effected in accordance with this Section 3.6 shall be binding on all parties hereto, regardless of whether any such party has consented thereto. No waivers of or exceptions to any term, condition, or provision of this Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such term, condition, or provision.

3.7 Severability. In case any one or more of the provisions contained in this Agreement is for any reason held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, and such invalid, illegal, or unenforceable provision shall be reformed and construed so that it will be valid, legal, and enforceable to the maximum extent permitted by law.

3.8 Aggregation of Stock. Registrable Securities held or acquired by Affiliates shall be aggregated together for the purpose of determining the availability of any rights under this Agreement and such Affiliated Persons may apportion such rights as among themselves in any manner they deem appropriate.

3.9 Entire Agreement. This Agreement (including any Schedules and Exhibits hereto) constitutes the full and entire understanding and agreement among the parties with respect to the subject matter hereof, and any other written or oral agreement relating to the subject matter hereof existing between the parties is expressly canceled.

3.10 Arbitration. Any dispute, controversy or claim arising out of or in connection with this Agreement, including any question regarding its existence, validity or termination, or the transactions contemplated herein, or the breach, termination or validity thereof may be referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration ("LCIA") (the "Rules"), which Rules are deemed to be incorporated by reference in this Section 3.10. The number of arbitrators shall be three (3), and the parties in such arbitration shall each nominate one (1) arbitrator. The third arbitrator, who will act as chairman of the arbitral tribunal, will be appointed by the President of the LCIA having taken into account any agreement on the arbitrator to be appointed as chairman of the arbitral tribunal reached by the two Party-nominated or appointed arbitrators, such agreement to be within fourteen (14) days of the appointment of the last party nominated or appointed arbitrator. The legal place of arbitration shall be London and the language of arbitration shall be English. This arbitration agreement, including its validity and scope, shall be governed by New York law.

3.11 Waiver of Jury Trial. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE IT HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (I) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE EITHER OF SUCH WAIVERS, (II) IT UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF SUCH WAIVERS, (III) IT MAKES SUCH WAIVERS VOLUNTARILY AND (IV) IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 3.11.

3.12 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party under this Agreement, upon any breach or default of any other party under this Agreement, shall impair any such right, power, or remedy of such nonbreaching or nondefaulting party, nor shall it be construed to be a waiver of or acquiescence to any such breach or default, or to any similar breach or default thereafter occurring, nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. All remedies, whether under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

OZON HOLDINGS PLC

By: [signature]

Name: Belova Nadezda
Title: Director

Address For Notice:
2-4 Arch. Makarios III,
9th Floor Capital Center,
Nicosia, Cyprus

SISTEMA PUBLIC JOINT STOCK FINANCIAL CORPORATION

By: [signature, corporate seal]

Name: Vladimir Chirakhov
Title: President

Address For Notice:
13/1 Mokhovaya St.,
125009 Moscow, Russia

BARING VOSTOK FUND V NOMINEES LIMITED

By: [signature]

Name: Julian Timms
Title: Director

Address For Notice:
1 Royal Plaza,
Royal Avenue, St. Peter Port,
Guernsey GY1 2HL

BARING VOSTOK OZON LP

By: [signature]

Name: Julian Timms
Title: Director

Signed by Baring Vostok Ozon Managers Limited
acting in its capacity as general partner of Baring
Vostok Ozon (GP) L.P., in turn acting in its capacity as
general partner of Baring Vostok Ozon L.P.

Address For Notice:
1st and 2nd Floors, Elizabeth House,
Les Ruettes Brayes, St Peter Port,
Guernsey GY1 1EW, Channel Islands

BV SPECIAL INVESTMENTS LIMITED

By: [signature]

Name: Julian Timms

Title: Director

Address For Notice:

1st and 2nd Floors, Elizabeth House,
Les Ruettes Brayes, St Peter Port,
Guernsey GY1 1EW, Channel Islands

SCHEDULE A

Investors

<u>Investor</u>	<u>Address</u>
Sistema Public Joint Stock Financial Corporation	13/1 Mokhovaya St., 125009 Moscow, Russia
Baring Vostok Fund V Nominees Limited	1 Royal Plaza, Royal Avenue, St. Peter Port, Guernsey GY1 2HL
Baring Vostok Ozon LP	1st and 2nd Floors, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey GY1 1EW, Channel Islands
BV Special Investments Limited	1st and 2nd Floors, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey GY1 1EW, Channel Islands

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF
THE U.S. SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

American Depositary Shares ("ADSs"), each representing one ordinary share with nominal value of \$0.001 per share of Ozon Holdings PLC ("we," "our," "us," or the "Company") are listed and traded on the Nasdaq Global Select Market and, in connection with this listing (but not for trading), our ordinary shares are registered under Section 12(b) of the Exchange Act. This exhibit contains a description of the rights of (i) the holders of our ordinary shares and (ii) ADS holders. Ordinary shares underlying the ADSs are held by The Bank of New York Mellon, as depositary, and holders of ADSs will not be treated as holders of our ordinary shares.

Description of Share Capital and Articles of Association

The following is a summary of certain provisions of the articles of association that we have adopted in connection with this offering and Cyprus law insofar as they relate to the material terms of our ordinary shares. These summaries do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the provisions of our articles of association and Cyprus law. Prospective investors are urged to read the complete form of our articles of association which have been filed with the SEC as an exhibit to our registration statement of which this prospectus is a part.

Purpose and Share Capital

Our objects are set forth in full in Regulation 3 of our memorandum of association.

As of March 1, 2021, our issued and fully paid share capital amounted to \$203,729,960, which consisted of 203,729,958 issued and fully paid ordinary shares with a nominal value of \$0.001 and two issued and fully paid Class A shares with a nominal value of \$0.001.

There are no limitations on the rights to own our ordinary shares, including the rights of non-resident or foreign shareholders to hold or exercise voting rights on our ordinary shares under Cyprus law or our articles of association.

Changes in Our Share Capital During the Last Three Fiscal Years

Since January 1, 2018, our share capital has changed as follows:

During 2018, we completed the share issue of 658,067 ordinary shares and 3,667 preference shares to existing and new shareholders, which resulted in an increase in the share capital up to \$98,872 of issued and fully paid share capital as of December 31, 2018. We also completed the conversion of 1,038 redeemable preference shares into 1,038 ordinary shares.

During 2019, we completed the share issue of 1,547,691 ordinary shares and 1,716 preference shares to existing and new shareholders, which resulted in an increase in the share capital up to \$137,607 of issued and fully paid share capital as of December 31, 2019.

During the nine months ended September 30, 2020, we issued 7,533 redeemable preference shares.

The preference shares were issued under our equity incentive plan.

- In October 2020, we converted all issued redeemable preference shares into ordinary shares, and eliminated redeemable preference shares as a separate class of shares.
- In October 2020, we made a split of our ordinary shares by the subdivision of each ordinary share of \$0.025 each into 25 ordinary shares of \$0.001 each, which resulted in a change in our issued and fully paid share capital to 137,795,775 ordinary shares as of October 15, 2020.

- In October 2020, we issued two Class A shares, one to each of our principal shareholders, BVFVNL and Sistema, and issued an aggregate of 3,934,379 ordinary shares to our existing shareholders, which resulted in an increase in the share capital up to \$141,730.156 of issued and fully paid share capital as of October 30, 2020.
- In November 2020, we completed an initial public offering of 37,950,000 newly issued ordinary shares represented by 37,950,000 American Depositary Shares (“ADSs”), on The Nasdaq Global Select Market. In addition, we issued 4,500,000 ordinary shares to our existing shareholders, Sistema PJSFC, Baring Vostok Fund V Nominees Limited (“BVFVNL”) and BV Special Investments Limited, in concurrent private placements, and 11,152,330 ordinary shares to our existing shareholders, Sistema PJSFC and BVFVNL, by way of settlement of our existing indebtedness under convertible loan agreements and investment and subscription with advance payment agreements.
- In December 2020, we issued 8,397,474 ordinary shares to Princeville Global Ecommerce Investments I Limited, which resulted in an increase in our share capital up to \$203,729.960 of the issued and fully paid share capital as of December 31, 2020.

Ordinary Shares and Voting Rights

Holders of our ordinary shares are entitled to one vote per share.

Every shareholder will have:

- one vote for every ordinary share such shareholder holds on a show of hands; and
- one vote for every ordinary share such shareholder holds on a poll.

Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by:

- the chairman of such meeting; and
- any shareholder present in person or by proxy having the right to vote at the meeting.

Each shareholder is entitled to attend general meetings, to address the meeting and to exercise any voting rights such shareholder may have as provided in the articles of association.

A corporate shareholder may, by resolution of its directors or other governing body, authorize a person to act as its representative at general meetings and that person may exercise the same powers as the corporate shareholder could exercise if it were an individual shareholder. No shareholder is entitled to vote at any general meeting unless all calls and other amounts payable by such shareholder in respect of shares have been fully paid.

Shareholders may attend meetings in person or be represented by proxy authorized in writing.

The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorized in writing, or, if the appointer is a corporation, either under seal, or under the hand of an officer or attorney duly authorized. A proxy does not need to be a shareholder.

The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarial certified copy of that power or authority, shall be deposited at our registered office or at such other place within Cyprus as is specified for that purpose in the notice convening the meeting at any time before the time for holding the meeting or adjourned meeting, at which the person named in the instrument proposes to vote, or, in the case of a poll, at any time before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

We have not provided for cumulative voting for the election of directors.

Class A Shares

Two Class A shares have been issued to our two principal shareholders, and each such Class A share confers, inter alia, the following special rights:

- the right to appoint and remove (i) two directors so long as such Class A shareholder, together with its affiliates and permitted transferees, holds at least 15% of voting power of the ordinary shares or (ii) one director so long as such Class A shareholder, together with its affiliates and permitted transferees, holds less than 15% but at least 7.5% of voting power of the ordinary shares;
- the right to nominate for election at the general meetings two directors or one director, as applicable, unless those have otherwise appointed as set out above; and
- in the event of liquidation of the Company, to receive the par value of such Class A shares on a *pari passu* basis with the holders of ordinary shares with no right to participate in the distribution of excess assets.

Although Class A shares do not confer any other rights with respect to participation at general meetings of shareholders, voting or distribution of assets by the Company by way of dividends, return of capital or otherwise other than as provided in the articles of association, any alteration of Class A shares share capital, issuance of additional Class A shares and variation of rights conferred by Class A shares will require unanimous approval of holders of all issued and outstanding Class A shares.

As long as a holder of Class A shares holds at least 15% of voting power of the ordinary shares and is thereby entitled to appoint two directors, then its voting power with respect to nomination and appointment of the remaining directors at any general meeting of shareholders will be suspended in respect of 15% of voting power of the ordinary shares. As long as a holder of Class A shares holds at least 7.5% of voting power of the ordinary shares and is thereby entitled to appoint one director, then its voting power with respect to nomination and appointment of the remaining directors at any general meeting of shareholders will be suspended in respect of 7.5% of the voting power of the ordinary shares.

Class A shares may be converted into ordinary shares in the circumstances described below. See “—*Conversion of Shares*.” We are not authorized to issue additional Class A shares unless such issue is approved by holders of all issued Class A shares and a special resolution of the general meeting of our shareholders.

Dividends

We may only pay out dividends of the profits as shown in our adopted annual IFRS accounts. Under Cyprus law, we are not allowed to make distributions if the distribution would reduce our net assets below the total sum of the issued share capital and the reserves that we must maintain under Cyprus law and our articles of association.

Interim dividends can only be paid if interim accounts are drawn up showing that funds available for distribution are sufficient and the amount to be distributed may not exceed the total profits made since the end of the financial year for which the annual accounts have been drawn up, plus any profits transferred from the last financial year, and the withheld funds made of the reserves available for this purpose, minus any losses of the previous financial years and funds which must be put in reserve pursuant to the requirements of the law and our articles of association.

Pre-emptive Rights

Under the Cyprus Companies Law, each existing registered shareholder has a right of pre-emption to subscribe for any new shares to be issued by us in cash in proportion to the aggregate number of such shares of such shareholder, except that there are no obligatory pre-emption rights with respect to shares issued for non-cash consideration.

Under our articles of association, we are required to notify all shareholders in writing, inter alia, of the number of ordinary shares which the shareholders are entitled to acquire and the time period within which the offer, if not accepted, shall be deemed to have been rejected.

Each shareholder will have no less than 14 days following its receipt of the notice of the offer to notify us of its desire to exercise its pre-emption right on the same terms and conditions proposed in the notice. If all the shareholders do not fully exercise all their pre-emption rights, the board of directors may decide to offer and sell the remaining shares to third parties on terms not more favorable than those indicated in the notice.

Shareholders' pre-emption rights may be waived by a resolution adopted by a majority of two-thirds of the votes corresponding either to the represented securities or to the represented issued share capital if less than half of the issued share capital is represented and a simple majority when at least half of the issued share capital is represented. In connection with such waiver, the board of directors must present a written report indicating the reasons why the right of pre-emption should be waived and justifying the proposed issue price.

Our shareholders have authorized the disapplication of the right of pre-emption as set out above in relation to certain shares for a period of five years from the date of the completion of this offering, and have provided a general disapplication for issuances in connection with our equity incentive plans and certain other purposes.

Variation of Rights

Under the Cyprus Companies Law and our articles of association, generally any change to the amount of our share capital in relation to the division of our share capital into additional classes, or any change to the rights attached to any class of shares must be approved by a separate vote of each class of shares affected by the change subject to approval by special resolution. Variation of class rights of holders of ordinary shares requires approval by a majority of two-thirds of the votes corresponding either to the represented securities or to the represented issued share capital if less than half of the issued share capital is represented and a simple majority when at least half of the issued share capital is represented. The variation of class rights of holders of Class A shares requires unanimous approval by all holders of Class A shares. Members voting against the variation of that class, who between them hold or represent 15% of the issued shares of that class, may apply to the court to set aside the variation.

Alteration of Capital

The following alterations to our share capital may be effected by approval of a majority of two-thirds of the votes corresponding either to the represented securities or to the represented issued share capital, if less than half of the issued share capital is represented, and by simple majority when at least half of the issued share capital is represented at a general meeting of our shareholders:

- an increase in our authorized share capital;
- the consolidation and division of any or all of our shares into shares representing a greater proportion of our share capital each;
- the subdivision of all or part of our shares; and
- the cancellation of any shares that have not been taken by any person at the date of the passing of the resolution.

We may also, by special resolution of a general meeting of shareholders, reduce our share capital, any capital redemption reserve account or any share premium account. Following the adoption of a special resolution for the reduction of capital, a company must apply to the Cypriot court for ratification of such special resolution. The Cypriot court shall take into account the position of the creditors of the company in deciding whether to ratify the resolution. Once the court ratifies the resolution, the court order, together with the special resolution, are filed with the Cyprus Registrar of Companies.

Issuance of Shares

Our articles of association provide for a possibility to issue multiple classes of shares and the share capital of the Company may be divided into multiple classes of shares. The general meeting may, pursuant to our articles of association, grant authority to the board of directors to issue and allot new shares out of the authorized but unissued share capital of the company for a period of a maximum of five years subject to any pre-emption rights in our articles of association. Such power may be renewed one or more times by the general meeting for a period of time of a maximum of five years each time.

Conversion of Shares

Each Class A share is convertible into one ordinary share at any time by its holder pursuant to the provisions of our articles of association, while ordinary shares are not convertible into Class A shares unless it is approved by holders of all issued Class A shares, other classes affected by the conversion and a special resolution of the general meeting of our shareholders. Separate vote of each class of shareholders affected by the change will be also required. Upon any transfer of a Class A share by a holder to any person that is not an affiliate or otherwise under control of such holder, such Class A share will be automatically converted into one ordinary share.

Buyback of Shares

We may, subject to certain statutory requirements, terms and conditions, buyback shares in our issued share capital not exceeding 10% in nominal value of our entire issued share capital. It is noted that the relevant provisions regarding the buyback of shares under the Cyprus Companies Law are vague and unclear in some respects, and their practical implication is unclear and could prevent a buyback. As the Cyprus Companies Law is drafted, these relevant provisions only apply to shares and do not clearly apply to ADSs and, therefore, there is a risk that the company may be unable to buy back the ADSs.

Resolutions

The Cyprus Companies Law names three types of resolutions that may be submitted to a shareholder vote: ordinary resolutions, extraordinary resolutions and special resolutions.

There is no definition in the Cyprus Companies Law of ordinary resolution. An ordinary resolution must be approved by a majority vote of shareholders having voting rights present at the meeting, voting in person or through a proxy and the company must provide at least 14 days' advance notice of such meeting to shareholders.

The Cyprus Companies Law defines extraordinary resolutions and special resolutions. An extraordinary resolution must be approved by at least 75% of shareholders having voting rights present at the meeting, voting in person or through a proxy of which advance notice of at least 14 days has been duly given, and specifies the intention to propose the resolution as an extraordinary resolution. A special resolution must be approved by at least 75% of shareholders having voting rights present at the meeting, voting in person or through a proxy and the company must provide at least 21-days advance notice of such meeting to shareholders.

Our articles of association provide for a 30 calendar days' notice at the least for all general meetings.

A special resolution is required, among other things, to amend our articles of association, to change the name of the company, to reduce company's share capital and to amend the objects of the company.

Certain resolutions such as a resolution waiving preemption rights in respect of a fresh issue of shares for a cash consideration or a resolution altering our share capital require a majority of two-thirds of the votes corresponding either to the represented securities or to the represented issued share capital if less than half of the issued share capital is represented and a simple majority when at least half of the issued share capital is represented.

Our articles of association and/or the Cyprus Company Law provide for the approval of certain matters requiring the 75% vote of our shareholders, including, but not limited to, the following matters:

- amendments to the memorandum of association;
- changes to our name;
- amendments to our articles of association;

- the purchase of our own shares; and
- the reduction of our capital (such resolution also requires confirmation by the court).

Meetings of Shareholders

We are required to hold an annual general meeting of shareholders each year on such day and at such place as the directors may determine. The directors may, whenever they think fit, decide to convene an extraordinary general meeting. Under the Cyprus Companies Law, extraordinary general meetings can also be convened by the request of shareholders holding at the date of the deposit of the requisition at least 10% of such of the paid in capital of the company as at the date of the deposit carries the right of voting at general meetings of the company.

Annual general meetings and meetings where a special resolution will be proposed can be convened by the board of directors by issuing a notice in writing specifying the matters to be discussed at least 30 calendar days prior to the meeting. All other general meetings may also be convened by the board by issuing a written notice at least 30 calendar days prior to the meeting. Meetings may be called by shorter notice and shall be deemed to have been duly called if it is so agreed:

- in the case of an annual general meeting, by all the shareholders entitled to attend and vote; and
- in the case of any other meeting, by shareholders representing a majority in number of the shareholders entitled to attend and vote at the meeting and that hold at least 95% in nominal value of the shares entitled to vote at the meeting.

Pursuant to our articles of association, we may give notice to a shareholder either personally or by sending it by post, email, fax to the intended recipient or to such shareholder's registered address. Where a notice is sent by post, service of the notice shall be deemed effected provided that it has been properly mailed, addressed, and posted, at the expiration of twenty-four (24) hours after the same is posted. Where a notice is sent by fax or electronic mail, service of the notice shall be deemed to be effected as soon as it is sent, provided, in the event of email, there is no notification of non-receipt, and in the event of fax, there will be the relevant transmission confirmation.

We may give notice to the joint shareholders of a share by giving the notice to the joint shareholder first named in the register of members in respect of the share. We may give notice to the persons entitled to a share in consequence of the death or bankruptcy of a shareholder by sending it through the post in a prepaid letter addressed to them by name, or by the title of representative of the deceased, or trustee of the bankrupt, or by any like descriptions, at the address, if any, supplied for the purpose by the persons claiming to be so entitled, or (until such an address has been so supplied) by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.

Notice of every general meeting shall be given in any manner described above to:

- every shareholder except those shareholders who have not supplied us a registered address for the giving of notices to them;
- every person upon whom the ownership of a share devolves by reason of his being a legal personal representative or a trustee in bankruptcy would be entitled to receive notice of the meeting; and
- our auditor.

No other person shall be entitled to receive notices of general meetings.

Unless otherwise provided in our articles of association, the quorum for a general meeting will consist of at least three shareholders representing at least one-third of the issued share capital and present in person or by proxy. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of shareholders, shall be dissolved; in any other case it shall stand adjourned to the same day of the next week, at the same time and place or on such other day and at such other time and place as the board of directors may determine (other than for a general meeting called for the consideration of the appointment, removal or substitution of directors by holders of Class A shares) and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the shareholders present in person or by proxy and entitled to vote, shall constitute a quorum.

Subject to the provisions of the Cyprus Companies Law, a resolution in writing signed by all the shareholders entitled to receive notice of and to attend and vote at general meetings (or being corporations by their duly authorized representatives) shall be as valid and effective as if the same had been passed at a general meeting duly convened and held.

Inspection of Books and Records

Under the Cyprus Companies Law and our articles of association, our directors are required to cause accounting books to be properly maintained with respect to:

- all sums of money received and expended by us and the matters in respect of which the receipt and expenditure takes place;
- all sales and purchases of goods by us; and
- our assets and liabilities.

Proper books shall not be deemed to be kept if there are not kept such books of account as are adequate to give a true and fair view of our affairs and to explain our transactions.

No shareholder (other than a shareholder who is also a director) will have any right of inspecting any of our accounts or books or documents except as conferred by statute or authorized by the directors or by our shareholders in general meeting.

According to the Cyprus Companies Law, every company shall keep at its registered office a register of directors and secretary, a register of its members, a register of debentures and a register of charges and mortgages. These registers shall, except when these are duly closed, be open to the inspection of any shareholder without any charge during business hours (subject to such reasonable restrictions as the company may by its articles or in general meeting impose, so that not less than two hours in each day are allowed for inspection).

The books containing the minutes of proceedings of any general meeting of a company shall be kept at the registered office of the company, and shall during business hours be open to the inspection of any shareholder without charge (subject to such reasonable restrictions as the company may by its articles or in general meeting impose, so that not less than two hours in each day are allowed for inspection).

Furthermore, any shareholder and any holder of debentures of a company are entitled to be furnished on demand, without charge, a copy of every balance sheet of the company, including every document required by law to be annexed thereto, together with a copy of the auditors' report on the balance sheet.

Board of Directors

Appointment of Directors

Our articles of association provide that unless and until otherwise determined by us in a general meeting by a special resolution, the number of directors shall be nine, including at least three independent directors and one executive director. Each of our principal shareholders holds one Class A share, which confers the right, together with its affiliates and permitted transferees, to appoint and remove (i) two directors so long as such Class A shareholder, together with its affiliates and permitted transferees, holds at least 15% of voting power of the ordinary shares or (ii) one director so long as such Class A shareholder, together with its affiliates and permitted transferees, holds less than 15% but at least 7.5% of voting power of the ordinary shares.

The continuing directors may act notwithstanding any vacancy, but, if and so long as their number is reduced below the number fixed by the articles of association as the necessary quorum for a board meeting, the continuing directors may act for the purpose of increasing the number of directors to that number, or of summoning a general meeting, but for no other purpose.

Except in case of a vacancy in the board caused by departure of a director who has been appointed by a holder of a Class A share, our board of directors shall have power at any time to appoint any person to be a director, provided that such person should also be approved by the nominating committee, either to fill a vacancy or as an addition to the existing directors, but the total number of directors shall not at any time exceed the number fixed in accordance with the articles of association. Any director so appointed shall hold office only until the next following annual general meeting, and shall then be eligible for re-election.

Removal of Directors

Under Cyprus law, notwithstanding any provision in our articles of association, a director may be removed by an ordinary resolution of the general shareholders' meeting, which must be convened with at least 28 days' notice.

The office of any of the directors shall be vacated or shall be precluded from being elected if the relevant person becomes, among other things:

- bankrupt or makes any arrangements or composition with his or her creditors generally; or
- permanently incapable or performing his or her duties due to mental or physical illness or due to his or her death.

Powers of the Board of Directors

Our board of directors has been granted authority to manage our business affairs and may exercise all such powers of the company as are not, by law or by our articles of association, required to be exercised by the company in general meeting.

Proceedings of the Board of Directors

Our board of directors may meet, adjourn, and otherwise regulate its meetings as it thinks fit, and questions arising at any meeting shall be decided by a simple majority of votes present at the meeting. Any director may, and the secretary at the request of a director shall, at any time, summon a meeting of the board. It shall be necessary to give at least a 96-hour notice of a meeting of the board to each director, unless this requirement is waived by all directors who have received a written notice less than 96 hours in advance. A meeting may be held by telephone or other means whereby all persons present may at the same time hear and be heard by everybody else present, and persons who participate in this way shall be considered present at the meeting. In such case, the meeting shall be deemed to be held where the secretary of the meeting is located. All board and committee meetings shall take place in Cyprus where the management and control of the company shall remain.

Unless otherwise provided in the articles of association, the quorum necessary for the transaction of the business by our board of directors shall be at least half (1/2) of the total number of directors attending a meeting in person.

A resolution at a duly constituted meeting of our board of directors is approved by a simple majority of votes of all the directors, unless a higher majority is required on a particular matter. The chairman does not have a second or casting vote in case of a tie. A resolution consented to in writing will be as valid as if it had been passed at a meeting of our board of directors when signed by all the directors. A resolution consented to in writing must be approved and executed by all the directors.

Interested Directors

A director who is in any way directly or indirectly interested in a contract or proposed contract with us shall declare the nature of his interest at a meeting of the directors in accordance with the Cyprus Companies Law. Directors who have an interest in any contract or arrangement shall not have the right to vote (and shall not be counted in the quorum).

Notification of Shareholdings by Directors and Substantial Shareholders

There is no requirement under our articles of association or the Cyprus Companies Law for the notification of shareholdings by our directors and substantial shareholders. As none of our securities are listed on a regulated market in Cyprus or the European Union, there are no notification requirements under relevant Cyprus and European Union legislation.

Mandatory Offer Requirements

As none of our securities are listed on a regulated market in Cyprus or the European Union, neither the Cyprus Takeover Law nor the European Union's Takeover Directive apply to purchases of our shares and ADS. Our articles of association require that any person who is not affiliated with our principal shareholders and is an acquiror of 30% or more of the voting power of our issued shares, including the issued ordinary shares, must make a mandatory tender offer to all of our other shareholders. The mandatory offer must also be made if a principal shareholder holding a Class A share or its affiliates acquire 43% or more of the voting power of our issued shares, including the issued ordinary shares. Any mandatory tender offer is subject to the recommendation by at least two-thirds of our board of directors, including an affirmative vote of a majority of the independent directors, an acceptance by at least 75% of the shareholders (as specified in the articles of association) to whom the offer is made and certain other terms and conditions set out in our articles of association. The price of the mandatory offer cannot be lower than the higher of the highest price per our ordinary share or per ordinary share represented by depositary receipts paid by the acquiror and its persons acting in concert during the preceding 12 months and the highest market price per our ordinary share, including ordinary share represented by depositary receipts, quoted on a stock exchange during the preceding 12 months. If following the mandatory tender offer the acquiror and its parties acting in concert acquire 75% or more of the voting power of our ordinary shares (including ordinary shares represented by depositary receipts), then the remaining holders of our ordinary shares will have the right to demand by a notice in writing delivered to the acquiror within 60 business days from the date of publication of the completion of the mandatory tender offer, that such acquiror purchase some or all of their shares at a price not less than the price of the mandatory tender offer, and such acquiror will be required to purchase and pay for such ordinary shares within 15 business days of such demand. Any such acquiror who acquires, together with its persons acting in concert, at least 90% the voting power of our ordinary shares, including ordinary shares represented by depositary receipts, must give irrevocable notice to the remaining shareholders within 15 business days of such acquisition requiring them to sell their remaining ordinary shares, including ordinary shares represented by depositary receipts, at a price not less than the price of the mandatory tender offer and such holders of our ordinary shares, including ordinary shares represented by depositary receipts, will be required to sell their securities within 15 business days of such notice. In the event such third party acquiror breaches any of its obligations to make a mandatory tender offer in accordance with the requirements of our articles of association and until it complies with such obligations, the voting rights of such acquiror and the persons acting in concert in excess of 43% of the votes conferred by ordinary shares in respect of our principal shareholders holding Class A shares or their affiliates and 30% of the votes conferred by ordinary shares in respect of other holders of ordinary shares will be suspended.

For the purposes of these requirements, a person who acquires an interest in ADSs will be taken to have acquired an interest in the underlying shares.

Relevant Provisions of Cyprus Law

The liability of our shareholders is limited. Under the Cyprus Companies Law, a shareholder of a company is not personally liable for the acts of the company, except that a shareholder may become personally liable by reason of his or her own acts.

As of the date of this prospectus, Cyprus law does not contain any requirement for a mandatory offer to be made by a person acquiring shares or depositary receipts of a Cypriot company even if such an acquisition confers on such person control over us if neither the shares nor depositary receipts are listed on a regulated market in the EEA. Neither our shares nor depositary receipts are listed on a regulated market in the EEA.

The Cyprus Companies Law contains provisions in respect of squeeze-out rights. The effect of these provisions is that, where a company makes a takeover bid for all the shares or for the whole of any class of shares of another company, and the offer is accepted by the holders of 90% of the shares concerned, the offeror can upon the same terms acquire the shares of shareholders who have not accepted the offer, unless such persons can persuade the Cyprus courts not to permit the acquisition. If the offeror company already holds more than 10% of the value of the shares concerned, additional requirements need to be met before the minority can be squeezed out. If the company making the takeover bid acquires sufficient shares to aggregate, together with those which it already holds, more than 90%, then within one month of the date of the transfer which gives the 90%, it must give notice of the fact to the remaining shareholders and such shareholders may, within three months of the notice, require the bidder to acquire their shares and the bidder shall be bound to do so upon the same terms as in the offer or as may be agreed between them or upon such terms as the court may order.

Material Differences in Cyprus Law and our Articles of Association and Delaware Law

	Cyprus Law	Delaware Law
General Meetings	<p>We are required to hold an annual general meeting of shareholders each year on such day and at such place as the directors may determine. The directors may, whenever they think fit, decide to convene an extraordinary general meeting.</p> <p>Extraordinary general meetings may be convened at the request of the shareholders holding at the date of the deposit of the request at least 10% of such of the paid up share capital of the company as at the date of the deposit carries the right of voting at general meetings of the company and if the company fails, within 21 days from the date of the request, to call a meeting the requestors (or any of them representing more than 50% of the total voting rights of all of them), themselves convene a meeting but any meeting so convened shall not be held after the expiration of three months from the said date. If the company fails to hold its annual general meeting, it may be subject to fines and it may be ordered to hold a meeting by the Council of Ministers.</p>	<p>Annual shareholder meetings are typically held at such time or place as designated in the certificate of incorporation or the bylaws. A special meeting of shareholders may be called by the board of directors or by any other person authorized in the certificate of incorporation or bylaws. The meeting may be held inside or outside Delaware. Whenever shareholders are required to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, if any, date and hour of the meeting, and the means of remote communication, if any.</p>
Quorum Requirements for General Meetings	<p>The Cyprus Companies Law provides that a quorum at a general meeting of shareholders may be fixed by the articles of association, otherwise a quorum consists of three members. Our articles of association provide that a quorum for general meetings unless otherwise provided in the articles of association consists of at least three shareholders holding or representing by proxy issued share capital.</p>	<p>The certificate of incorporation or bylaws may specify the number to constitute a quorum, but in no event shall a quorum consist of less than one third of the shares entitled to vote at the meeting. In the absence of such specification, the majority of the shares entitled to vote, present in person or represented by proxy, shall constitute a quorum at a meeting of shareholders.</p>
Removal of Directors	<p>Under the Cyprus Companies Law, any director may be removed by an ordinary resolution, provided by a special notice of 28 days prior to the general meeting of the shareholders at which the request was given. The director concerned must receive a copy of the notice of the intended resolution and that director is entitled to be heard on the resolution at the meeting.</p>	<p>Under the Delaware General Corporation Law, any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors, except (a) unless the certificate of</p>

**Directors’
Fiduciary Duties**

Cyprus Law

The director concerned may make representations either orally or in writing to the company, not exceeding reasonable length, and require that the shareholders of the company be notified of such representations, either via advance notice or at the shareholders’ meeting, unless a court in Cyprus determines that such rights are being abused to secure needless publicity for a defamatory matter.

Such removal shall be without prejudice to any claim such director may have for damages for breach of any contract of service between him and the company.

Under Cyprus law, the directors of a company have certain duties towards the company and its shareholders. These duties consist of statutory duties and common law duties.

Statutory duties under the Cyprus Companies Law include, among others, the duty to cause the preparation of the financial accounts in accordance with IAS and IFRS and the disclosure of directors’ salaries and pensions in the company’s accounts or in a statement annexed thereto.

In general, the directors of a Cyprus company owe a duty to manage the company in accordance with the provisions of applicable law and within the regulations of the memorandum and articles of association of the company, and failure to do so will lead to the directors being liable for breach of their fiduciary duties. In addition, directors must disclose any interests that they may have. They have a statutory duty to avoid any conflict of interest. This duty is imposed on those directors who are either directly or indirectly interested in a contract or proposed contract with the company. Failure to reveal the nature of their interest at a board meeting would result in the imposition of a fine and, potentially, can also cause a relevant resolution to be invalid and make a relevant director liable to the company for breach of duty. Directors also have a duty to conduct the affairs of the company in a manner that is not oppressive to some part of the members.

Delaware Law

incorporation provides otherwise, in the case of a corporation whose board is classified, shareholders may affect such removal only for cause, or (b) in the case of a corporation having cumulative voting, if less than the entire board is to be removed, no director may be removed without cause if the votes cast against his removal would be sufficient to elect him if then cumulatively voted at an election of the entire board of directors, or, if there are classes of directors, at an election of the class of directors of which he is a part.

Directors have a duty of care and a duty of loyalty to the corporation and its shareholders. The duty of care requires that a director act in good faith, with the care of a prudent person, and in the best interest of the corporation. The duty of loyalty requires that a director act in a manner he reasonably believes to be in the best interests of the corporation.

Directors and officers must refrain from self-dealing, usurping corporate opportunities and receiving improper personal benefits, and ensure that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director or officer and not shared by the shareholders generally. Contracts or transactions in which one or more of the corporation’s directors has an interest are allowed assuming (a) the shareholders or the board of directors must approve in good faith any such contract or transaction after full disclosure of the material facts or (b) the contract or transaction must have been “fair” as to the corporation at the time it was approved.

Directors may vote on a matter in which they have an interest so long as the director has disclosed any interests in the transaction.

Cyprus Law

In addition, according to common law, directors must act in accordance with their duty of good faith and in the best interests of the company. They must exercise their powers for the particular purposes of which they were conferred and not for an extraneous purpose (for a proper purpose), and must display a reasonable degree of skill that may be expected from a person of his knowledge and experience.

Cumulative Voting The company's articles of association can contain provisions in relation to cumulative voting. Our articles of association do not contain provision on cumulative voting.

Shareholder Action by Written Consent According to our articles of association, a resolution in writing signed by all the shareholders then entitled to receive notice of and to attend and vote at general meetings shall be as valid and effective as if the same had been passed at a general meeting of the company duly convened and held.

Business Combinations The Cyprus Companies Law provides for schemes of arrangement, which are arrangements or compromises between a company and any class of shareholder or creditors and used in certain types of reconstructions, amalgamations, capital reorganizations or takeovers.

Under the Cyprus Companies Law, arrangements and reconstructions, require:

- the approval at a shareholders' or creditors' meeting convened by order of the court, representing a majority in value of the creditors or class of creditors or in number of votes of members or class of members, as the case may be, present and voting either in person or by proxy at the meeting; and
- the approval of the court.

The Cyprus Companies Law allows for the merger of public companies as follows: (a) merger by absorption of one or more public companies by another public company; (b) merger of public companies by way of incorporation of a new public company; and (c) fragmentation of public companies meaning (i) fragmentation by way of

Delaware Law

Cumulative voting is not permitted unless explicitly allowed in the certificate of incorporation.

Although permitted by Delaware law, publicly listed companies do not typically permit shareholders of a corporation to take action by written consent.

Under the Delaware General Corporation Law, the vote of a majority of the outstanding shares of capital stock entitled to vote thereon generally is necessary to approve a merger or consolidation or the sale of all or substantially all of the assets of a corporation. The Delaware General Corporation Law permits a corporation to include in its certificate of incorporation a provision requiring for any corporate action the vote of a larger portion of the stock or of any class or series of stock than would otherwise be required.

Under the Delaware General Corporation Law, no vote of the shareholders of a surviving corporation to a merger is needed, however, unless required by the certificate of incorporation, if (a) the agreement of merger does not amend in any respect the certificate of incorporation of the surviving corporation, (b) the shares of stock of the surviving corporation are not changed in the merger and (c) the number of shares of common stock of the surviving corporation into which any other shares, securities or obligations to be issued in the merger may be converted does not exceed 20% of the surviving corporation's common stock outstanding immediately prior to the effective date of the merger. In addition, shareholders may not be

Cyprus Law

absorption and (ii) fragmentation by way of incorporation of new companies. These transactions require, inter alia (and subject to requirements of other sections of the Cyprus Companies Law):

- a majority in value of the creditors or class of creditors or in number of votes members or class of members, as the case may be, present and voting either in person or by proxy at the meeting;
- the directors of the companies to enter into and to approve a written reorganization or division plan, as applicable;
- the directors of the companies to prepare a written report explaining the terms of the transaction; and
- the approval of the court.

The Cyprus Companies Law provides for the cross border merger between Cyprus companies and companies registered in another European Union jurisdiction.

There are no equivalent provisions under the Cyprus Companies Law relating to transactions with interested shareholders. However, such transactions must be in the corporate interest of the company.

Delaware Law

entitled to vote in certain mergers with other corporations that own 90% or more of the outstanding shares of each class of stock of such corporation, but the shareholders will be entitled to appraisal rights.

Section 203 of the Delaware General Corporation Law provides (in general) that a corporation may not engage in a business combination with an interested stockholder for a period of three years after the time of the transaction in which the person became an interested stockholder. The prohibition on business combinations with interested stockholders does not apply in some cases, including if: (a) the board of directors of the corporation, prior to the time of the transaction in which the person became an interested stockholder, approves (i) the business combination or (ii) the transaction in which the stockholder becomes an interested stockholder; (b) upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or (c) the board of directors and the holders of at least two-thirds of the outstanding voting stock not owned by the interested stockholder approve the business combination on or after the time of the transaction in which the person became an interested stockholder.

Interested Shareholders

Cyprus Law

Delaware Law

Limitations on Personal Liability of Directors

Under the Cyprus Companies Law, a director who vacates office remains liable, subject to applicable limitation periods, under any provisions of the Cyprus Companies Law that impose liabilities on a director in respect of any acts or omissions or decisions made while that person was a director.

For the purpose of Section 203, the Delaware General Corporation Law, subject to specified exceptions, generally defines an interested stockholder to include any person who, together with that person's affiliates or associates, (a) owns 15% or more of the outstanding voting stock of the corporation (including any rights to acquire stock pursuant to an option, warrant, agreement, arrangement or understanding, or upon the exercise of conversion or exchange rights, and stock with respect to which the person has voting rights only), or (b) is an affiliate or associate of the corporation and owned 15% or more of the outstanding voting stock of the corporation at any time within the previous three years.

Under Delaware law, a corporation's certificate of incorporation may include a provision eliminating or limiting the personal liability of a director to the corporation and its stockholders for damages arising from a breach of fiduciary duty as a director. However, no provision can limit the liability of a director for (a) any breach of the director's duty of loyalty to the corporation or its stockholders; (b) acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law; (c) intentional or negligent payment of unlawful dividends or stock purchases or redemptions; or (d) any transaction from which the director derives an improper personal benefit.

Appraisal Rights

There is no general concept of appraisal rights under the Cyprus Companies Law, although there are instances when a shareholder's shares may have to be acquired by another shareholder at a price ordered by the court. One such example is where a shareholder complains of oppression.

The Delaware General Corporation Law provides for shareholder appraisal rights, or the right to demand payment in cash of the judicially determined fair value of the shareholder's shares, in connection with certain mergers and consolidations.

Shareholder Suits

Under Cyprus law, generally, the company, rather than its shareholders, is the proper claimant in an action in respect of a wrong done to the company or where there is an irregularity in the company's internal management. Notwithstanding this general position, Cyprus law provides that a court may, in a limited set of circumstances, allow a shareholder to bring a derivative claim (that is, an action in respect of and on behalf of the company).

Under the Delaware General Corporation Law, a shareholder may bring a derivative action on behalf of the corporation to enforce the rights of the corporation. An individual also may commence a class action suit on behalf of himself and other similarly situated shareholders where the requirements for maintaining a class action under Delaware law have been met. A person may institute

Cyprus Law

Delaware Law

Inspection of Books and Records

A shareholder and any holder of debentures of a company are entitled to be furnished on demand, without charge, with a copy of the last balance sheet of the company, including every document required by law to be annexed thereto, together with a copy of the auditors' report on the balance sheet.

Amendment of Governing Documents

Under the Cyprus Companies Law, a company may alter the objects contained in its memorandum by a special resolution of the shareholders of the company (approved by 75% of those present and voting) and the alteration shall not take effect until, and except in so far as, it is confirmed on petition by a court in Cyprus.

The articles of association of a company may be altered or additions may be made to it by special resolution of the shareholders of the company.

Dividends and Repurchases

Under Cyprus law, we are not allowed to make distributions if the distribution would reduce our net assets below the total sum of the issued share capital and the reserves that we must maintain under Cyprus law and our articles of association. Dividends may be declared at a general meeting of shareholders, but no dividend may exceed the amount recommended by the directors. In addition, the directors may on their own declare and pay interim dividends.

No distribution of dividends may be made when, on the closing date of the last financial year, the net assets, as set out in our Company's annual accounts are, or following such a distribution would become lower than the amount of the issued share capital and those reserves which may not be distributed under law or our articles of association.

and maintain such a suit only if that person was a shareholder at the time of the transaction which is the subject of the suit. In addition, under Delaware case law, the plaintiff normally must be a shareholder at the time of the transaction that is the subject of the suit and throughout the duration of the derivative suit. Delaware law also requires that the derivative plaintiff make a demand on the directors of the corporation to assert the corporate claim before the suit may be prosecuted by the derivative plaintiff in court, unless such a demand would be futile.

Under the Delaware General Corporation Law, any shareholder may inspect for any proper purpose certain of the corporation's books and records during the corporation's usual hours of business.

Under the Delaware General Corporation Law, a corporation's certificate of incorporation may be amended only if adopted and declared advisable by the board of directors and approved by a majority of the outstanding shares entitled to vote, and the bylaws may be amended with the approval of a majority of the outstanding shares entitled to vote and may, if so provided in the certificate of incorporation, also be amended by the board of directors.

Under the Delaware General Corporation Law, a Delaware corporation may pay dividends out of its surplus (the excess of net assets over capital), or in case there is no surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year (provided that the amount of the capital of the corporation is not less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets). In determining the amount of surplus of a Delaware corporation, the assets of the corporation, including stock of subsidiaries owned by the corporation, must be valued at their fair market value as determined by the board of directors, without regard to their historical book value. Dividends may be paid in the form of shares, property or cash.

Cyprus Law

Interim dividends can only be paid if interim accounts are drawn up showing that funds available for distribution are sufficient and the amount to be distributed may not exceed the total profits made since the end of the last financial year for which the annual accounts have been drawn up, plus any profits transferred from the last financial year and the withheld funds made of the reserves available for this purpose, minus any losses of the previous financial years and funds which must be put in reserve pursuant to the requirements of the law and our articles of association.

In general, a public company may acquire its own shares either directly, through a subsidiary or through a person acting in its name but for the account of the company, provided that the articles of the company allow this and as long as the conditions of the Cyprus Companies Law are met. These conditions include, inter alia, the following:

- shareholder approval via special resolution (valid for 12 months from such resolution);
- the total nominal value of shares acquired by the company, including shares previously acquired and held by the company, may not exceed 10% of the company's issued capital;
- the company must pay for shares repurchased out of the realized and non-distributable profits; and
- such repurchases may not have the effect of reducing the company's net assets below the amount of the company's issued capital plus those reserves which may not be distributed under the law or our articles of association. The company may only acquire shares that have been fully paid up.

It is noted that the relevant provisions regarding the buyback of shares under Cyprus Companies Law are vague and unclear in some respects, and their practical implication is unclear and could prevent a buyback. As the Cyprus Companies Law is drafted, these relevant provisions only apply to shares and do not clearly apply to ADSs and, therefore, there is a strong argument that the company cannot buy back the ADSs.

Delaware Law

	Cyprus Law	Delaware Law
Pre-emption Rights	<p>Under the Cyprus Companies Law, each existing shareholder has a right of pre-emption entitling them to the right to subscribe for their pro-rata shares of any new share issuance made by the company for a cash consideration.</p> <p>If all the shareholders do not fully exercise all their pre-emption rights, the board of directors may decide to offer and sell the remaining shares to third parties on terms not more favorable than those indicated in the notice.</p> <p>Shareholders' pre-emption rights may be waived by a resolution adopted by a specified majority. The decision is passed by a majority of two-thirds of the votes corresponding either to the represented securities or to the represented issued share capital. When at least half of the issued share capital is represented a simple majority will suffice. In connection with such waiver, the board of directors must present a written report indicating the reasons why the right of pre-emption should be waived and justifying the proposed issue price. Our shareholders have authorized the disapplication of the right of pre-emption set out above for some shares for a period of five years from the date of the completion of this offering and have provided a general disapplication for issuances in connection with our equity incentive plans and certain other purposes.</p>	<p>Under the Delaware General Corporation Law, shareholders have no pre-emption rights to subscribe for additional issues of stock or to any security convertible into such stock unless, and to the extent that, such rights are expressly provided for in the certificate of incorporation.</p>

Description of American Depositary Shares

The Bank of New York Mellon, as depositary, will register and deliver American Depositary Shares, also referred to as ADSs. Each ADS will represent one ordinary share (or a right to receive one ordinary share) deposited with The Bank of New York Mellon, acting through an office located in the United Kingdom, as custodian for the depositary. Each ADS will also represent any other securities, cash or other property that may be held by the depositary. The deposited shares together with any other securities, cash or other property held by the depositary are referred to as the deposited securities. The depositary's office at which the ADSs will be administered and its principal executive office are located at 240 Greenwich Street, New York, New York 10286.

You may hold ADSs either (A) directly (i) by having an American Depositary Receipt, also referred to as an ADR, which is a certificate evidencing a specific number of ADSs, registered in your name, or (ii) by having uncertificated ADSs registered in your name, or (B) indirectly by holding a security entitlement in ADSs through your broker or other financial institution that is a direct or indirect participant in The Depository Trust Company, also called DTC. If you hold ADSs directly, you are a registered ADS holder, also referred to as an ADS holder. This description assumes you are an ADS holder. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

Registered holders of uncertificated ADSs will receive statements from the depositary confirming their holdings.

As an ADS holder, we will not treat you as one of our shareholders and you will not have shareholder rights. Cyprus law governs shareholder rights. The depositary will be the holder of the shares underlying your ADSs. As a registered holder of ADSs, you will have ADS holder rights. A deposit agreement among us, the depositary, ADS holders and all other persons indirectly or beneficially holding ADSs sets out ADS holder rights as well as the rights and obligations of the depositary. New York law governs the deposit agreement and the ADSs.

The following is a summary of the material provisions of the deposit agreement. For more complete information, you should read the entire deposit agreement and the form of ADR. See “Where You Can Find More Information” for directions on how to obtain copies of those documents.

Dividends and Other Distributions

The depositary has agreed to pay or distribute to ADS holders the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, upon payment or deduction of its fees and expenses. You will receive these distributions in proportion to the number of shares your ADSs represent.

Cash The depositary will convert any cash dividend or other cash distribution we pay on the shares into U.S. dollars, if it can do so on a reasonable basis and can transfer the U.S. dollars to the United States. If that is not possible or if any government approval is needed and cannot be obtained, the deposit agreement allows the depositary to distribute the foreign currency only to those ADS holders to whom it is possible to do so. It will hold the foreign currency it cannot convert for the account of the ADS holders who have not been paid. It will not invest the foreign currency and it will not be liable for any interest.

Before making a distribution, any withholding taxes, or other governmental charges that must be paid will be deducted. See Item 10.E. “Additional Information—Taxation” of our Annual Report. The depositary will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. *If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, you may lose some of the value of the distribution.*

Shares The depositary may distribute additional ADSs representing any shares we distribute as a dividend or free distribution. The depositary will only distribute whole ADSs. It will sell shares which would require it to deliver a fraction of an ADS (or ADSs representing those shares) and distribute the net proceeds in the same way as it does with cash. If the depositary does not distribute additional ADSs, the outstanding ADSs will also represent the new shares. The depositary may sell a portion of the distributed shares (or ADSs representing those shares) sufficient to pay its fees and expenses in connection with that distribution.

Rights to purchase additional shares If we offer holders of our securities any rights to subscribe for additional shares or any other rights, the depositary may (i) exercise those rights on behalf of ADS holders, (ii) distribute those rights to ADS holders or (iii) sell those rights and distribute the net proceeds to ADS holders, in each case after deduction or upon payment of its fees and expenses. To the extent the depositary does not do any of those things, it will allow the rights to lapse. In that case, you will receive no value for them. The depositary will exercise or distribute rights only if we ask it to and provide reasonably satisfactory assurances to the depositary that it is legal to do so. If the depositary will exercise rights, it will purchase the securities to which the rights relate and distribute those securities or, in the case of shares, new ADSs representing the new shares, to subscribing ADS holders, but only if ADS holders have paid the exercise price to the depositary. U.S. securities laws may restrict the ability of the depositary to distribute rights or ADSs or other securities issued on exercise of rights to all or certain ADS holders, and the securities distributed may be subject to restrictions on transfer. There can be no assurances that you will be given the opportunity to exercise rights on the same terms and conditions as the holders of our ordinary shares or be able to exercise such rights at all.

Other distributions The depositary will send to ADS holders anything else we distribute on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, the depositary has a choice. It may decide to sell what we distributed and distribute the net proceeds, in the same way as it does with cash. Or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property. However, the depositary is not required to distribute any securities (other than ADSs) to ADS holders unless it receives satisfactory evidence from us that it is legal to make that distribution. The depositary may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution. U.S. securities laws may restrict the ability of the depositary to distribute securities to all or certain ADS holders, and the securities distributed may be subject to restrictions on transfer.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. We have no obligation to register ADSs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, shares, rights or anything else to ADS holders. *This means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impractical for us to make them available to you.*

Deposit, Withdrawal and Cancellation

The depositary will deliver ADSs if you or your broker deposits shares or evidence of rights to receive shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will register the appropriate number of ADSs in the names you request and will deliver the ADSs to or upon the order of the person or persons that made the deposit.

You may surrender your ADSs to the depositary for the purpose of withdrawal. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will deliver the shares and any other deposited securities underlying the ADSs to the ADS holder or a person the ADS holder designates at the office of the custodian. Or, at your request, risk and expense, the depositary will deliver the deposited securities at its office, if feasible. However, the depositary is not required to accept surrender of ADSs to the extent it would require delivery of a fraction of a deposited share or other security. The depositary may charge you a fee and its expenses for instructing the custodian regarding delivery of deposited securities.

You may surrender your ADR to the depositary for the purpose of exchanging your ADR for uncertificated ADSs. The depositary will cancel that ADR and will send to the ADS holder a statement confirming that the ADS holder is the registered holder of uncertificated ADSs. Upon receipt by the depositary of a proper instruction from a registered holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the depositary will execute and deliver to the ADS holder an ADR evidencing those ADSs.

Voting Rights

ADS holders may instruct the depositary how to vote the number of deposited shares their ADSs represent. If we request the depositary to solicit your voting instructions (and we are not required to do so), the depositary will notify you of a shareholders' meeting and send or make voting materials available to you. Those materials will describe the matters to be voted on and explain how ADS holders may instruct the depositary how to vote. For instructions to be valid, they must reach the depositary by a date set by the depositary. The depositary will try, as far as practical, subject to the laws of Cyprus and the provisions of our articles of association or similar documents, to vote or to have its agents vote the shares or other deposited securities as instructed by ADS holders. If we do not request the depositary to solicit your voting instructions, you can still send voting instructions, and, in that case, the depositary may try to vote as you instruct, but it is not required to do so.

Except by instructing the depositary as described above, you won't be able to exercise voting rights unless you surrender your ADSs and withdraw the shares. However, you may not know about the meeting enough in advance to withdraw the shares. In any event, the depositary will not exercise any discretion in voting deposited securities and it will only vote or attempt to vote as instructed.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your shares. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that you may not be able to exercise voting rights and there may be nothing you can do if your shares are not voted as you requested.

In order to give you a reasonable opportunity to instruct the depositary as to the exercise of voting rights relating to deposited securities, if we request the depositary to act, we agree to give the depositary notice of any such meeting and details concerning the matters to be voted upon at least 30 days in advance of the meeting date.

Fees and Expenses

Persons depositing or withdrawing shares or ADS holders must pay:

\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)

\$.05 (or less) per ADS

A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs

\$.05 (or less) per ADS per calendar year

Registration or transfer fees

Expenses of the depositary

Taxes and other governmental charges the depositary or the custodian has to pay on any ADSs or shares underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes

Any charges incurred by the depositary or its agents for servicing the deposited securities

For:

Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property

Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates

Any cash distribution to ADS holders

Distribution of securities distributed to holders of deposited securities (including rights) that are distributed by the depositary to ADS holders

Depositary services

Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares

Cable (including SWIFT) and facsimile transmissions (when expressly provided in the deposit agreement)

Converting foreign currency to U.S. dollars

As necessary

As necessary

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by

deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may collect any of its fees by deduction from any cash distribution payable (or by selling a portion of securities or other property distributable) to ADS holders that are obligated to pay those fees. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

From time to time, the depositary may make payments to us to reimburse us for costs and expenses generally arising out of establishment and maintenance of the ADS program, waive fees and expenses for services provided to us by the depositary or share revenue from the fees collected from ADS holders. In performing its duties under the deposit agreement, the depositary may use brokers, dealers, foreign currency dealers or other service providers that are owned by or affiliated with the depositary and that may earn or share fees, spreads or commissions.

The depositary may convert currency itself or through any of its affiliates, or the custodian or we may convert currency and pay U.S. dollars to the depositary. Where the depositary converts currency itself or through any of its affiliates, the depositary acts as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under the deposit agreement and the rate that the depositary or its affiliate receives when buying or selling foreign currency for its own account. The depositary makes no representation that the exchange rate used or obtained by it or its affiliate in any currency conversion under the deposit agreement will be the most favorable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favorable to ADS holders, subject to the depositary's obligation to act without negligence or bad faith. The methodology used to determine exchange rates used in currency conversions made by the depositary is available upon request. Where the custodian converts currency, the custodian has no obligation to obtain the most favorable rate that could be obtained at the time or to ensure that the method by which that rate will be determined will be the most favorable to ADS holders, and the depositary makes no representation that the rate is the most favorable rate and will not be liable for any direct or indirect losses associated with the rate. In certain instances, the depositary may receive dividends or other distributions from us in U.S. dollars that represent the proceeds of a conversion of foreign currency or translation from foreign currency at a rate that was obtained or determined by us and, in such cases, the depositary will not engage in, or be responsible for, any foreign currency transactions and neither it nor we make any representation that the rate obtained or determined by us is the most favorable rate and neither it nor we will be liable for any direct or indirect losses associated with the rate.

Payment of Taxes

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities represented by any of your ADSs. The depositary may refuse to register any transfer of your ADSs or allow you to withdraw the deposited securities represented by your ADSs until those taxes or other charges are paid. It may apply payments owed to you or sell deposited securities represented by your ADSs to pay any taxes owed and you will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to ADS holders any proceeds, or send to ADS holders any property, remaining after it has paid the taxes.

Tender and Exchange Offers; Redemption, Replacement or Cancellation of Deposited Securities

The depositary will not tender deposited securities in any voluntary tender or exchange offer unless instructed to do so by an ADS holder surrendering ADSs and subject to any conditions or procedures the depositary may establish.

If deposited securities are redeemed for cash in a transaction that is mandatory for the depositary as a holder of deposited securities, the depositary will call for surrender of a corresponding number of ADSs and distribute the net redemption money to the holders of called ADSs upon surrender of those ADSs.

If there is any change in the deposited securities such as a sub-division, combination or other reclassification, or any merger, consolidation, recapitalization or reorganization affecting the issuer of deposited securities in which the depositary receives new securities in exchange for or in lieu of the old deposited securities, the depositary will hold those replacement securities as deposited securities under the deposit agreement. However, if the depositary decides it would not be lawful and practical to hold the replacement securities because those securities could not be distributed to ADS holders or for any other reason, the depositary may instead sell the replacement securities and distribute the net proceeds upon surrender of the ADSs.

If there is a replacement of the deposited securities and the depositary will continue to hold the replacement securities, the depositary may distribute new ADSs representing the new deposited securities or ask you to surrender your outstanding ADRs in exchange for new ADRs identifying the new deposited securities.

Amendment

We may agree in writing with the depositary to amend the deposit agreement and the ADRs without your consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the depositary for registration fees, facsimile costs, delivery charges or similar items, or prejudices a substantial right of ADS holders, it will not become effective for outstanding ADSs until 30 days after the depositary notifies ADS holders of the amendment. At the time an amendment becomes effective, you are considered, by continuing to hold your ADSs, to agree to the amendment and to be bound by the ADRs and the deposit agreement as amended.

Termination

The depositary will initiate termination of the deposit agreement if we instruct it to do so. The depositary may initiate termination of the deposit agreement if:

- 60 days have passed since the depositary told us it wants to resign but a successor depositary has not been appointed and accepted its appointment;
- we delist the ADSs from an exchange in the United States on which they were listed and 30 days after delisting, we do not list the ADSs on another exchange in the United States or apply to list the ADSs on any other stock exchange, or make arrangements for trading of ADSs on the U.S. over-the-counter market;
- the depositary has reason to believe the ADSs have become, or will become, ineligible for registration on Form F-6 under the Securities Act of 1933;
- we appear to be insolvent or enter insolvency proceedings;
- all or substantially all the value of the deposited securities has been distributed either in cash or in the form of securities;
- there are no deposited securities underlying the ADSs or the underlying deposited securities have become apparently worthless; or
- there has been a replacement of deposited securities.

If the deposit agreement will terminate, the depositary will notify ADS holders at least 90 days before the termination date. At any time after the termination date, the depositary may sell the deposited securities. After that, the depositary will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement, unsegregated and without liability for interest, for the pro rata benefit of the ADS holders that have not surrendered their ADSs. Normally, the depositary will sell as soon as practicable after the termination date.

After the termination date and before the depositary sells, ADS holders can still surrender their ADSs and receive delivery of deposited securities, except that the depositary may refuse to accept a surrender for the purpose of withdrawing deposited securities or reverse previously accepted surrenders of that kind that have not settled if it would interfere with the selling process. The depositary may refuse to accept a surrender for the purpose of withdrawing sale proceeds until all the deposited securities have been sold. The depositary will continue to collect distributions on deposited securities, but, after the termination date, the depositary is not required to register any transfer of ADSs or distribute any dividends or other distributions on deposited securities to the ADSs holder (until they surrender their ADSs) or give any notices or perform any other duties under the deposit agreement except as described in this paragraph.

Limitations on Obligations and Liability

The deposit agreement expressly limits our obligations and the obligations of the depositary. It also limits our liability and the liability of the depositary. We and the depositary:

- are only obligated to take the actions specifically set forth in the deposit agreement without negligence or bad faith, and the depositary will not be a fiduciary or have any fiduciary duty to holders of ADSs;
- are not liable if we are or it is prevented or delayed by law or by events or circumstances beyond our or its ability to prevent or counteract with reasonable care or effort from performing our or its obligations under the deposit agreement;
- are not liable if we or it exercises discretion permitted under the deposit agreement;
- are not liable for the inability of any holder of ADSs to benefit from any distribution on deposited securities that is not made available to holders of ADSs under the terms of the deposit agreement, or for any special, consequential or punitive damages for any breach of the terms of the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on your behalf or on behalf of any other person;
- may rely upon any documents we believe or it believes in good faith to be genuine and to have been signed or presented by the proper person;
- are not liable for the acts or omissions of any securities depository, clearing agency or settlement system; and
- the depositary has no duty to make any determination or provide any information as to our tax status, or any liability for any tax consequences that may be incurred by ADS holders as a result of owning or holding ADSs or be liable for the inability or failure of an ADS holder to obtain the benefit of a foreign tax credit, reduced rate of withholding or refund of amounts withheld in respect of tax or any other tax benefit.

In the deposit agreement, we and the depositary agree to indemnify each other under certain circumstances.

Requirements for Depositary Actions

Before the depositary will deliver or register a transfer of ADSs, make a distribution on ADSs, or permit withdrawal of shares, the depositary may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any shares or other deposited securities;
- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and

- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The depositary may refuse to deliver ADSs or register transfers of ADSs when the transfer books of the depositary or our transfer books are closed or at any time if the depositary or we think it advisable to do so.

Right to Receive the Shares Underlying ADSs

ADS holders have the right to cancel their ADSs and withdraw the underlying shares at any time except:

- when temporary delays arise because: (i) the depositary has closed its transfer books or we have closed our transfer books; (ii) the transfer of shares is blocked to permit voting at a shareholders' meeting; or (iii) we are paying a dividend on our shares;
- when you owe money to pay fees, taxes and similar charges; or
- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Direct Registration System

In the deposit agreement, all parties to the deposit agreement acknowledge that the Direct Registration System, also referred to as DRS, and Profile Modification System, also referred to as Profile, will apply to the ADSs. DRS is a system administered by DTC that facilitates interchange between registered holding of uncertificated ADSs and holding of security entitlements in ADSs through DTC and a DTC participant. Profile is a feature of DRS that allows a DTC participant, claiming to act on behalf of a registered holder of uncertificated ADSs, to direct the depositary to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depositary of prior authorization from the ADS holder to register that transfer.

In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties to the deposit agreement understand that the depositary will not determine whether the DTC participant that is claiming to be acting on behalf of an ADS holder in requesting registration of transfer and delivery as described in the paragraph above has the actual authority to act on behalf of the ADS holder (notwithstanding any requirements under the Uniform Commercial Code). In the deposit agreement, the parties agree that the depositary's reliance on and compliance with instructions received by the depositary through the DRS/Profile system and in accordance with the deposit agreement will not constitute negligence or bad faith on the part of the depositary.

Shareholder Communications; Inspection of Register of Holders of ADSs

The depositary will make available for your inspection at its office all communications that it receives from us as a holder of deposited securities that we make generally available to holders of deposited securities. The depositary will send you copies of those communications or otherwise make those communications available to you if we ask it to. You have a right to inspect the register of holders of ADSs, but not for the purpose of contacting those holders about a matter unrelated to our business or the ADSs.

Arbitration Provision

The deposit agreement gives the depositary or an ADS holder asserting a claim against us the right to require us to submit that claim to binding arbitration in New York under the Rules of the American Arbitration Association, including any U.S. federal securities law claim. However, a claimant could also elect not to submit its claim to arbitration and instead bring its claim in any court having jurisdiction of it. The deposit agreement does not give us or the depositary the right to require any ADS holder to submit to arbitration, whether in respect to a claim against us or otherwise.

Jury Trial Waiver

As an owner of ADSs, you irrevocably agree that any legal action arising out of the deposit agreement, the ADSs or the ADRs, involving the Company or the depositary, may only be instituted in a state or federal court in the city of New York and actions by ADS holders to enforce any duty or liability created by the Exchange Act, the Securities Act or the respective rules and regulations thereunder must be brought in a federal court in the city of New York.

AS A PARTY TO THE DEPOSIT AGREEMENT, YOU IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, YOUR RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF THE DEPOSIT AGREEMENT, THE ADSs OR THE ADRs AGAINST US AND/OR THE DEPOSITARY.

The deposit agreement provides that, to the extent permitted by law, ADS holders waive the right to a jury trial of any claim they may have against us or the depositary arising out of or relating to our ordinary shares, the ADSs or the deposit agreement, including any claim under U.S. federal securities laws. The waiver continues to apply to claims that arise during the period when a holder holds the ADSs, whether the ADS holder purchased the ADSs in this offering or secondary transactions. If we or the depositary opposed a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable in the facts and circumstances of that case in accordance with applicable case law. However, you will not be deemed, by agreeing to the terms of the deposit agreement, to have waived our or the depositary's compliance with U.S. federal securities laws and the rules and regulations promulgated thereunder.

Dated 24 February 2021

OZON HOLDINGS PLC

(as Issuer)

and

BNY MELLON CORPORATE TRUSTEE SERVICES LIMITED

(as the Trustee)

TRUST DEED

constituting

U.S.\$750,000,000 1.875 per cent. Convertible Bonds due 2026

Linklaters

Ref: L-309193

Linklaters LLP

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This Trust Deed is made on 24 February 2021 **between:**

- (1) **OZON HOLDINGS PLC**, a company incorporated under the laws of the Republic of Cyprus, with registered office at Capital Center, 9th Floor, 2-4 Arch. Makarios III Ave, Nicosia 1065, Cyprus (the “**Issuer**”); and
- (2) **BNY CORPORATE TRUSTEE SERVICES LIMITED**, whose registered office is at One Canada Square, London E14 5AL, United Kingdom (the “**Trustee**”, which expression shall, where the context so admits, include all persons for the time being the trustee or trustees of this Trust Deed).

Whereas:

- (A) The Issuer, incorporated in the Republic of Cyprus, has by a resolution of its board of directors passed on 16 February 2021 authorised the creation and issue of U.S.\$750,000,000 in aggregate principal amount of 1.875 per cent. Convertible Bonds due 2026 which are, subject to a cash alternative option at the discretion of the Issuer, convertible into American Depositary Shares of the Issuer (“**ADSs**”) representing fully paid ordinary shares in the capital of the Issuer (“**Shares**”) or representing rights to receive Shares, such Shares being issued to and held by the Depositary (as defined below), to be constituted by this Trust Deed.
- (B) The Trustee has agreed to act as trustee of this Trust Deed on the following terms and conditions.

Now this Deed witnesses and it is hereby agreed and declared as follows:

1 Interpretation

1.1 Definitions

The following expressions have the following meanings:

“**Agency Agreement**” means the Paying, Transfer and Conversion Agency Agreement dated 24 February 2021, as amended from time to time, between the Issuer, the Trustee, the Principal Paying, Transfer and Conversion Agent and the Registrar whereby the initial Principal Paying, Transfer and Conversion Agent and the Registrar were appointed in relation to the Original Bonds together with any agreement for the time being in force amending or modifying with the approval in writing of the Trustee the aforesaid agreement;

“**Agents**” means, in relation to the Bonds, the Principal Paying, Transfer and Conversion Agent, the Registrar and any other agent appointed pursuant to the Agency Agreement and, in relation to any Further Bonds, means any agent appointed in relation to them;

“**Appointee**” means any custodian, agent, delegate or nominee appointed by the Trustee under Clause 15;

“**Authorised Signatory**” means any person who (a) is a director, secretary, managing officer or another duly authorised officer of the Issuer; or (b) has been notified by the Issuer in writing to the Trustee as being duly authorised to sign documents and to do other acts and things on behalf of the Issuer for the purposes of this Trust Deed;

“**Bondholder**” and (in relation to a Bond) “**holder**” means a person in whose name a Bond is registered in the Register (as defined in Condition 4 (a));

“**Bonds**” means the Original Bonds and/or as the context may require any Further Bonds, except that in Schedules 1 and 2 “**Bonds**” means the Original Bonds;

“Calculation Agency Agreement” means, in relation to the Bonds, the Calculation Agency Agreement dated on or about the date hereof, as amended from time to time, between the Issuer and the Calculation Agent;

“Clearstream, Luxembourg” means Clearstream Banking S.A.;

“Closing Date” means 24 February 2021;

“Conditions” means, in relation to the Original Bonds, the terms and conditions set out in Schedule 4 and, with respect to any Further Bonds, the terms and conditions set out in a schedule to the supplemental trust deed constituting such Further Bonds as any of the same may from time to time be modified in accordance with the provisions thereof and/or of this Trust Deed, and references in this Trust Deed to a particular numbered Condition shall, in relation to the Original Bonds, be construed accordingly and shall, in relation to any Further Bonds, be construed as a reference to the provision (if any) in the Conditions thereof which corresponds to the particular Condition of the Original Bonds;

“Definitive Original Bonds” means those Original Bonds for the time being represented by definitive certificates in the form or substantially in the form set out in Schedule 1;

“Depository” means The Bank of New York Mellon as depository, which term shall include any successor depository.

“Directors” means the directors of the Issuer;

“Euroclear” means Euroclear Bank SA/NV;

“Electronic Consent” has the meaning set out in paragraph 1 of Schedule 3;

“Event of Default” means any of the events described in Condition 10 (or, in respect of any Further Bonds, the relevant Condition) which, if so required by Condition 10, have been certified by the Trustee to be, in its opinion, materially prejudicial to the interests of the holders of the Bonds;

“Extraordinary Resolution” has the meaning set out in paragraph 1 of Schedule 3;

“Further Bonds” means any further bonds, notes or debentures issued in accordance with the provisions of Clause 5 and Condition 18 and constituted by a deed supplemental to this Trust Deed;

“Global Bond” means the registered global bond representing Original Bonds in the form or substantially in the form set out in Schedule 2 and/or as the context may require any global bond or note representing Further Bonds or any of them (and **“Global Bonds”** shall be construed accordingly);

a **“holding company”** of a company or a corporation means any company or corporation of which the first mentioned company or corporation is a Subsidiary;

“Losses” means any and all claims, losses, liabilities, damages, costs, fees, expenses and judgements (including properly incurred legal fees and expenses) sustained by any person;

“Original Bonds” means the Convertible Bonds due 2026 constituted by this Trust Deed and for the time being outstanding (being on the date hereof U.S.\$750,000,000 in principal amount) or, as the context may require, a specific number of them and includes any replacement Bonds issued pursuant to Condition 13 and the Global Bond;

“Original Bondholders” means the holders for the time being of Original Bonds;

“outstanding” means, in relation to the Bonds, all the Bonds issued other than (i) those which have been redeemed in accordance with the Conditions, (ii) those in respect of which Conversion Rights have been exercised and the Issuer’s obligations to transfer and deliver ADSs and/or pay cash have been duly performed, (iii) those in respect of which the date for redemption in accordance with the Conditions has occurred and the redemption moneys (including all interest accrued on such Bonds to the date for such redemption and any interest payable under Condition 5 after such date and, if the Issuer has exercised its ADS Settlement Option, any Cash Settlement Amount) have been duly paid to the relevant Bondholder or on its behalf or to the Trustee or to the Principal Paying, Transfer and Conversion Agent as provided in Clause 2 and remain available for payment in accordance with the Conditions and, if the Issuer has exercised its ADS Settlement Option, any obligations to transfer and deliver ADSs have been duly performed, (iv) those which have become void or those in respect of which claims have become prescribed under Condition 12, (v) those which have been purchased and cancelled as provided in Condition 7, (vi) those mutilated or defaced Bonds which have been surrendered in exchange for replacement Bonds pursuant to Condition 13, (vii) those Bonds which have alleged to have been lost, stolen or destroyed and in respect of which replacement Bonds have been issued pursuant to Condition 13; provided that for the purposes of (a) ascertaining the right to attend any meeting of the Bondholders and vote at any meeting of the Bondholders or to participate in any Written Resolution or Electronic Consent, (b) the determination of how many Bonds are outstanding for the purposes of the Conditions and the Trust Deed, (c) the exercise of any discretion, power or authority which the Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the Bondholders and (d) the certification (where relevant) by the Trustee as to whether an Event of Default or Potential Event of Default is in its opinion materially prejudicial to the interests of the Bondholders, those Bonds (if any) which are beneficially held by, or are held on behalf of, the Issuer or any of its Subsidiaries and not cancelled shall (unless no longer so held) be deemed not to remain outstanding;

“Paying, Transfer and Conversion Agents” means, in relation to the Original Bonds, the institutions (including the Principal Paying, Transfer and Conversion Agent) referred to as such in the Conditions and, in relation to any Further Bonds, the Paying, Transfer and Conversion Agents (including the Principal Paying, Transfer and Conversion Agent) appointed in respect of such Further Bonds at their specified offices and in each case any Successor Paying, Transfer and Conversion Agent (including any Successor Principal Paying, Transfer and Conversion Agent) at its specified office;

“Potential Event of Default” means an event or circumstance which could, with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 10, become an Event of Default;

“Principal Paying, Transfer and Conversion Agent” means, in relation to the Original Bonds, The Bank of New York Mellon, London Branch at its specified office, in its capacity as Principal Paying, Transfer and Conversion Agent (in respect of the Original Bonds) and, in relation to any Further Bonds, the Principal Paying, Transfer and Conversion Agent appointed in respect of such Further Bonds at its specified office and in each case any Successor Principal Paying, Transfer and Conversion Agent at its specified office;

“**Registrar**” means, in relation to the Original Bonds, The Bank of New York Mellon SA/NV, Dublin Branch at its specified office or any Successor Registrar appointed under the Agency Agreement at its specified office and, in relation to any Further Bonds, such institution as shall be appointed Registrar for such Further Bonds at its specified office;

“**Securities Act**” means the U.S. Securities Act of 1933;

“**specified office**” means, in relation to any Agent, either the office identified with its name at the end of the Conditions or any other office approved by the Trustee and notified to the Bondholders pursuant to Clause 8.10 and Condition 17;

“**Successor**” means, in relation to the Agents, such other or further person as may from time to time be appointed by the Issuer as an Agent with the written approval of, and on terms approved in writing by, the Trustee and notice of whose appointment is given to Bondholders pursuant to Clause 8.10 and Condition 17;

“**this Trust Deed**” means this Trust Deed, the Schedules (as from time to time altered in accordance with this Trust Deed) and (unless the context requires otherwise) any other document executed in accordance with this Trust Deed (as from time to time so altered) and expressed to be supplemental to this Trust Deed;

“**trust corporation**” means a trust corporation (as defined in the Law of Property Act 1925) or a corporation entitled to act as a trustee pursuant to applicable foreign legislation relating to trustees; and

“**Written Resolution**” has the meaning set out in paragraph 1 of Schedule 3.

1.2 Construction of Certain References

References to:

- 1.2.1 costs, fees, charges, remuneration or expenses shall include any amount in respect of value added tax, turnover tax or similar tax charged in respect thereof;
- 1.2.2 “**U.S.\$**” and “**U.S. dollars**” means the lawful currency for the time being of the United States of America;
- 1.2.3 any action, remedy or method of judicial proceedings for the enforcement of rights of creditors shall include, in respect of any jurisdiction other than England and Wales, references to such action, remedy or method of judicial proceedings for the enforcement of rights of creditors available or appropriate in such jurisdiction as shall most nearly approximate thereto and any other similar, analogous or corresponding event under the insolvency laws of any applicable jurisdiction;
- 1.2.4 words denoting the singular number only shall include the plural number also and *vice versa*;
- 1.2.5 words denoting one gender only shall include the other gender;
- 1.2.6 words denoting persons only shall include firms and corporations and *vice versa*;
- 1.2.7 any legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation as the same may have been, or may from time to time be, amended or re-enacted;
- 1.2.8 any document are to that document as amended, supplemented or replaced from time to time and include any document that amends, supplements or replaces it;

- 1.2.9** “**approval not to be unreasonably withheld or delayed**” or like references mean, in relation to the Trustee, that, in determining whether to give such approval, the Trustee shall have due regard to the interests of the Bondholders and any determination as to whether or not its approval is unreasonably withheld or delayed shall be made on that basis (for the avoidance of doubt, any delay due to the Trustee seeking instructions from the Bondholders or otherwise outside of the reasonable control of the Trustee shall not be deemed unreasonable); and
- 1.2.10** “**reasonable**”, “**acting reasonably**” and similar expressions mean, in relation to the Trustee (and other than in Clauses 10.22 and 10.34), reasonable or acting reasonably (as the case may be) having due regard to, and taking account of, the interests of the Bondholders.
- 1.2.11** Unless the context otherwise requires, any reference to EU legislation, regulatory requirement, or guidance should be read as a reference to that EU legislation, regulatory requirement or guidance as it forms part of UK domestic law pursuant to the European Union (Withdrawal) Act 2018 (as amended) (the “**EUWA**”) or as otherwise adopted under, or given effect to in, UK legislation or the UK regulatory regime (UK Onshored Legislation, Regulatory Requirement, or Guidance) and any references to EU competent authorities should be read as references to the relevant UK competent authority. All references to legislation, regulatory requirements or guidance in this clause refer to the relevant legislation, regulatory requirements or guidance as amended from time to time.

1.3 Conditions

Words and expressions defined in the Conditions and not defined in the main body of this Trust Deed shall when used in this Trust Deed have the same meanings as are given to them in the Conditions.

1.4 Headings

Headings shall be ignored in construing this Trust Deed.

1.5 Schedules

The Schedules are part of this Trust Deed and shall have effect accordingly.

1.6 Enforceability

If at any time any provision of this Trust Deed is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of this Trust Deed nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.

2 Amount of the Original Bonds and Covenant to Pay

2.1 Amount of the Original Bonds

The aggregate principal amount of the Original Bonds is limited to an amount not exceeding U.S.\$750,000,000.

2.2 Covenant to Pay

The Issuer hereby covenants with the Trustee that it will, on any date on which the Original Bonds or any of them become due to be redeemed in accordance with this Trust Deed or the Conditions, unconditionally pay (or procure to be paid) to or to the order of the Trustee in U.S. dollars in same day funds the principal amount or amounts of the Original Bonds becoming due for redemption on that date and will (subject to the Conditions) until such payment (both before and after judgment) unconditionally pay or procure to be paid to or to the order of the Trustee (in the manner aforesaid) interest on the aggregate principal amount of the Original Bonds outstanding as set out in Condition 5 provided that:

- 2.2.1** in any case where the Issuer has exercised the ADS Settlement Option pursuant to Condition 7(i), the Issuer's obligations in respect of the covenant to pay shall fall under Clause 2.3 and not this Clause 2.2;
- 2.2.2** subject to the provisions of Clause 2.5, every payment of any sum due in respect of the Original Bonds made to or to the account of the Principal Paying, Transfer and Conversion Agent as provided in the Agency Agreement shall, to such extent, satisfy such obligation except to the extent that there is failure in its subsequent payment to the relevant Original Bondholders; and
- 2.2.3** in the event that (following, if so required, due presentation of an Original Bond) upon redemption, payment of such amount or amounts is improperly withheld or refused, such Original Bond will continue to bear interest as aforesaid until the day of receipt by the Trustee or the Principal Paying, Transfer and Conversion Agent of all sums due in respect of the relevant Original Bond up to that day (except to the extent that there is a failure in the subsequent payment to the relevant holder under the Conditions).

The Trustee will hold the benefit of this covenant on trust for the Original Bondholders.

2.3 Covenant to pay and to deliver Deliverable ADSs

The Issuer covenants with the Trustee that it will, upon exercise of the ADS Settlement Option, in accordance with this Trust Deed or the Conditions unconditionally deliver the relevant number of Deliverable ADSs (and, if applicable, the Additional Deliverable ADSs) and pay the Cash Settlement Amount, as specified in the ADS Settlement Option Notice, in each case to or to the order of the Trustee, provided that:

- 2.3.1** every delivery of the relevant Deliverable ADSs or Additional Deliverable ADSs, as the case may be, in respect of Bonds, either to or to the order of the relevant Bondholders as provided in the Agency Agreement or to the Relevant Person, shall, to such extent, satisfy the obligation in the first paragraph of this Clause 2.3;
- 2.3.2** every payment of the relevant Cash Settlement Amount made to or to the account of the Principal Paying, Transfer and Conversion Agent in the manner provided in the Agency Agreement shall satisfy, to the extent of such payment, the obligation in the first paragraph of this Clause 2.3, except to the extent that there is default in the subsequent payment thereof to the Bondholders in accordance with the Conditions; and

2.3.3 if any delivery of the relevant Deliverable ADSs, Additional Deliverable ADSs and/or payment of any Cash Settlement Amount is not made to either the relevant Bondholders or the Trustee or the Relevant Person by the date required, delivery and payment shall be deemed not to have been made until the relevant Deliverable ADSs or Additional Deliverable ADSs, as the case may be, required to be delivered have been delivered and the relevant Cash Settlement Amounts have been paid to the relevant Bondholders or to the Trustee or the Relevant Person, as the case may be, in accordance with the Conditions.

The Trustee will hold the benefit of this covenant on trust for the Bondholders.

2.4 Discharge

Subject to Clause 2.5, any payment or delivery to be made in respect of the Bonds by the Issuer or the Trustee may be made as provided in the Conditions and any payment or delivery so made will (subject to Clause 2.5) to such extent be a good discharge to the Issuer or the Trustee, as the case may be.

2.5 Payment after a Default

2.5.1 At any time after a Potential Event of Default or an Event of Default has occurred and for as long as it is continuing, the Trustee may:

- (i) by notice in writing to the Issuer and the Agents, require the Agents or those specified in such notice, until notified by the Trustee to the contrary, so far as permitted by any applicable law:
 - (a) to act thereafter as Agents of the Trustee under this Trust Deed and the Bonds on the terms of the Agency Agreement (with such consequential amendments as necessary and except that the Trustee's liability for the indemnification, remuneration and all other out-of-pocket expenses of the Agents will be limited to the amounts for the time being held by the Trustee in respect of the Bonds on the terms of this Trust Deed and available for such purposes) and thereafter to hold all Bonds and any Cash Settlement Amount received on conversion of the Bonds and all moneys (including any Cash Alternative Amount), documents and records held by them in respect of Bonds to the order of the Trustee; or
 - (b) to deliver all Bonds received on conversion or redemption of the Bonds, all moneys (including any Cash Alternative Amount), documents and records held by them in respect of the Bonds and, if the Trustee so directs in such notice or subsequently so directs, any Cash Settlement Amount, to the Trustee or as the Trustee directs provided that such notice shall be deemed not to apply to any documents or records which the relevant Agent is obliged not to release by any law or regulation; and
- (ii) by notice in writing to the Issuer require it to make all subsequent payments in respect of the Bonds to or to the order of the Trustee and not to the Principal Paying, Transfer and Conversion Agent with effect from the issue of any such notice to the Issuer; and from then until such time as the notice is withdrawn, Clause 2.2.2 and 2.3.3 shall not apply.

3 Form of the Original Bonds

3.1 The Global Bond

On issue of the Original Bonds, the Global Bond will be issued representing the aggregate principal amount of the Original Bonds and the Issuer shall procure that the appropriate entries be made in the register of Bondholders by the Registrar to reflect the issue of such Original Bonds. The Global Bond will be issued in the name of a common depositary for Euroclear and Clearstream, Luxembourg or its nominee. The issue of the Global Bond in names other than those of the common depositary or its nominee is restricted as provided in the Global Bond. The Original Bonds represented by the Global Bond shall be subject to its terms in all respects and entitled to the same benefits under this Trust Deed as individual Original Bonds.

3.2 Definitive Bonds

Definitive Original Bonds in registered form in authorised denominations, if issued, will be delivered upon exchange of the Global Bond as provided therein. Such Original Bonds may be printed or typed and need not be security printed unless otherwise required by applicable stock exchange requirements.

3.3 Form

Definitive Original Bonds and the Global Bond will be in, or substantially in, the respective forms set out in Schedules 1 and 2. Definitive Original Bonds will be endorsed with the Conditions.

3.4 Signature

The Global Bond will be signed manually or electronically by one or more Authorised Signatories of the Issuer duly authorised for the purpose or manually by any duly authorised attorney of the Issuer and in any case will be authenticated manually or electronically by or on behalf of the Registrar. Definitive Original Bonds (if issued) will be signed manually or electronically by one or more Authorised Signatories of the Issuer and in any case will be authenticated manually by or on behalf of the Registrar. Original Bonds (including the Global Bond) so executed and authenticated will be binding and valid obligations of the Issuer.

4 Stamp Duties and Taxes

4.1 Stamp Duties: The Issuer will pay any stamp, issue, registration, documentary or other similar taxes and duties, including interest and penalties, payable in the Republic of Cyprus, the Russian Federation, Luxembourg and Belgium or any political subdivision or any authority thereof or therein having power to tax in respect of the creation, issue and offering of the Bonds, and the execution, performance or delivery of this Trust Deed. The Issuer will also indemnify the Trustee and the Bondholders from and against all stamp, issue, registration, documentary or other similar taxes paid by any of them in any jurisdiction in relation to which the liability to pay arises directly as a result of any action taken, in accordance with the Conditions and this Trust Deed, by or on behalf of the Trustee or, as the case may be, (where entitled under Condition 15 to do so), the Bondholders to enforce the obligations of the Issuer under this Trust Deed, the Agency Agreement or the Bonds.

- 4.2 Change of Taxing Jurisdiction:** If the Issuer is or becomes subject generally to the taxing jurisdiction of a territory or a taxing authority of or in a territory with power to tax other than or in addition to the Republic of Cyprus and the Russian Federation then the Issuer will (unless the Trustee otherwise agrees) give the Trustee an undertaking satisfactory to the Trustee in terms corresponding to the terms of Condition 9 with the substitution for, or (as the case may require) the addition to, the references in that Condition to the Republic of Cyprus and the Russian Federation of references to that other or additional territory or authority to whose taxing jurisdiction the Issuer has become so subject. In such event this Trust Deed and the Bonds will be construed accordingly.

5 Further Issues

5.1 Liberty to Create

The Issuer may from time to time without the consent of the Bondholders create and issue further notes, bonds or debentures either having the same terms and conditions in all respects as the outstanding notes, bonds or debentures of any series (including the Bonds) or in all respects except for the amount and issue date, the date for the first payment of interest on them and the first date on which the conversion rights may be exercised and so that such further issue shall be consolidated and form a single series with the outstanding notes, bonds or debentures of any series (including the Bonds) or upon such terms as to interest, conversion, premium, redemption and otherwise as the Issuer may determine at the time of their issue.

5.2 Means of Constitution

Any further notes, bonds or debentures forming a single series with the outstanding notes, bonds or debentures of any series (including the Bonds) constituted by this Trust Deed and/or a deed supplemental to this Trust Deed shall be constituted by a deed supplemental to this Trust Deed. The Issuer shall, prior to the issue of any Further Bonds to be constituted by a deed supplemental to this Trust Deed, execute and deliver to the Trustee a deed supplemental to this Trust Deed (if applicable, duly stamped) and containing covenants by the Issuer in the form *mutatis mutandis* of Clause 2 of this Trust Deed in relation to the principal amount and interest in respect of such Further Bonds and such other provisions (corresponding to any of the provisions contained in this Trust Deed) as the Trustee shall require.

5.3 Notice of Further Issues

Whenever it is proposed to create and issue any Further Bonds, the Issuer shall give to the Trustee not less than three London business days' notice in writing of its intention to do so, stating the amount of Further Bonds proposed to be created or issued.

6 Application of Moneys Received by the Trustee

6.1 Declaration of Trust

All moneys received by the Trustee in respect of the Bonds or amounts payable under this Trust Deed will, regardless of any appropriation of all or part of them by the Issuer, be held by the Trustee (subject to the provisions of Clause 6.2) on trust to apply them:

- 6.1.1** first, in payment of all fees, costs, charges and expenses properly incurred and liabilities incurred by the Trustee (including remuneration payable to the Trustee) in carrying out its or their functions under this Trust Deed;

- 6.1.2** second, in payment of all fees, costs, charges and expenses properly incurred and liabilities incurred by the Agents and the Calculation Agent (including remuneration payable to them) in carrying out their functions under the Agency Agreement and the Calculation Agency Agreement respectively, on a pro rata and *pari passu* basis;
- 6.1.3** third, in payment of any amounts owing in respect of the Bonds *pari passu* and rateably; and
- 6.1.4** fourth, in payment of the balance (if any) to the Issuer (without prejudice to, or liability in respect of, any question as to how such payment to the Issuer shall be dealt with as between the Issuer and any other person).

Without prejudice to this Clause 6.1, if the Trustee holds any moneys which represent principal or interest or other sums in respect of Bonds which have become void or in respect of which claims have become prescribed under Condition 12, the Trustee will hold such moneys upon the trusts set out in this Clause 6.1.

6.2 Accumulation

The Trustee may at its discretion accumulate such moneys until the accumulations, together with any other funds for the time being under the control of the Trustee and available for such purpose, amount to at least 10 per cent. of the principal amount of the relevant Bonds then outstanding and then such accumulations and funds (after deduction of, or provision for, any applicable taxes) shall be applied under Clause 6.1. For the avoidance of doubt, the Trustee shall in no circumstances have any discretion to invest any moneys referred to in this Clause 6.2 in any investments or other assets.

6.3 Investment

Moneys held by the Trustee may at its election be placed on deposit into an account bearing a market rate interest (and for the avoidance of doubt, the Trustee shall not be required to obtain best rates, be responsible for any loss occasioned by such deposit or exercise any other form of investment discretion with respect to such deposits) in the name or under the control of the Trustee at such bank or other financial institution and in such currency as the Trustee may think fit in light of the cash needs of the transaction and not for purposes of generating income. If such moneys are placed on deposit with a bank or financial institution which is a subsidiary, holding company, affiliate or associated company of the Trustee, it need only account for an amount of interest equal to the standard amount of interest payable by it on a deposit to an independent customer. The Issuer shall not be responsible for, nor be obliged to pay any additional amount to the Trustee or any Bondholder due to any loss resulting from any such investment by the Trustee. The Trustee may at any time vary or transpose any such investments for or into other such investments or convert any moneys so deposited into any other currency, and will not be responsible to any person whatsoever for any loss occasioned thereby, whether by depreciation in value, fluctuation in exchange rates or otherwise.

7 Covenant to Comply with Provisions

The Issuer hereby covenants with the Trustee that it will comply with and perform and observe all the provisions of this Trust Deed which are expressed to be binding on it. The Conditions shall be binding on each of the Issuer, the Trustee and the Bondholders. The Trustee shall be entitled to enforce the obligations of the Issuer under the Bonds and the Conditions as if the same were set out and contained in this Trust Deed which shall be read and construed as one document with the Bonds. The provisions contained in Schedule 3 shall have effect in the same manner as if set forth herein. The Trustee shall hold the benefit of this covenant upon trust for itself and the Bondholders according to its and their respective interests.

8 Covenants

So long as any Bond is outstanding, the Issuer covenants with the Trustee that it will:

8.1 Books of Account

keep and procure that each of the Issuer's Material Subsidiaries keeps, proper books of account and, at any time after the occurrence of an Event of Default or a Potential Event of Default, or if the Trustee has reasonable grounds for believing that any such event has occurred and is continuing, so far as permitted by applicable law, allow, and procure that each of the Issuer's Material Subsidiaries will allow, the Trustee and anyone appointed by it to whom the Issuer and/or the relevant Material Subsidiary has no reasonable objection, access to the books of account of the Issuer and/or the relevant Material Subsidiary, respectively, at all times during normal business hours and upon prior notice for the purpose of the performance and discharge of its functions hereunder (in relation to Material Subsidiaries) solely insofar as such books and records are relevant for the transactions contemplated hereunder;

8.2 Notice of Events of Default, Fundamental Change Event or Delisting Event

notify the Trustee in writing immediately upon becoming aware of the occurrence of any Event of Default, Potential Event of Default, Fundamental Change Event or Delisting Event and without waiting for the Trustee to take any action in respect of such Event of Default, Potential Event of Default, Fundamental Change Event or Delisting Event (as applicable);

8.3 Information

so long as permitted by applicable law, give or procure to be given to the Trustee such opinions, certificates, information and evidence as it shall reasonably require and in such form as it shall reasonably require (including without limitation the procurement by the Issuer of all such certificates called for by the Trustee pursuant to Clause 10.4 for the purpose of the due discharge or exercise of the duties, trusts, powers, authorities and discretions vested in it under this Trust Deed or any other transaction document in relation to the Bonds or by operation of law;

8.4 Financial Statements etc.

send to the Trustee, as soon as reasonably practicable after the publication thereof, (and in the case of publication of annual financial statements in any event within 180 days of the end of each financial year), one copy in English of its consolidated financial statements and such reports or other notices, statements or circulars generally issued to the creditors of the Issuer in their capacity as such;

8.5 Certificate of Authorised Signatory

send to the Trustee, within 14 days after publication of the Issuer's annual audited financial statements being approved by and made available to its shareholders, and also within 14 days after any request by the Trustee a certificate signed by one Authorised Signatory on behalf of the Issuer to the effect that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer as at a date (the "**Certification Date**") being not more than five days before the date of the certificate, no Event of Default, Potential Event of Default, breach of this Trust Deed by the Issuer, Fundamental Change Event, Delisting Event or Knock-out Event has occurred since the date of this Trust Deed or (if later) the Certification Date of the last such certificate (if any) or, if such an event has occurred, giving details of it and the Trustee shall be entitled to rely on such certificate without further enquiry and without liability to any person;

8.6 Notices to Bondholders

save for any notice in relation to an adjustment of the Conversion Price which is required to be made pursuant to the Conditions, send to the Trustee not less than five London business days before the date of publication, for the Trustee's approval (such approval not to be unreasonably withheld or delayed), a copy of the draft form of each notice to the Bondholders to be published in accordance with Condition 17 and upon publication one copy of each notice so published (such approval not to constitute approval for the purposes of Section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("**FSMA**") of any such notice which is an invitation or inducement to engage in investment activity);

8.7 Further Acts

so far as permitted by applicable law, do all such further things as may be necessary in the reasonable opinion of the Trustee to give effect to this Trust Deed;

8.8 Notice of Late Payment

promptly upon request by the Trustee give notice to the Bondholders of any unconditional payment to the Principal Paying, Transfer and Conversion Agent or the Trustee of any sum due in respect of the Bonds made after the due date for such payment;

8.9 Listing and/or Admission to Trading

use all reasonable endeavours to obtain, by no later than 90 calendar days following the Closing Date, the admission of the Bonds to trading on an internationally recognised, regularly operating, regulated or non-regulated stock exchange or securities market and thereafter the Issuer will use all reasonable endeavours to maintain such listing and admission to trading for as long as any Bond is outstanding. If, however, the Issuer determines in good faith that it can no longer comply with the requirements for such listing or admission to trading, having used all reasonable endeavours, or if the maintenance of such listing or admission to trading is unduly onerous, the Issuer will instead use all reasonable endeavours to obtain and maintain a listing on such other stock exchange or admission to trading on such other securities market of the Bonds as the Issuer may with the prior written approval of the Trustee (such approval not to be unreasonably withheld or delayed) decide, and shall also upon obtaining a quotation or listing of the Bonds on such other stock exchange or exchanges or securities market or markets as aforesaid, comply with the requirements of any such stock exchange or securities market;

8.10 Change in Agents

give not less than 30 days' prior notice to the Trustee and the Bondholders in accordance with Condition 17 of any future appointment or any resignation or removal of any Agent or of any change by any Agent of its specified office or, if later, notice as soon as reasonably practicable after becoming aware thereof and not make any such appointment or removal without the prior written approval of the Trustee (such approval not to be unreasonably withheld or delayed);

8.11 Bonds held by the Issuer etc.

send to the Trustee as soon as reasonably practicable after being so requested by the Trustee a certificate of the Issuer signed by one Authorised Signatory setting out the total number of Bonds which, at the date of such certificate, are beneficially held by or held on behalf of the Issuer or any of its Subsidiaries and which had not been cancelled;

8.12 Early Redemption

give prior notice to the Trustee and the Bondholders of any proposed redemption pursuant to Condition 7(b) or 7(c) in accordance with the Conditions;

8.13 Register

deliver or procure the delivery to the Trustee of an up-to-date copy of the Register in respect of the Bonds, certified as being a true, accurate and complete copy, as soon as practicable following the date hereof and at such other times as the Trustee may reasonably require;

8.14 Material Subsidiaries

give to the Trustee the following:

- 8.14.1** at the same time as sending the certificate referred to in Clause 8.5 above and, in any event, not later than 180 days after the end of the relevant financial year, a certificate signed by one Authorised Signatory as to which Subsidiaries of the Issuer were as at the last day of the last financial year Material Subsidiaries;
- 8.14.2** within 14 days of a request by the Trustee, a certificate signed by one Authorised Signatory as to which Subsidiaries of the Issuer were as at the date specified in such request, Material Subsidiaries for the purpose of Condition 10; and
- 8.14.3** give to the Trustee, as soon as reasonably practicable, after the acquisition or disposal of any company which thereby becomes or ceases to be a Material Subsidiary or after any transfer is made to any Subsidiary which thereby becomes a Material Subsidiary, a certificate to such effect signed by one Authorised Signatory,

and any certificate delivered to the Trustee under Clauses 8.14.1 through 8.14.3 above shall, in the absence of manifest error be conclusive and binding on the Issuer, the Trustee and the Bondholders and the Trustee shall be entitled to act and rely on such certificate, without further enquiry and without liability to any person;

8.15 Undertaking in respect of Conversion Rights

subject to the Issuer's option to make a Cash Alternative Election, procure the delivery of ADSs upon conversion of the Bonds as required by the Conditions and otherwise comply with its obligations upon an exercise of Conversion Rights;

8.16 Authorised but Unissued Capital

use reasonable endeavours to at all times keep allotted for issue free from pre-emptive rights, subject to the Issuer's option to apply the Cash Alternative Election, a sufficient number of Shares to enable Conversion Rights and all other rights of conversion for ADSs, to be satisfied in full at the current Conversion Price;

8.17 Adjustment to the Conversion Price

whenever the Conversion Price falls to be adjusted pursuant to the Conditions:

8.17.1 as soon as reasonably practicable deliver to the Trustee a certificate of the Issuer signed by one Authorised Signatory (which the Trustee shall be entitled to accept without further enquiry and without liability to any person as sufficient evidence of the correctness of the matters therein referred to) setting forth brief particulars of the event giving rise to the adjustment, the adjusted Conversion Price, the date on which the adjustment takes effect and such other particulars and information as the Trustee may reasonably require; and

8.17.2 within 14 days thereafter give notice to the Bondholders in accordance with Condition 17 of the adjustment to the Conversion Price.

9 Remuneration and Indemnification of the Trustee

9.1 Normal Remuneration

So long as any Bond is outstanding, the Issuer will pay to the Trustee by way of remuneration for its services as trustee such sum as may be agreed between them. Such remuneration will accrue from day to day from the date of this Trust Deed until all Conversion Rights in respect of the Bonds have been exercised, or the Bonds have become due for redemption, and all monies payable thereon have been paid to the Trustee or the Principal Paying, Transfer and Conversion Agent and/or all obligations of the Issuer under the Bonds have been discharged. Such remuneration shall be payable, in advance annually on such dates as may be agreed between the Issuer and the Trustee. However, if any payment to a Bondholder of the moneys due in respect of any Bond is improperly withheld or refused upon due surrender (if so required) of such Bond, such remuneration will continue to accrue as from the date of such surrender (if so required) until payment to such Bondholder is duly made.

9.2 Extra Remuneration

If an Event of Default or a Potential Event of Default has occurred and is continuing, the Issuer hereby agrees that the Trustee shall be entitled to be paid additional remuneration calculated at its normal hourly rates in force from time to time for the performance of its services as Trustee. In any other case, if the Trustee finds it expedient or necessary in the interests of Bondholders, or is requested by the Issuer, to undertake duties which the Trustee or the Issuer agrees to be of an exceptional nature or otherwise outside the scope of the normal duties of the Trustee under this Trust Deed, the Issuer will pay such

additional remuneration as may be agreed between them (and which may be calculated by reference to the Trustee's normal hourly rates in force from time to time) or, failing agreement as to any of the matters in this Clause (or as to such sums referred to in Clause 9.1), as determined by an independent financial institution or person in London (acting as an expert and not as an arbitrator) selected by the Trustee and approved by the Issuer or, failing such approval, nominated by the President for the time being of The Law Society of England and Wales, the expenses involved in such selection and approval and the fee of such financial institution or person being borne by the Issuer. The determination of such financial institution or person will, in the absence of manifest error, be conclusive and binding on the Issuer, the Trustee and the Bondholders.

9.3 Expenses

The Issuer will also on written demand by the Trustee specifying the account to which payment shall be made pay or discharge all costs, charges, fees and expenses (including any value added tax) (subject to any agreed caps, if any) properly incurred and evidenced by the Trustee in relation to the preparation and execution of this Trust Deed and the carrying out of its functions under this Trust Deed including, but not limited to, properly incurred and documented legal expenses (subject to any agreed caps, if any) and any capital, stamp, registration, documentary or other similar taxes or duties properly paid by the Trustee in connection with any legal proceedings brought or contemplated by the Trustee against the Issuer for enforcing any obligation under this Trust Deed, the Agency Agreement or the Bonds (but excluding, for the avoidance of doubt, any recoverable value added tax and any tax payable on the net income, profits or gains of the Trustee in respect of its remuneration).

9.4 Payment of Expenses

All such costs, fees, charges and expenses properly incurred and evidenced or payments made by the Trustee referred to in Clause 9.3 will be payable or reimbursable by the Issuer within 10 Cyprus business days following demand by the Trustee and:

9.4.1 in the case of payments made by the Trustee prior to such demand, will carry interest from the date on which the demand is made at a rate equivalent to the Trustee's cost of funding on the date on which such payments were made by the Trustee; and

9.4.2 in all other cases will carry interest at such rate from 30 days after the due date.

All remuneration payable to the Trustee shall carry interest at such rate from the due date thereof until the date of payment.

9.5 Indemnity

The Issuer will within 10 Cyprus business days following demand by the Trustee indemnify it, its directors, officers and employees on an after tax basis, in respect of Amounts or Claims properly paid or incurred by it in acting as Trustee under this Trust Deed (including (1) any Appointee Liabilities and (2) in respect of disputing or defending any Amounts or Claims made against the Trustee or any Appointee Liabilities), except to the extent any such Amounts or Claims arise as a result of the gross negligence, fraud or wilful default of the Trustee or any of its officers, employees or directors. The Issuer will within 10 Cyprus business days following demand by the Trustee indemnify it, on an after tax basis, against any Appointee Liabilities, except to the extent any Appointee Liabilities arise as a result of the gross negligence, fraud or wilful default of such Appointee or any of its officers, employees or directors.

For the purposes of this Clause:

“**Amounts or Claims**” are properly incurred costs, fees, claims, actions, demands or expenses and incurred losses or liabilities (other than, for the avoidance of doubt, any recoverable value added tax and any tax payable on the net income, profits or gains of the Trustee or relevant Appointee in respect of their remuneration and any liabilities in respect of which the full amount has been paid to and received by the Trustee pursuant to Clause 9.4); and

“**Appointee Liabilities**” are Amounts or Claims which the Trustee is or would be obliged to pay or reimburse to any of its Appointees pursuant to this Trust Deed.

The Contracts (Rights of Third Parties) Act 1999 applies to this Clause 9.5.

9.6 Payment Free and Clear

All payments to be made by the Issuer pursuant to this Clause 9 shall be made without any set-off or counterclaim and without deduction or withholding, except as required by law. In the event that any such payment is subject to deduction or withholding by the Issuer on account of taxes imposed by the Republic of Cyprus or the Russian Federation, the Issuer agrees to pay such increased amounts as after the deduction or withholding of such applicable taxes would result in the receipt by the relevant party or parties of the full amount which it would have received had such payments not been made subject to such deduction or withholding. The Trustee shall use reasonable efforts to cooperate with the Issuer in the making of an application under any applicable treaty or other agreement or arrangement for relief (as may be reasonably requested by the Issuer) in respect of any deduction or withholding.

To the extent that the Issuer shall be required to gross-up monies payable to the Trustee pursuant to this Clause 9.6 and the Trustee receives a repayment of or credit for any withholding or deduction made on such a payment, a refund shall be made to the Issuer of any such amounts previously withheld or deducted.

9.7 Evidence

The Trustee agrees to provide the Issuer with documents evidencing properly incurred costs and expenses upon the Issuer’s request.

9.8 Provisions Continuing

The provisions of Clauses 9.3, 9.4, 9.5, 9.6 and 9.7 shall survive the satisfaction and discharge of the terms of this Trust Deed and will continue in full force and effect in relation to the Trustee even if it may have ceased to be Trustee and notwithstanding any termination or discharge of this Trust Deed.

10 Provisions Supplemental to the Trustee Act 1925 and the Trustee Act 2000

By way of supplement to the Trustee Act 1925 and the Trustee Act 2000 it is expressly declared as follows:

10.1 Advice

The Trustee may rely and act on the opinion or advice of, or information obtained from, any expert or a certificate or report or confirmation of any accountants, financial advisers, bank, lawyer or expert in each case whether or not addressed to the Trustee and whether or not their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise, and the Trustee will not be responsible to anyone for any Losses occasioned by so relying and acting (or from refraining from relying or acting on such opinion, advice, information, confirmation, certificate or report) whether such advice is obtained or addressed to the Issuer, the Trustee or any other person. Any such opinion, advice, confirmation, certificate, report or information may be sent or obtained by letter or email and the Trustee will not be liable to anyone for relying and acting in good faith on any opinion, advice, confirmation, certificate, report or information purporting to be conveyed by such means even if it contains some error or is not authentic.

10.2 Trustee to Assume Due Performance

The Trustee need not notify anyone of the execution of this Trust Deed or do anything to ascertain whether any Event of Default, Potential Event of Default, Fundamental Change Event, Delisting Event or Knock-out Event has occurred and will not be responsible to Bondholders or any other person for any Losses arising from any failure by it to do so and, until it has received actual written notice to the contrary, the Trustee may assume that no such event has occurred and that the Issuer is performing all its obligations under this Trust Deed and the Bonds.

10.3 Resolutions of Bondholders

The Trustee will not be responsible for having acted in good faith upon a resolution purporting to have been passed at a meeting of Bondholders in respect of which minutes have been made and signed or any direction or request, including a Written Resolution or Electronic Consent even though it may later be found that there was a defect in the constitution of such meeting or the passing of such resolution or that in the case of a Written Resolution, Electronic Consent or a direction or request, it was not signed or consented to by the requisite number of Bondholders or that for any reason the resolution, direction or request was not valid or binding upon the Bondholders.

10.4 Reports

The Trustee is entitled to accept and rely without liability to any person for so relying on any report, confirmation or certificate where the Issuer procures delivery of the same pursuant to its obligation to do so under the Conditions or a provision hereof and such report, confirmation or certificate shall be conclusive and binding on the Issuer, the Trustee and the Bondholders in the absence of manifest error.

10.5 Certificate Signed by Authorised Signatory

The Trustee may call for, rely on and may accept as sufficient evidence of any fact or matter or of the expediency of any act a certificate of the Issuer signed by one Authorised Signatory as to any fact or matter upon which the Trustee may, in the exercise of any of its functions, require to be satisfied or to have information to the effect that, in the opinion of the person or persons so certifying, any particular act is expedient and the Trustee need not call for further evidence and will not be responsible for any Losses that may be occasioned by acting on any such certificate.

10.6 Deposit of Documents

The Trustee may appoint as custodian, on any terms, any bank or entity whose business includes the safe custody of documents or any lawyer or firm of lawyers believed by it to be of good repute and may deposit this Trust Deed and any other documents with such custodian and pay all sums due in respect thereof. The Trustee is not obliged to appoint a custodian of securities payable to bearer.

10.7 Custodians/Nominees

In relation to any asset held by it under this Trust Deed, the Trustee may appoint and pay any person to act as its custodian or nominee (being an Appointee hereunder) on any terms.

10.8 Discretion of Trustee

Save as expressly provided in this Trust Deed, the Trustee will have absolute and uncontrolled discretion as to the exercise of its functions hereby vested in the Trustee and will not be responsible for the exercise or non-exercise thereof nor for any Losses or inconvenience which may result from their exercise or non-exercise, but, whenever the Trustee is under the provisions of this Trust Deed or the Bonds bound to act at the request or direction of the Bondholders, the Trustee shall nevertheless not be so bound unless first indemnified and/or secured and/or prefunded to its satisfaction.

10.9 Agents

Whenever it considers it expedient in the interests of the Bondholders, the Trustee may, in the conduct of its trust business, instead of acting personally, employ and pay an agent (being an Appointee hereunder) selected by it, whether or not a lawyer or other professional person, to transact or conduct, or concur in transacting or conducting, any business and to do or concur in doing all acts required to be done by the Trustee (including the receipt and payment of money) provided that prior to the appointment of any agent, the Trustee notifies the Issuer, if practicable. Provided that prior to an Event of Default, such appointment shall be made with the approval of the Issuer (such approval not to be unreasonably withheld or delayed).

10.10 Consent

Any consent given by the Trustee for the purposes of this Trust Deed may be given on such terms and subject to such conditions (if any) as the Trustee thinks fit.

10.11 Delegation

Whenever it considers it expedient in the interests of the Bondholders, the Trustee may delegate to any person (being an Appointee hereunder) and on any terms (including power to sub-delegate) all or any of its functions provided that prior to the appointment of any delegate, the Trustee notifies the Issuer, if practicable.

10.12 Forged Bonds

The Trustee will not be liable to the Issuer or any Bondholder by reason of having accepted as valid or not having rejected any entry in the Register or any Bond purporting to be such and later found to be forged or not authentic.

10.13 Confidentiality

Unless ordered to do so by a court of competent jurisdiction, the Trustee shall not be required to disclose to any Bondholder or any third party any confidential financial or other information made available to the Trustee by the Issuer and no Bondholder shall be entitled to take any action to obtain from the Trustee any such information.

10.14 Determinations Conclusive

As between itself and the Bondholders, the Trustee may determine all questions and doubts arising in relation to any of the provisions of this Trust Deed. Every such determination, whether made upon such a question actually raised or implied in the acts or proceedings of the Trustee, will be conclusive in the absence of manifest error and shall bind the Trustee and the Bondholders.

10.15 Currency Conversion

Where it is necessary or desirable for any purpose in connection with the terms of this Trust Deed or the Conditions to convert any sum from one currency to another, it will (unless otherwise provided herein or required by law) be converted at such rate or rates, in accordance with such method and as at such date as may be reasonably specified by the Trustee (in consultation with the Issuer where practicable) and having regard to current rates of exchange, if available. Any rate, method and date so specified will be binding on the Issuer and the Bondholders.

10.16 Payment for and Delivery of Bonds

The Trustee will not be responsible for the receipt or application by the Issuer of the proceeds of the issue of the Bonds, the exchange of the interests between the Bonds represented by Global Bonds or the delivery of definitive registered Bonds to the persons entitled to them.

10.17 Bonds held by the Issuer etc.

In the absence of receipt of written notice to the contrary, the Trustee may assume without enquiry (other than requesting a certificate of the Issuer under Clause 8.11) that no Bonds are for the time being beneficially held by or held on behalf of the Issuer or any of its Subsidiaries

10.18 Interests of Bondholders

In connection with the exercise of its powers, trusts, authorities or discretions (including, but not limited to, those in relation to any proposed modification, waiver or authorisation of any breach or proposed breach of any of the Conditions or any of the provisions of this Trust Deed or any proposed substitution in accordance with Clause 14.2 or any determination to be made by it under this Trust Deed), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders nor to circumstances particular to individual Bondholders and in particular, but without prejudice to the generality of the foregoing, shall not have regard to the consequences of such exercise for individual Bondholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or otherwise to the tax consequences thereof and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim from the Issuer or the Trustee, any indemnification or payment of any tax arising in consequence of any such exercise upon individual Bondholders.

10.19 No Responsibility for ADS or Share Value

The Trustee shall not at any time be under any duty or responsibility to any Bondholder to determine whether any facts exist which may require any adjustment of the Conversion Price or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed, or in this Trust Deed provided to be employed, in making the same and will not be responsible or liable to the Bondholders or any other person for any Losses arising from any failure by it to do so. In the absence of express written notice to the contrary the Trustee shall assume that no adjustment to the Conversion Price is required. The Trustee shall not at any time be under any duty or responsibility in respect of the validity or value (or the kind or amount) of ADSs, Shares or of any other securities, property or cash (including, but without limitation, any Cash Alternative Amount), which may at any time be made available or delivered upon the conversion of any Bond; and it makes no representation with respect thereto. The Trustee shall not be responsible for any failure of the Issuer to make available or deliver any ADSs, Shares, share certificates or other securities or property or make any payment upon the exercise of the Conversion Right (including, but without limitation, the relevant Cash Settlement Amount upon exercise of the ADS Settlement Option) in respect of any Bond or of the Issuer to comply with any of the covenants contained in this Trust Deed.

10.20 No Responsibility for Calculations

The Trustee shall not at any time be under any duty or have any responsibility to calculate the Cash Settlement Amount or other amounts to be calculated under the Conditions and shall rely without liability to any person on the calculations of any such amounts specified to be calculated under the Conditions by the relevant party.

10.21 Enforcement of Rights

As referred to in Condition 15, at any time after an Event of Default shall have occurred and for as long as it is continuing, the Trustee may at any time, in its sole discretion and without notice, take such proceedings, actions or steps (including lodging an appeal in any proceedings) against the Issuer as it may think fit to enforce the provisions of the Trust Deed and the Bonds, but it shall not be bound to take any such proceedings, actions or steps unless (i) it shall have been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding, and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction and the Trustee shall incur no liability for taking or refraining from taking any such action. Notwithstanding the above:

- (i) the Trustee may refrain from taking any proceedings, actions or steps in any jurisdiction if the taking of such action would in its opinion be contrary to any law; and
- (ii) the Trustee may refrain from taking any proceedings, actions or steps in any jurisdiction if in its opinion it would or may render it liable to any person or, it would or may not have the power to do the relevant thing by virtue of any applicable law or if it is determined by any court or other competent authority that it does not have such power.

10.22 Breach of Undertakings

The Trustee assumes no responsibility for ascertaining whether or not (i) a breach of any of the undertakings in Condition 11 shall have occurred or (ii) any such breach shall have been rectified or (iii) any adjustment fails to be made to the Conversion Price as a result thereof and shall have no liability to any person for not so doing. Unless and until the Trustee has received written notice of any of the above events it shall be entitled to assume that no such event has occurred. The Trustee shall not be liable for any Losses arising from any determination or calculation made pursuant to the Conditions or from any failure or delay in making any such determination or calculation. No Bondholder shall be entitled to (i) take any proceedings, actions or steps against the Issuer to enforce the performance of any of the provisions of the Trust Deed or the Bonds or (ii) take any other proceedings, actions or steps (including lodging an appeal in any proceedings) in respect of or concerning the Issuer unless the Trustee, having become bound so to take any such proceedings, actions or steps fails so to do within a reasonable period and the failure shall be continuing.

10.23 Responsibility for Agents etc.

If the Trustee exercises due care in selecting any Appointee, it will not have any obligation to supervise or monitor the functions of the Appointee and is entitled, in the absence of actual knowledge, to assume the Appointee is properly performing and complying with its obligations and the Trustee will not be responsible for any Losses incurred by reason of the Appointee's misconduct or default or the misconduct or default of any substitute appointed by the Appointee.

10.24 Incurrence of Financial Liability

Nothing contained in this Trust Deed shall require the Trustee to do anything which in its opinion may cause it to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of any power, rights, authority or discretion hereunder if it has grounds for believing the repayment of the funds or adequate indemnity and/or security and/or prefunding against such risk or liability is not reasonably assured to it.

10.25 Independent Adviser or Calculation Agent

If the Issuer fails to select an Independent Adviser when required to do so pursuant to the Conditions and such failure continues for a reasonable period (as determined by the Trustee in its sole discretion), the Trustee may following notification thereof to the Issuer do so but shall not be obliged to do so unless it is indemnified and/or secured and/or prefunded to its satisfaction against all losses, liabilities, costs, fees and expenses incurred in doing so, including those of the Independent Adviser itself. The Trustee has no responsibility for the accuracy or otherwise of any determination made by an Independent Adviser or the Calculation Agent pursuant to the Conditions.

10.26 Legal Opinions

The Trustee shall not be responsible to any person for failing to request, require or receive any legal opinion relating to any Bonds or for checking or commenting upon the content of any such legal opinion and shall not be responsible for any loss, damage, cost, charge, claim, demand, expense, judgment, action, proceeding or other liability whatsoever incurred thereby. The Trustee shall be entitled to call for and rely upon (without liability to any person), and, if it reasonably believes it to be necessary for the performance of its functions hereunder, procure the delivery of, legal opinions addressed to the Trustee dated the date of such delivery and in a form and content acceptable to the Trustee.

10.27 Trustee Not Responsible

The Trustee shall not be responsible for the correctness of the recitals or any representation or warranty given by any person in this Trust Deed, nor shall the Trustee be responsible for the execution, delivery, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence of this Trust Deed or any other document relating thereto, any licence, consent or other authority for the execution, delivery, legality, effectiveness, adequacy, genuineness, validity, performance, enforceability or admissibility in evidence of this Trust Deed or any other document relating thereto.

10.28 Error of Judgement

The Trustee shall not be in any way responsible for any liability incurred by reason of any error of judgement made in good faith by any of its employees or agents.

10.29 Right to Deduct or Withhold

Notwithstanding any other provision of this Trust Deed, the Trustee shall be entitled to make a deduction or withholding from any payment which it makes under the Bonds for or on account of any tax, if and only to the extent so required by applicable law, in which event the Trustee shall make such payment after such deduction or withholding has been made and shall account to the relevant authority within the time allowed for the amount so deducted or withheld or, at its option, shall reasonably promptly after making such payment return to the Issuer the amount so deducted or withheld, in which case, the Issuer shall so account to the relevant authority for such amount.

10.30 Interests of Holders through Clearing Systems

Notwithstanding anything contained in this Trust Deed, in considering the interests of Bondholders while the Global Bond is held on behalf of, or registered in the name of any nominee of a common depositary for a clearing system, the Trustee 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 Bond and may consider such interests, and treat such accountholders, as if such accountholders were the holders of the Bonds represented by the Global Bond.

10.31 Reliance on Certification of Clearing System

The Trustee may call for and shall be at liberty to accept and place full reliance on as sufficient evidence thereof and shall not be liable to the Issuer or any Bondholder by reason only of either having accepted as valid or not having rejected any certificate or other document issued by any clearing system as to the nominal amount of the Bonds beneficially owned by any person or any other matter (and any such certificate or other document so accepted by the Trustee shall, in the absence of manifest error, be conclusive and binding for all purposes) and any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system in accordance with its usual procedures and in which the holder of a particular nominal amount of the Bonds is clearly identified together with the amount of such holding.

10.32 No duty to monitor

The Trustee shall not be required to take any steps to monitor or ascertain whether a Fundamental Change Event, a Delisting Event, a Knock-out Event, a consolidation, amalgamation or merger or any event or circumstance which could lead to a Fundamental Change Event, a Delisting Event, a Knock-out Event or a consolidation, amalgamation or merger has occurred or may occur and will not be responsible or liable to Bondholders or any other person for any loss arising from any failure or delay by it to do so or the occurrence of any such event.

10.33 No responsibility for Rating

The Trustee will have no responsibility for the obtaining or maintenance of any rating of the Bonds by the rating agencies or any other person.

10.34 Investigation

The Trustee shall not be responsible for, or for investigating any matter which is the subject of, any recital, statement, representation, warranty or covenant of any person contained in this Trust Deed, or any other agreement or document relating to the transactions contemplated in these presents or under such other agreement or document.

10.35 Action

The Trustee shall not be bound to take any action or step in connection with this Trust Deed or the Bonds or any obligations arising pursuant thereto (including forming any opinion or employing any financial adviser to advise it in forming any opinion to be formed under this Trust Deed or the Conditions including as to whether any matter is material), where it has not been or is not satisfied that it will be indemnified and/or secured and/or pre-funded to its satisfaction in connection therewith.

In relation to any discretion to be exercised or action to be taken by the Trustee under this Trust Deed, the Bonds or the Agency Agreement, the Trustee may, at its discretion and without further notice shall, if it has been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of at least one quarter in principal amount of the Bonds then outstanding, exercise such discretion or take such action, provided that, in either case, the Trustee shall not be obliged to exercise such discretion or take such action unless it shall have been indemnified, secured and/or prefunded to its satisfaction against all liabilities and provided that the Trustee shall not be held liable for the consequences of exercising its discretion or taking any such action and may do so without having regard to the effect of such action on individual Bondholders.

10.36 Reliance on Self-certification of the Issuer

The Trustee will rely on self-certification of the Issuer as a means of monitoring whether the Issuer is complying with its obligations under the Trust Deed and the Bonds and shall not otherwise be responsible for investigating any aspect of the Issuer's performance in relation thereto and, in particular (but without prejudice to the generality of the foregoing) the Trustee does not need to do anything to ascertain whether a Potential Event of Default, an Event of Default, a Fundamental Change Event, a Delisting Event or a Knock-out Event has occurred.

10.37 Event of Default

An Event of Default or Potential Event of Default shall be deemed “continuing” if it has not been remedied or waived in writing. The Trustee may determine whether or not an Event of Default or a Potential Event of Default is continuing and, in its opinion, capable of remedy and/or materially prejudicial to the interests of the Bondholders. Any such determination will be conclusive and binding on the Issuer and the Bondholders.

10.38 Illegality

Notwithstanding anything else contained in this Trust Deed, the Bonds or the Agency Agreement, the Trustee may refrain from doing anything which would or might in its opinion (a) be illegal or contrary to any law of any jurisdiction or any directive or regulation of any agency of any state (including, without limitation, section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act), or which would or might otherwise render it liable to any person and may do anything which is, in its reasonable opinion, necessary to comply with any such law, directive or regulation or (b) cause the Trustee to be considered a sponsor of a covered fund under section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and any regulations promulgated thereunder.

10.39 Regulatory Position

Notwithstanding anything in this Trust Deed, the Bonds or the Agency Agreement to the contrary, the Trustee shall not do, or be authorised or required to do, anything which might constitute a regulated activity for the purpose of FSMA, unless it is authorised under FSMA to do so.

The Trustee shall have the discretion at any time to:

- (a) delegate any of the functions which fall to be performed by an authorised person under FSMA to any other agent or person which also has the necessary authorisations and licences; and
- (b) apply for authorisation under FSMA and perform any or all such functions itself if, in its absolute discretion, it considers it necessary, desirable or appropriate to do so.

10.40 Rules, Directives

Nothing in this Trust Deed shall require the Trustee to assume an obligation of the Issuer arising under any provisions of the listing, prospectus, disclosure or transparency rules (or equivalent rules of any other competent authority besides the Financial Conduct Authority).

10.41 Information Reporting and Sharing

Each party shall, within fifteen London business days of a written request by the other party, supply to such party such forms, documentation and other information relating to it, its operations, or the Bonds as that party reasonably requests for the purposes of its compliance with applicable laws and shall notify such other party reasonably promptly in the event that it becomes aware that any of the forms, documentation or other information provided is (or becomes) inaccurate in any material respect; provided, however, either party shall not be required to provide any forms, documentation or other information pursuant to this Clause to the extent that: (i) any such form, documentation or other information (or the information required to be provided on such form or documentation) is not reasonably available and cannot be obtained by using reasonable efforts; or (ii) doing so would or might in the reasonable opinion of such party constitute a breach of any: (a) applicable law; (b) fiduciary duty; or (c) duty of confidentiality.

10.42 Personal Data

Notwithstanding the other provisions of this Trust Deed or the Agency Agreement, the Trustee may collect, use and disclose personal data about the parties (if any are an individual) or individuals associated with the Issuer and/or other parties, so that the Trustee can carry out its obligations to the Issuer and/or the other parties and for other related purposes, including auditing, monitoring and analysis of its business, fraud and crime prevention, money laundering, legal and regulatory compliance by the Trustee or members of the Trustee's corporate group of other services. The Trustee may also transfer the personal data to any country (including countries outside the European Economic Area where there may be less stringent data protection laws) to process information on the Trustee's behalf.

10.43 Determinations by the Trustee

When determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security or prefunding given to it by the Bondholders or any of them or any other person be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the indemnity, security and/or prefunding.

11 Trustee Liable for Negligence

- 11.1** Section 1 of the Trustee Act 2000 shall not apply to any function of the Trustee, provided that if the Trustee fails to show the degree of care and diligence required of it as trustee nothing in this Trust Deed shall relieve or indemnify it from or against any liability which would otherwise attach to it in respect of any fraud, gross negligence or wilful default of which it may be guilty in relation to its duties under this Trust Deed.

Where there are any inconsistencies between the Trustee Act 1925, the Trustee Act 2000 and the provisions of this Trust Deed, the provisions of this Trust Deed shall, to the extent allowed by law, prevail and, in the case of any such inconsistency with the Trustee Act 2000, the provisions of this Trust Deed shall constitute a restriction or exclusion for the purposes of that Act.

11.2 Consequential Loss

Notwithstanding any provision of this Trust Deed to the contrary, the Trustee shall not in any event be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever, or for any loss of profits, goodwill, reputation or opportunity, whether or not foreseeable, even if the Trustee has been advised of the likelihood of such loss or damage and regardless of whether the claim for loss or damage is made in negligence or otherwise.

Any liability of the Trustee arising under this Trust Deed, the Bonds or the Agency Agreement shall be limited to the amount of actual loss suffered (with such loss to be determined as at the date of default of the Trustee or, if later, the date on which the loss arises as a result of such default) but without reference to any special conditions or circumstances known (or that the Trustee could have been expected to have known) to the Trustee at the time of entering into this Trust Deed, or at the time of accepting any relevant instructions, which increase the amount of the loss.

12 Waiver and Proof of Default

12.1 Waiver

The Trustee may, without the consent of the Bondholders and without prejudice to its rights in respect of any subsequent breach, from time to time and at any time, if in its opinion the interests of the Bondholders will not be materially prejudiced thereby, waive or authorise, on such terms and conditions as seem expedient to it, any breach, continuing breach or proposed breach by the Issuer of any of the provisions of the Conditions, this Trust Deed, any trust deed supplemental to this Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement or the Bonds or determine that any Event of Default or any Potential Event of Default will not be treated as such provided that the Trustee will not do so in contravention of any express direction given by an Extraordinary Resolution or a request made pursuant to Condition 10 but so that no such direction or request will affect any previous waiver, authorisation or determination. Any such waiver, authorisation or determination may be made on such terms and subject to such conditions as the Trustee may determine, will be binding on the Bondholders and will be notified to the Bondholders by the Issuer as soon as reasonably practicable in accordance with Condition 17.

12.2 Proof of Default

If it is proved that as regards any specified Bond the Issuer has made default in paying any sum due to the relevant Bondholder such proof will (unless the contrary be proved) be sufficient evidence that the same default has been made as regards all other Bonds which are then payable.

13 Trustee not Precluded from Entering into Contracts

Neither the Trustee nor any director or officer of a corporation acting as a Trustee, whether acting for itself or in any other capacity, will be precluded from becoming the owner of, or acquiring any interest in, or holding, or disposing of, any Bonds or any ADSs or securities (or any interest therein) of the Issuer or its Subsidiaries, holding companies or associated companies with the same rights as it would have had if the Trustee were not the Trustee or from entering into or being interested in any contracts or transactions with the Issuer or any of its Subsidiaries, holding companies or associated companies or from acting on, or as depositary or agent for, any committee or body of holders of any securities of the Issuer or any of its Subsidiaries, holding companies or associated companies and will not be liable to account for any profit resulting therefrom.

14 Modification, Waiver and Substitution

14.1 Modification and Waiver

The Trustee may agree, without the consent of the Bondholders, to (i) any modification of any of the provisions of this Trust Deed, any trust deed supplemental to this Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Bonds or the Conditions which in the Trustee's opinion is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law, and (ii) any other modification to this Trust Deed, any trust deed supplemental to this Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Bonds or the Conditions (except as mentioned below) which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders. Such power referred to in (ii) above does not extend to any such modification as is mentioned in the proviso in paragraph 2 of Schedule 3.

Any such modification shall be binding on the Bondholders and, if the Trustee so requires, shall be notified to Bondholders by the Issuer as soon as reasonably practicable.

14.2 Substitution of Issuer

14.2.1 Substitution by a Subsidiary of the Issuer: The Trustee may, without the consent of the Bondholders, agree with the Issuer to the substitution in place of the Issuer (or any previous substitute or substitutes under this Clause 14.2.1, Clause 14.2.2 or Clause 14.2.3) as the principal debtor under the Bonds and this Trust Deed of any Subsidiary of the Issuer (any such new obligor being a "**Substitute Obligor**"), subject to:

- (i) (other than in the case of substitution (x) of a Successor in Business in place of the Issuer as contemplated in Condition 6(k) or (y) as provided in, and for the purposes of, Condition 11(f) in connection with a Newco Scheme) the Bonds being unconditionally and irrevocably guaranteed by the Issuer in a form and manner satisfactory to the Trustee; and
- (ii) the Bonds continuing to be convertible, *mutatis mutandis* as provided in the Conditions, into ADSs *mutatis mutandis* as provided in the Conditions with such amendments as the Trustee shall consider appropriate,

provided that:

- (a) (other than in the case of a substitution (x) of a Successor in Business in place of the Issuer as contemplated in the Condition 6(k) or (y) as provided in, and for the purposes of, Condition 11(f) in connection with a Newco Scheme) the Trustee is satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution;
- (b) a deed is executed or undertaking given by the Substitute Obligor to the Trustee, in a form and manner satisfactory to the Trustee, agreeing to be bound by this Trust Deed and the Bonds (with consequential amendments as the Trustee may deem appropriate) as if the Substitute Obligor had been named in this Trust Deed and the Bonds as the principal debtor in place of the Issuer;
- (c) if the Substitute Obligor is subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "**Substituted Territory**") other than the territory to the taxing jurisdiction of which (or to any such authority of or in which) the Issuer is subject generally (the "**Issuer's Territory**"), the Substitute Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 9 with the substitution for or addition to the references in that Condition to the Issuer's Territory of references to the Substituted Territory whereupon this Trust Deed and the Bonds will be read accordingly;

- (d) any two directors of the Substitute Obligor certify that it will be solvent immediately after such substitution (and the Trustee need not have regard to the Substitute Obligor's financial condition, profits or prospects or compare them with those of the Issuer); and
- (e) the Bonds shall continue to be admitted to trading on an internationally recognised, regularly operating, regulated or non-regulated stock exchange as the Issuer may in good faith determine

The Trustee may in the event of such substitution agree without the consent of the Bondholders to a change of law governing this Trust Deed and/or the Bonds and/or the Agency Agreement provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Bondholders.

14.2.2 Substitution in connection with a Newco Scheme: The Trustee shall, without the consent of the Bondholders, agree to any substitution as provided in, and for the purposes of Condition 11(f), provided that the conditions set out in Condition 11(f) are satisfied and that:

- (a) two directors of Newco certify that it will be solvent immediately after the substitution (and the Trustee need not have regard to Newco's financial condition, profits or prospects or compare them with those of the Issuer); and
- (b) the Issuer and Newco comply with such other requirements as the Trustee may direct in the interests of the Bondholders.

Any substitution made pursuant to Condition 11(f)(1) shall be binding on the Bondholders and must be notified as soon as reasonably practicable to the Bondholders in accordance with Condition 17.

14.2.3 Substitution in connection with a Successor in Business: The Trustee shall (subject as provided in Condition 6(k)), without the consent of the Bondholders, agree to any substitution as provided in, and for the purposes of, Condition 6(k) in connection with a Successor in Business.

14.2.4 Release of Issuer and Substitute Obligor: Any agreement by the Trustee pursuant to this Clause 14.2 will, if so expressed, operate to release the Issuer (or any such previous substitute) from any or all of its obligations under this Trust Deed and the Bonds. Not later than 14 days after the execution of any such documents and after compliance with such requirements, notice of the substitution will be given to the Bondholders. It is expressly agreed that by subscribing to, acquiring or otherwise purchasing the Bonds, the holders of the Bonds are expressly deemed to have consented to the substitution of the Issuer by a new issuer and to the release of the Issuer from any and all obligations in respect of the Bonds and all relevant agreements and are expressly deemed to have accepted such substitution and the consequences thereof.

14.2.5 Completion of Substitution: Upon the execution of such documents and compliance with such requirements, the Substitute Obligor or Newco (as applicable) will be deemed to be named in this Trust Deed and the Bonds as the principal debtor in place of the Issuer (or of any previous substitute under this Clause 14.2) and this Trust Deed and the Bonds will be deemed to be modified in such manner as shall be necessary to give effect to the substitution.

15 Appointment, Retirement and Removal of the Trustee

15.1 Appointment

The Issuer will have the power of appointing new trustees but no person will be so appointed unless previously approved by an Extraordinary Resolution. A trust corporation will at all times be a Trustee and may be the sole Trustee. Any appointment of a new Trustee will be notified by the Issuer to the Bondholders in accordance with Condition 17 as soon as reasonably practicable.

15.2 Retirement and Removal

Any Trustee may retire at any time on giving not less than three months' prior notice in writing to the Issuer without giving any reason and without being responsible for any costs or liabilities occasioned by such retirement and the Bondholders may by Extraordinary Resolution remove any Trustee provided that the retirement or removal of any sole trustee or sole trust corporation will not become effective until a trust corporation is appointed as successor Trustee. If a sole trustee or sole trust corporation gives notice of retirement or an Extraordinary Resolution is passed for its removal under this Clause, the Issuer will use all reasonable endeavours to procure that another trust corporation be appointed as Trustee, but if the Issuer has failed to do so within two months of such notice being given or since the date of such Extraordinary Resolution, the Trustee may (at the expense of the Issuer) appoint a successor trustee.

15.3 Co-Trustees

The Trustee may, despite Clause 15.1, with prior notice in writing to the Issuer, appoint anyone to act as an additional Trustee jointly with the Trustee:

15.3.1 if the Trustee considers such appointment to be in the interests of the Bondholders;

15.3.2 for the purpose of conforming with any legal requirement, restriction or condition in any jurisdiction in which any particular act is to be performed; or

15.3.3 for the purpose of obtaining a judgment in any jurisdiction or the enforcement in any jurisdiction against the Issuer of either a judgment already obtained or any of the provisions of this Trust Deed.

Subject to the provisions of this Trust Deed the Trustee may confer on any person appointed under this Clause 15.3 such functions as it thinks fit. The Trustee may by notice in writing to the Issuer and such person remove any person so appointed. At the request of the Trustee, the Issuer will do all things as may be required to perfect such appointment or removal and irrevocably appoints the Trustee to be their attorney in their name and on their behalf to do so.

15.4 Competence of a Majority of Trustees

If there are more than two Trustees the majority of such Trustees will (provided such majority includes a trust corporation) be competent to carry out all or any of the Trustee's functions.

15.5 Merger

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

16 Currency Indemnity

16.1 Currency of Account and Payment: US dollars (the “**Contractual Currency**”) is the sole currency of account and payment for all sums payable by the Issuer under or in connection with this Trust Deed and the Bonds, including damages.

16.2 Extent of discharge: An amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by the Trustee or any Bondholder in respect of any sum expressed to be due to it from the Issuer will only discharge the Issuer to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency at market rates on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

16.3 Indemnity: If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the recipient under this Trust Deed or the Bonds, the Issuer will indemnify it against any deficiency sustained by it as a result. In any event, the Issuer will indemnify the recipient against the cost of making any purchase referred to in Clause 16.2.

16.4 Indemnity separate: The indemnities in Clause 16.3 and in Clause 9.5 constitute separate and independent obligations from the other obligations in this Trust Deed, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by the Trustee and/or any Bondholder and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under this Trust Deed and/or the Bonds or any other judgment or order.

17 Communications

Any communication shall be by letter, fax or electronic communication in the English language:

in the case of the Issuer, to it at:

Ozon Holdings PLC
Capital Center, 9th Floor
2-4 Arch. Makarios III Ave.
1065 Nicosia, Cyprus

Email address: ozon_cbond_2026@ozon.ru
Attention: Ozon CBonds Team

and in the case of the Trustee, to it at:

BNY Mellon Corporate Trustee Services Limited
One Canada Square
London E14 5AL
United Kingdom

Fax: +44(0) 20 7964 2536
Email: corpsov2@bnymellon.com
Attention: Trustee Administration Manager

or to such other address or email address as shall have been notified (in accordance with this Clause) to the other parties hereto.

Any such communication shall be deemed to take effect, in the case of a letter, when delivered and, in the case of a fax, when the relevant delivery receipt is received by the sender and, in the case of an email, when the relevant receipt of such communication being read is given, or where no read receipt is requested by the sender, at the time of sending, provided that no delivery failure notification is received by the sender within 24 hours of sending such communication. Any notice which is received or deemed to take effect (i) after 4.00 p.m. (in the city of the addressee) or (ii) on a day which is not a business day (in the city of the addressee), shall be deemed to take effect from 9.00 a.m. on the next following business day (in the city of the addressee). Any communication delivered to any party under this Trust Deed which is to be sent by fax or email will be written legal evidence.

In no event shall the Trustee be liable for any losses, liabilities, costs or expenses incurred or arising due to the Trustee receiving or transmitting any data from the Issuer, any Authorised Person or any party to the transaction via any non-secure method of transmission or communication, such as, but without limitation, by fax or email.

The Issuer accepts that some methods of communication are not secure and the Trustee shall incur no liability for receiving instructions via any such non-secure method. The Trustee is authorised to comply with and rely upon any such notice, instructions or other communications believed by it to have been sent or given by an Authorised Person or an appropriate party to the transaction (or authorised representative thereof). The Issuer or an authorised officer of the Issuer shall use reasonable endeavours to ensure that instructions transmitted to the Trustee pursuant to this Trust Deed are complete and correct. Any instructions given by an Authorised Person shall be conclusively deemed to be valid instructions from the Issuer or authorised officer of the Issuer to the Trustee for the purposes of this Trust Deed.

18 Purchase or Redemption by the Issuer of its own shares or ADSs

Subject to the Conditions, the Issuer may exercise such rights as it may from time to time enjoy to purchase or redeem its own shares (including ADSs) without the consent of the Bondholders.

19 Sanctions

- 19.1** The Issuer covenants and represents on the date hereof that neither it nor any of its controlled affiliates, subsidiaries, directors or officers are the target or subject of any sanctions enforced by the US Government, (including, without limitation, the Office of Foreign Assets Control of the US Department of the Treasury (“**OFAC**”) or the US Department of State), the United Nations Security Council, the European Union, Her Majesty’s Treasury (collectively “**Sanctions**”). Sanctions include without limiting the forgoing all economic sanctions laws, rules, regulations, executive orders and requirements administered by any governmental authority of the United States (including OFAC).
- 19.2** The Issuer covenants and represents that neither it nor any of its controlled affiliates, subsidiaries, directors or officers will use any repayments/reimbursements made pursuant to this Trust Deed or the Bonds (i) to fund or facilitate any activities of or business with any person who, at the time of such funding or facilitation, is the subject or target of Sanctions in any manner that would result in a violation of Sanctions, or (ii) to fund or facilitate any activities of or business with any country or territory that is the subject or target of comprehensive Sanctions (at the time of this Trust Deed, Crimea, Sevastopol, Cuba, Iran, North Korea and Syria).
- 19.3** Clauses 19.1 and 19.2 will not apply if and to the extent that they are or would be unenforceable by reason of breach of (i) any provision of Council Regulation (EC) No 2271/96 of 22 November 1996 (or any law or regulation implementing such Regulation in any member state of the EEA or the United Kingdom) or (ii) any similar blocking or anti-boycott law. However, if the aforementioned Council Regulation purports to make compliance with any portion of this Clause unenforceable by the Issuer, the Issuer will nonetheless take such measures as may be necessary to ensure that the Issuer does not use the services or accounts in any manner which would cause the Trustee to violate Sanctions applicable to the Trustee pursuant to the Transaction Documents.

20 Governing Law, Arbitration, Consent to Enforcement and Immunity

20.1 Governing Law

This Trust Deed, and any non-contractual obligations arising out of or in connection with it, shall be governed by, and construed in accordance with, English law.

20.2 Arbitration

- 20.2.1** The parties irrevocably agree that any dispute arising out of or in connection with this Trust Deed, including a dispute as to the formation, validity, existence, breach, enforceability, applicability or termination of this Agreement and/or this Clause 20.2 or the consequences of its nullity, shall be referred to and finally resolved by arbitration seated in London, England. The arbitration shall be conducted in the English language by three arbitrators and administered by the LCIA (formerly the London Court of International Arbitration (“**LCIA**”)) in accordance with its rules (the “**LCIA Rules**”) in effect at the time of the arbitration, except as they may be modified herein of by mutual agreement of the parties. The LCIA Rules are deemed to be incorporated by reference into this Clause. The claimant shall nominate an arbitrator in its request for arbitration, and the respondent shall nominate an

arbitrator within 30 days of receipt of the request for arbitration. The two arbitrators so nominated shall jointly nominate a third arbitrator within 30 days of the nomination of the second arbitrator. The third arbitrator shall be the Chairman of the tribunal. If any of the three arbitrators is not nominated within the time periods prescribed above, any party may request that the LCIA chooses and appoints that arbitrator. The arbitration award shall be final and binding on the parties.

In any such arbitration, in the event of a declared public health emergency by either the World Health Organisation (the “WHO”) or a national government, as a consequence of which it is inadvisable or prohibited for the parties and/or their legal representatives to travel to, or attend any hearing ordered by the tribunal, the following shall apply:

- (a) any such hearing shall be held via video or telephone conference upon the order of the tribunal;
- (b) the parties agree that no objection shall be taken to the decision, order or award of the tribunal following any such hearing on the basis that the hearing was held by video or telephone conference; and
- (c) in exceptional circumstances only the tribunal shall have the discretion to order that a hearing shall be held in person, but only after full and thorough consideration of the prevailing guidance of the WHO and any relevant travel or social distancing restrictions or guidelines affecting the parties and/or their legal representatives and the implementation of appropriate mitigation.

20.2.2 Where disputes arise out of or in connection with this Trust Deed and out of or in connection with any of the Agency Agreement or the Calculation Agency Agreement which, in the absolute discretion of the first arbitral tribunal to be appointed in any of the disputes, are so closely connected that it is expedient for them to be resolved in the same proceedings, that arbitral tribunal shall have the power to order that the proceedings to resolve that dispute shall be consolidated with those to resolve any of the other disputes (whether or not proceedings to resolve those other disputes have yet been instituted), provided that no date for the final hearing of the first arbitration has been fixed. If that arbitral tribunal so orders, the parties to each dispute which is a subject of its order shall be treated as having consented to that dispute being finally decided:

- (a) by the arbitral tribunal that ordered the consolidation unless the LCIA Court decides that any member of such tribunal would not be suitable or impartial; and
- (b) in accordance with the procedure, at the seat and in the language specified in the relevant agreement under which the arbitral tribunal that ordered the consolidation was appointed, save as otherwise agreed by all parties to the consolidated proceedings or, in the absence of such agreement, ordered by the arbitral tribunal in the consolidated proceedings.

20.2.3 Clause 20.2.2 above shall apply even where powers to consolidate proceedings exist under any applicable arbitration rules (including those of an arbitral institution) and, in such circumstances, the provisions of Clause 20.2.2 above shall apply in addition to those powers.

20.2.4 The parties exclude the jurisdiction of the courts under Sections 45 and 69 of the Arbitration Act 1996.

20.3 Consent to Enforcement

The Issuer consents generally in respect of any arbitration proceedings to the giving of any relief or the issue of any process in connection with the enforcement of such proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgement which is made or given in such proceedings.

20.4 Immunity

To the extent that the Issuer 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 undertakings, 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 Trust Deed and/or to the extent that in any such jurisdiction there may be attributed to the Issuer any such immunity (whether or not claimed), the Issuer hereby irrevocably agree not to claim, and hereby waive, any such immunity.

21 Counterparts

This Trust Deed and any trust deed supplemental hereto may be executed and delivered in any number of counterparts, all of which, taken together, shall constitute one and the same deed and any party to this Trust Deed or any trust deed supplemental hereto may enter into the same by executing and delivering a counterpart.

22 Contracts (Rights of Third Parties) Act 1999

A person who is not a party to this Trust Deed has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Trust Deed except and to the extent that this Trust Deed expressly provides for such Act to apply to any of its terms. The parties to this Trust Deed shall have the right to amend, vary or rescind any provision of this Trust Deed without the consent of any such third party.

Schedule 1
Form of Definitive Bonds

On the front:

Common Code: 230490244

ISIN: XS2304902443

THE BONDS REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN 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 UNDER THE SECURITIES ACT EXCEPT IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT.

Ozon Holdings PLC

(a company incorporated under the laws of the Republic of Cyprus, with registered office at Capital Center, 9th Floor, 2-4 Arch. Makarios III Ave, Nicosia 1065, Cyprus)

U.S.\$750,000,000 1.875 per cent. Convertible Bonds due 2026 convertible into American Depositary Shares representing Shares or rights to receive Shares of Ozon Holdings PLC

The Bonds represented by this certificate form part of a series designated as specified in the title (the “**Bonds**”) of Ozon Holdings PLC (the “**Issuer**”). The Bonds are constituted by a trust deed dated 24 February 2021 (the “**Trust Deed**”) between the Issuer and BNY Mellon Corporate Trustee Services Limited as trustee (the “**Trustee**”). The Bonds are subject to, and have the benefit of, that Trust Deed and the terms and conditions (the “**Conditions**”) endorsed hereon. Terms defined in the Trust Deed have the same meanings when used herein.

The Issuer hereby certifies that [•] of [•] is, at the date hereof, entered in the register of Bondholders as the holder of Bonds in the principal amount of U.S.\$[•]. For value received, the Issuer promises to pay the person who appears at the relevant time on the register of Bondholders as holder of the Bonds in respect of which this certificate is issued such amount or amounts as shall become due and payable from time to time in respect of such Bonds and otherwise to comply with the Conditions.

Subject to the right of the Issuer to make a Cash Alternative Election pursuant to Condition 6(a)(viii) and as otherwise provided in the Conditions, the Bonds represented by this certificate shall entitle the holder to convert such Bond into ADSs representing fully paid Shares or rights to receive Shares in the Issuer, subject to and in accordance with the Conditions and the Trust Deed.

The statements set forth in the legend above are an integral part of the Bond or Bonds in respect of which this certificate is issued and by acceptance thereof each holder agrees to be subject to and bound by the terms and provisions set forth in such legend.

This definitive registered Bond is evidence of entitlement only. Title to the Bonds passes only on due registration on the register of Bondholders and only the duly registered holder is entitled to payments in respect of this definitive registered Bond.

This definitive registered Bond shall not be valid for any purpose until authenticated by or on behalf of the Registrar.

This definitive registered Bond, and any non-contractual obligations arising out of or in connection with it, shall be governed by, and shall be construed in accordance with, English law.

Issued as of [•]

OZON HOLDINGS PLC

By:

Name:

Authorised Signatory

Certificate of Authentication

Authenticated by

THE BANK OF NEW YORK MELLON SA/NV, DUBLIN BRANCH
(as Registrar) without warranty, recourse or liability

By:

Name:

Authorised Signatory

Dated:

On the back:

[The Terms and Conditions of the Bonds will be inserted]

FORM OF TRANSFER

FOR VALUE RECEIVED the undersigned hereby transfers to

[]

[]

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF TRANSFEREE)

U.S.\$ [] principal amount of the Bond(s) in respect of which this definitive Bond is issued, and all rights under it or them, and irrevocably constitutes and appoints [] as attorney to transfer such principal amount on the books kept for registration thereof, with full power of substitution.

Dated [] []
Signed [] Certifying Signature

Note:

- (i) The signature to this transfer must correspond with the name as it appears on the face of this Bond.
- (ii) A representative of the registered Bondholder should state the capacity in which he signs e.g. executor.
- (iii) The signature of the person effecting a transfer shall conform to any list of duly authorised specimen signatures supplied by the registered Bondholder or be certified by a recognised bank, notary public or in such other manner as the relevant Paying, Transfer and Conversion Agent or the Registrar may require.
- (iv) Any transfer of Bonds shall be in the minimum amount of U.S.\$200,000.

Schedule 2
Form of Global Bond

THE BONDS REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN 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 UNDER THE SECURITIES ACT EXCEPT IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT.

Common Code: 230490244

ISIN: XS2304902443

Ozon Holdings PLC

(a company incorporated under the laws of the Republic of Cyprus, with registered office at Capital Center, 9th Floor, 2-4 Arch. Makarios III Ave, Nicosia 1065, Cyprus)

U.S.\$750,000,000 1.875 per cent. Convertible Bonds due 2026 convertible into American Depositary Shares representing Shares or rights to receive Shares of Ozon Holdings PLC

The Bonds in respect of which this Global Bond is issued form part of the series designated as specified in the title (the “**Bonds**”) of Ozon Holdings PLC (the “**Issuer**”).

The Issuer hereby certifies that The Bank of New York Depositary (Nominees) Limited acting as a nominee of a common depositary for Euroclear and Clearstream, Luxembourg is, at the date hereof, entered in the register of Bondholders as the holder of Bonds in the principal amount of

U.S.\$750,000,000

seven hundred and fifty million U.S. dollars only

or such other amount as is shown on the register of Bondholders as being represented by this Global Bond and is duly endorsed (for information purposes only) in the third column of Schedule A to this Global Bond. For value received, the Issuer promises to pay the person who appears at the relevant time on the register of Bondholders as holder of the Bonds in respect of which this Global Bond is issued, such amount or amounts as shall become due and payable from time to time in respect of such Bonds and otherwise to comply with the Conditions referred to below.

The Bonds are constituted by a trust deed dated 24 February 2021 (the “**Trust Deed**”) between the Issuer and BNY Mellon Corporate Trustee Services Limited as trustee (the “**Trustee**”) and are subject to the Trust Deed and the terms and conditions (the “**Conditions**”) set out in Schedule 4 to the Trust Deed, as modified by the provisions of this Global Bond. Terms defined in the Trust Deed have the same meaning when used herein.

This Global Bond is evidence of entitlement only.

Title to the Bonds passes only on due registration of Bondholders and only the duly registered holder is entitled to payments on Bonds in respect of which this Global Bond is issued.

Exchange

Owners of beneficial interests in the Bonds in respect of which this Global Bond is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive registered Bonds if (1) Euroclear or Clearstream, Luxembourg (or any other clearing system as shall have been designated by the Issuer and approved by the Trustee on behalf of which the Bonds evidenced by this Global Bond may be held) is closed for business for a continuous period

of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or (2) if the Issuer would suffer a material disadvantage in respect of the Bonds as a result of a change in the laws or regulations (taxation or otherwise) of the Republic of Cyprus which would not be suffered were the Bonds in definitive form and a certificate of the Issuer to such effect signed by one Authorised Signatory is delivered to the Trustee.

In such circumstances, the Issuer will cause sufficient individual definitive registered Bonds to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Bondholders within 21 days following a request therefor by the holder of this Global Bond. A person with an interest in the Bonds represented by this Global Bond must provide the Registrar with (i) a written order containing instructions and other such information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive registered Bonds and (ii) a certificate to the effect that such person is not transferring its interest in this Global Bond.

The Conditions are modified as follows in so far as they apply to the Bonds represented by this Global Bond as issued.

The statements set out in the legend above are an integral part of the Bond or Bonds in respect of which this Global Bond is issued and by acceptance hereof each holder or beneficial owner of the Bonds evidenced by this Global Bond or any owner of an interest in such Bonds agrees to be subject to and bound by the terms of such legend.

Meetings

The holder hereof shall be treated as having one vote in respect of each U.S.\$200,000 in principal amount of Bonds represented by this Global Bond. The Trustee may allow to attend and speak (but not to vote) at any meeting of Bondholders any accountholder (or the representative of any such person) of a clearing system with an interest in the Bonds represented by this Global Bond on confirmation of entitlement and proof of his identity.

Conversion

Subject to the requirements of Euroclear and Clearstream, Luxembourg, the Conversion Right attaching to the Bonds represented by this Global Bond may be exercised by the presentation of one or more Conversion Notices duly completed by or on behalf of a holder of a book-entry interest in such Bond together with this Global Bond to the Principal Paying, Transfer and Conversion Agent or such other Agent as shall have been notified to the holder of this Global Bond for such purpose for annotation. The provisions of Condition 6 of the Bonds will otherwise apply.

Redemption for Taxation Reasons and/or at the Option of the Issuer

The options of the Issuer provided for in Condition 7(b) and 7(c) shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in, and containing the information required by, that Condition.

Redemption at the Option of the Bondholders

The option of the Bondholders provided for in Condition 7(e) may be exercised by the holder of this Global Bond by giving notice to any Paying, Transfer and Conversion Agent within the time limits relating to the deposit of Bonds in Condition 7(e) and substantially in the form of the Put Exercise Notice as set out in Schedule 5 to the Agency Agreement. Such form of notice shall be obtainable from the specified office of any Paying, Transfer and Conversion Agent and shall state the principal amount of Bonds in respect of which the option is exercised. Upon exercise of the option the relevant Bondholder shall present this Global Bond to the Registrar for annotation in Schedule A hereto accordingly.

Tax Election Option of the Bondholders

The option of the Bondholders provided for in Condition 7(c) may be exercised by the holder of this Global Bond by giving notice to the Registrar within the time limits relating to the deposit of Bonds in Condition 7(c) and substantially in the form of the Bondholders Tax Election Notice as set out in Schedule 4 to the Agency Agreement. Such notice shall be obtainable from the specified office of any Paying, Transfer and Conversion Agent and shall state the principal amount of Bonds in respect of which the option is exercised. Upon exercise of the option the relevant Bondholder shall present this Global Bond to the Registrar for annotation in Schedule A hereto accordingly.

Trustee's Powers

In considering the interests of Bondholders the Trustee may, to the extent it considers it appropriate to do so in the circumstances, (a) have regard to such information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of Bonds and (b) consider such interests, and treat such accountholders, on the basis that such accountholders were the holders of the Bonds represented by this Global Bond.

Enforcement

For the purposes of enforcement of the provisions of the Trust Deed against the Trustee, the persons named in a certificate of the holder of the Bonds represented by this Global Bond shall be recognised as the beneficiaries of the trusts set out in the Trust Deed to the extent of the principal amount of their interest in the Bonds set out in the certificate of the holder as if they were themselves the holders of Bonds in such principal amounts.

Purchase and Cancellation

Cancellation of any Bond following its purchase will be effected by reduction in the principal amount of the Bonds in the Register.

Payments

Payments of the principal in respect of Bonds represented by this Global Bond will be made against presentation and, if no further payment falls to be made in respect of the Bonds, surrender of this Global Bond to or to the order of the Principal Paying, Transfer and Conversion Agent or such other Agent as shall have been notified to the holder of this Global Bond for such purpose.

Notices

So long as Bonds are represented by this Global Bond and this Global Bond is registered in the name of, and held by a nominee on behalf of, a common depository for Euroclear or Clearstream, Luxembourg, notices to the holders of such Bonds shall be given by delivery of the relevant notice to the relevant clearing system for communication by it to entitled accountholders in addition to notification as required by the Conditions and shall be deemed to have been given on the date of delivery to Euroclear and Clearstream, Luxembourg or such other clearing system, as the case may be.

ADS Settlement Option

Subject to the requirements of Euroclear and Clearstream, Luxembourg, the Bondholder notice requirements in Condition 7(i) in respect of Bonds represented by this Global Bond may be satisfied by the delivery to or to the order of any Paying, Transfer and Conversion Agent by or on behalf of an accountholder of one or more duly completed ADS Settlement Notices (which may be in electronic form and given in accordance with the rules and procedures of the relevant clearing system and need not be signed). The provisions of Condition 7(i) will otherwise apply.

This Global Bond shall not be valid for any purpose until authenticated by or on behalf of the Registrar.

This Global Bond, and any non-contractual obligations arising out of or in connection with it, shall be governed by, and shall be construed in accordance with, English law.

In witness whereof the Issuer has caused this Global Bond to be signed on its behalf.

Dated 24 February 2021

OZON HOLDINGS PLC

By:

Name:

Authorised Signatory

Certificate of Authentication

Authenticated by

THE BANK OF NEW YORK MELLON SA/NV, DUBLIN BRANCH

(as Registrar) without warranty, recourse or liability

By:

Name:

Authorised Signatory

Dated 24 February 2021

SCHEDULE A

SCHEDULE SHOWING CHANGES IN THE PRINCIPAL AMOUNT OF THE BONDS REPRESENTED BY THIS GLOBAL BOND

The following shows the principal amount of the Bonds represented by this Global Bond as a result of (i) exercise of Conversion Rights or (ii) redemption or purchase and cancellation of Bonds or (iii) transfer of Bonds:

<u>Date of Conversion/Transfer/ Redemption/ Purchase and cancellation (stating which)</u>	<u>Amount of change in principal amount of Bonds represented by this Global Bond</u>	<u>Principal amount of Bonds represented by this Global Bond following such change</u>	<u>Notation made by or on behalf of the Principal Paying, Transfer and Conversion Agent</u>
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Schedule 3
Provisions for meetings of Bondholders

Interpretation

- 1 In this Schedule:
- 1.1 references to a meeting are to a physical meeting or a virtual meeting of Bondholders and include, unless the context otherwise requires, any adjournment;
- 1.2 “**agent**” means a holder of a voting certificate proxy for, or a representative of a Bondholder;
- 1.3 “**Alternative Clearing System**” means any clearing system (including without limitation The Depository Trust Company (“**DTC**”)) other than Euroclear or Clearstream, Luxembourg;
- 1.4 “**Electronic Consent**” has the meaning set out in paragraph 23;
- 1.5 “**electronic platform**” means any form of telephony or electronic platform or facility and includes, without limitation, telephone and video conference call and application technology systems;
- 1.6 “**Extraordinary Resolution**” means a resolution passed (a) at a meeting of Bondholders duly convened and held in accordance with this Trust Deed by a majority of at least 75 per cent. of the votes cast or (b) by a Written Resolution or (c) by an Electronic Consent;
- 1.7 “**meeting**” means a meeting convened pursuant to this Schedule by the Issuer or the Trustee and whether held as a physical meeting or as a virtual meeting;
- 1.8 “**physical meeting**” means any meeting attended by persons present in person at the physical location specified in the notice of such meeting;
- 1.9 “**present**” means physically present in person at a physical meeting, or able to participate in a virtual meeting via an electronic platform;
- 1.10 “**virtual meeting**” means any meeting held via an electronic platform;
- 1.11 “**Written Resolution**” means a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Bonds outstanding;
- 1.12 references to persons representing a proportion of the Bonds are to Bondholders or agents holding or representing in the aggregate at least that proportion in nominal amount of the Bonds for the time being outstanding; and
- 1.13 where Bonds are held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System, references herein to the deposit or release or surrender of Bonds shall be construed in accordance with the usual practices (including in relation to the blocking of the relevant account) of Euroclear or Clearstream, Luxembourg or such Alternative Clearing System.

Powers of meetings

- 2 A meeting shall, subject to the Conditions and without prejudice to any powers conferred on other persons by this Trust Deed, have power exercisable by Extraordinary Resolution:
- 2.1 to sanction any proposal by the Issuer or the Trustee for any modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Bondholders against the Issuer or against any of their respective property or assets, whether or not those rights arise under this Trust Deed;
- 2.2 to sanction any scheme or proposal for the sale, exchange or substitution for the Bonds for, the conversion of the Bonds into, or the cancellation of the Bonds in consideration of, shares, stock, notes, bonds, debenture, debenture stock and/or other obligations or securities of the Issuer or any other entity;
- 2.3 to assent to any modification of this Trust Deed, the Conditions, the Agency Agreement or the Bonds proposed by the Issuer or the Trustee;
- 2.4 to authorise anyone to concur in and do anything necessary to carry out and give effect to an Extraordinary Resolution;
- 2.5 to give any authority, direction or sanction required to be given by Extraordinary Resolution;
- 2.6 to appoint any persons (whether Bondholders or not) as a committee or committees to represent the Bondholders' interests and to confer on them any powers or discretions which the Bondholders could themselves exercise by Extraordinary Resolution;
- 2.7 to approve a proposed new Trustee and to remove a Trustee;
- 2.8 to approve the substitution of any entity for the Issuer (or any previous substitute) as principal debtor under this Trust Deed (but for the avoidance of doubt, nothing in this paragraph shall be interpreted to mean that the consent of Bondholders is required in relation to any substitution that the Trustee may otherwise agree to under Clause 14.2 of the Trust Deed); and
- 2.9 to discharge or exonerate the Trustee from any liability in respect of any act or omission for which it may become responsible under this Trust Deed or the Bonds,
- provided that the special quorum provisions in paragraph 11 shall apply to any Extraordinary Resolution (a "**special quorum resolution**") for the purpose of sub-paragraph 2.2 or 2.8 or for the purpose of making a modification to this Trust Deed or the Bonds which would have the effect of:
- (i) changing the Final Maturity Date, the First Call Date (other than deferring the First Call Date), or any dates for payment of interest or any other amount in respect of the Bonds; or
 - (ii) modifying the circumstances in which the Issuer or Bondholders are entitled to redeem the Bonds pursuant to Condition 7(b), (c) or (e) (other than removing the right of the Issuer to redeem the Bonds pursuant to Condition 7(b) or (c)); or
 - (iii) reducing or cancelling the principal amount of, or interest on, the Bonds or reducing the amount payable on redemption of the Bonds; or
 - (iv) modifying the basis for calculating the interest or any other amount payable in respect of the Bonds; or

- (v) modifying the provisions relating to, or cancelling, the Conversion Rights or the rights of Bondholders to receive ADSs and/or the Cash Alternative Amount on exercise of Conversion Rights pursuant to the Conditions (other than pursuant to or as a result of any amendments to the Conditions and the Trust Deed made pursuant to and in accordance with the provisions of Condition 6(k) in order to effect a Conversion Right Transfer or Condition 11(f) following or as part of a Newco Scheme (“**Newco Scheme Modification**”) or to receive Deliverable ADSs and/or any Cash Settlement Amount following exercise of the ADS Settlement Option, and other than a reduction to the Conversion Price or an increase in the number of ADSs to be issued on exercise of Conversion Rights and/or the Cash Alternative Amount); or
- (vi) increasing the Conversion Price other than in accordance with the Conditions or pursuant to a Newco Scheme Modification; or
- (vii) changing the currency of the denomination or of any payment in respect of the Bonds; or
- (viii) changing the governing law of the Bonds, the Trust Deed, the Agency Agreement or the Calculation Agency Agreement (other than in the case of a substitution of the Issuer (or any previous substitute or substitutes of the Issuer) under Condition 14(c)); or
- (ix) modifying the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution; or
- (x) amending this proviso.

Convening a meeting

- 3 The Issuer or the Trustee may at any time convene a meeting. If it receives a written request by Bondholders holding at least 10 per cent. in principal amount of the Bonds for the time being outstanding, the Issuer shall convene a meeting of the Bondholders. Every physical meeting shall be held at a time and place approved by the Trustee. Every virtual meeting shall be held via an electronic platform and at a time approved by the Trustee.

Notice of meeting

- 4 At least 21 days’ notice (exclusive of the day on which the notice is given or deemed to be given and of the day of the meeting) shall be given to the Bondholders. A copy of the notice shall be given by the party convening the meeting to the other parties. The notice shall specify the day, time and place of the meeting (or the details of the electronic platform to be used in the case of a virtual meeting) and, unless the Trustee otherwise agrees, the nature of the resolutions to be proposed and shall explain how Bondholders may appoint proxies or representatives and the details of the time limits applicable. With respect to a virtual meeting, each such notice shall set out such other and further details as are required under paragraph 25.

Cancellation of meeting

- 5 A meeting that has been validly convened in accordance with paragraph 3 above, may be cancelled by the person who convened such meeting by giving at least 5 days’ notice (exclusive of the day on which the notice is given or deemed to be given and of the day of the meeting) to the Bondholders (with a copy to the Trustee where such meeting was convened by the Issuer or to the Issuer where such meeting was convened by the Trustee). Any meeting cancelled in accordance with this paragraph 5 shall be deemed not to have been convened.

Arrangements for voting on Bonds (whether in definitive form or represented by a Global Bond and whether held within or outside a Clearing System) – Appointment of Proxy or Representative

6 A proxy or representative may be appointed in the following circumstances:

- 6.1** *Proxy:* A holder of Bonds may, by an instrument in writing in the English language (a “**form of proxy**”) signed by the holder or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation and delivered to the specified office of the Registrar or the Principal Paying, Transfer and Conversion Agent not less than 48 hours before the time fixed for the relevant meeting, appoint one or more persons, (each a “**proxy**”) to act on his or its behalf in connection with any meeting of the Bondholders and any adjourned such meeting.
- 6.2** *Representative:* Any holder of Bonds which is a corporation may, by delivering to the Registrar or Principal Paying, Transfer and Conversion Agent not later than 48 hours before the time fixed for any meeting a resolution of its directors or other governing body, authorise any person to act as its representative (a “**representative**”) in connection with any meeting of the Bondholders and any adjourned such meeting.
- 6.3** *Other Proxies:* (i) If the holder of a Bond is an Alternative Clearing System or a nominee of an Alternative Clearing System and the rules or procedures of such Alternative Clearing System so require, such nominee or Alternative Clearing System may appoint proxies in accordance with, and in the form used, by such Alternative Clearing System as part of its usual procedures from time to time in relation to meetings of Bondholders. (ii) Any proxy appointed may, by an instrument in writing in the English language in the form available from the specified office of the Registrar or the Principal Paying, Transfer and Conversion Agent, or in such other form as may have been approved by the Trustee at least seven days before the date fixed for a meeting, signed by the proxy or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation and delivered to the Registrar or the Principal Paying, Transfer and Conversion Agent not later than 48 hours before the time fixed for any meeting, appoint any person or the Principal Paying, Transfer and Conversion Agent or any employee(s) of it nominated by it (the “**sub-proxy**”) to act on his or its behalf in connection with any meeting or proposed meeting of Bondholders. All references to “proxy” or “proxies” in this Schedule other than in this sub-paragraph 6.3 shall be read so as to include references to “sub-proxy” or “sub-proxies”.
- 6.4** *Record Date:* For so long as the Bonds are eligible for settlement through an Alternative Clearing System’s book-entry settlement system and the rules or procedures of such Alternative Clearing System so require, the Issuer may fix a record date for the purpose of any meeting, provided such record date is no more than 10 days prior to the date fixed for such meeting which shall be specified in the notice convening the meeting.
- 6.5** Any proxy or sub-proxy appointed pursuant to sub-paragraph 6.1 or 6.3 above or representative appointed pursuant to sub-paragraph 6.2 above shall, so long as such appointment remains in full force, be deemed, for all purposes in connection with the relevant meeting or adjourned meeting of the Bondholders, to be the holder of the Bonds to which such appointment relates and the holder of the Bonds shall be deemed for such purposes not to be the holder or owner, respectively.

Chairperson

- 7 The chairperson of a meeting shall be such person as the Trustee may nominate in writing, but if no such nomination is made or if the person nominated is not present within 15 minutes after the time fixed for the meeting, the Bondholders or agents present shall choose one of their number to be chairperson, failing which the Issuer may appoint a chairperson.
- 8 The chairperson may, but need not, be a Bondholder or agent. The chairperson of an adjourned meeting need not be the same person as the chairperson of the original meeting.

Attendance

- 9 The following may attend and speak at a meeting:
- 9.1 Bondholders and agents;
- 9.2 the chairperson; and
- 9.3 the Issuer and the Trustee (through their respective representatives) and their respective financial and legal advisers.
- No one else may attend or speak.

Quorum and Adjournment

- 10 No business (except choosing a chairperson) shall be transacted at a meeting unless a quorum is present at the commencement of business. If a quorum is not present within 15 minutes from the time initially fixed for the meeting, it shall, if convened on the requisition of Bondholders or if the Issuer and the Trustee agree, be dissolved. In any other case it shall be adjourned until such date, not less than 14 nor more than 42 days later, and time and place as the chairperson may decide. If a quorum is not present within 15 minutes from the time fixed for a meeting so adjourned, the meeting shall be dissolved.
- 11 One or more Bondholders or agents present in person shall be a quorum:
- 11.1 in the cases marked “**No minimum proportion**” in the table below, whatever the proportion of the Bonds which they represent; and
- 11.2 in any other case, only if they represent the proportion of the principal amount of the Bonds shown by the table below.

Column 1	Column 2	Column 3
Purpose of meeting	Any meeting except one referred to in column 3	Meeting previously adjourned through want of a quorum
	Required proportion	Required proportion
To pass a special quorum resolution	Two thirds	One third
To pass any other Extraordinary Resolution	More than one-half	No minimum proportion
Any other purpose	10 per cent.	No minimum proportion

- 12 The chairperson may, with the consent of (and shall if directed by) a meeting, adjourn the meeting from time to time and from place to place. Only business which could have been transacted at the original meeting may be transacted at a meeting adjourned in accordance with this paragraph or paragraph 10.
- 13 At least 10 days' notice (exclusive of the day on which the notice is given or deemed to be given and of the day of the adjourned meeting) of a meeting adjourned through want of a quorum shall be given in the same manner as for an original meeting and that notice shall state the quorum required at the adjourned meeting. It shall not, however, otherwise be necessary to give any notice of an adjourned meeting.

Voting

- 14 At a meeting which is held only as a physical meeting, each question submitted to such meeting shall be decided by a show of hands unless a poll is (before, or on the declaration of the result of, the show of hands) demanded by the chairperson, the Issuer, the Trustee or one or more persons representing not less than 2 per cent. of the Bonds.
- 15 Unless a poll is demanded, a declaration by the chairperson that a resolution has or has not been passed shall be conclusive evidence of the fact without proof of the number or proportion of the votes cast in favour of or against it.
- 16 If a poll is demanded, it shall be taken in such manner and (subject as provided below) either at once or after such adjournment as the chairperson directs. The result of the poll shall be deemed to be the resolution of the meeting at which it was demanded as at the date it was taken. A demand for a poll shall not prevent the meeting continuing for the transaction of business other than the question on which it has been demanded.
- 17 A poll demanded on the election of a chairperson or on a question of adjournment shall be taken at once.
- 18 On a show of hands, every person who is present in person and who produces a Bond or is a proxy or a representative has one vote. On a poll, every such person has one vote for U.S.\$200,000 in principal amount of Bonds so produced or for which he is a proxy or representative. Without prejudice to the obligations of proxies, a person entitled to more than one vote need not use them all or cast them all in the same way.
- 19 In case of equality of votes, the chairperson shall both on a show of hands and on a poll have a casting vote in addition to any other votes which he may have.
- 20 At a virtual meeting, a resolution put to the vote of the meeting shall be decided on a poll in accordance with paragraph 25, and any such poll will be deemed to have been validly demanded at the time fixed for holding the meeting to which it relates.

Effect and Publication of an Extraordinary Resolution

- 21 An Extraordinary Resolution shall be binding on all the Bondholders, whether or not present or participating at the meeting, and each of them shall be bound to give effect to it accordingly. The passing of such a resolution shall be conclusive evidence that the circumstances justify its being passed. The Issuer shall give notice of the passing of an Extraordinary Resolution to Bondholders within 14 days but failure to do so shall not invalidate the resolution.

Minutes

- 22** Minutes shall be made of all resolutions and proceedings at every meeting by the Issuer and, if purporting to be signed by the chairperson of that meeting or of the next succeeding meeting, shall be conclusive evidence of the matters contained in them. Until the contrary is proved, every meeting for which minutes have been so made and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

Written Resolution and Electronic Consent

- 23** Subject to the following sentence, a Written Resolution may be contained in one document or in several documents in like form, each signed by or on behalf of one or more of the Bondholders.

For so long as the Bonds are in the form of a Global Bond registered in the name of any nominee for one or more of Euroclear, Clearstream, Luxembourg or an Alternative Clearing System, then, in respect of any resolution proposed by the Issuer or the Trustee:

- 23.1 Electronic Consent:** where the terms of the resolution proposed by the Issuer or the Trustee (as the case may be) have been notified to the Bondholders through the relevant clearing system(s) as provided in sub-paragraphs (i) and/or (ii) below, each of the Issuer and the Trustee shall be entitled to rely upon approval of such resolution given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) to the Principal Paying, Transfer and Conversion Agent or another specified agent and/or the Trustee in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in principal amount of the Bonds outstanding (the “**Required Proportion**”) (“**Electronic Consent**”) by close of business on the Relevant Date. Any resolution passed in such manner shall be binding on all Bondholders, even if the relevant consent or instruction proves to be defective. Neither the Issuer nor the Trustee shall be liable or responsible to anyone for such reliance;
- (i) When a proposal for a resolution to be passed as an Electronic Consent has been made, at least 10 days’ notice (exclusive of the day on which the notice is given and of the day on which affirmative consents will be counted) shall be given to the Bondholders through the relevant clearing system(s). The notice shall specify, in sufficient detail to enable Bondholders to give their consents in relation to the proposed resolution, the method by which their consents may be given (including, where applicable, blocking of their accounts in the relevant clearing system(s)) and the time and date (the “**Relevant Date**”) by which they must be received in order for such consents to be validly given, in each case subject to and in accordance with the operating rules and procedures of the relevant clearing system(s).
 - (ii) If, on the Relevant Date on which the consents in respect of an Electronic Consent are first counted, such consents do not represent the Required Proportion, the resolution shall, if the party proposing such resolution (the “**Proposer**”) so determines, be deemed to be defeated. Such determination shall be notified in writing to the other party or parties to the Trust Deed. Alternatively, the Proposer

may give a further notice to Bondholders that the resolution will be proposed again on such date and for such period as shall be agreed with the Trustee (unless the Trustee is the Proposer). Such notice must inform Bondholders that insufficient consents were received in relation to the original resolution and the information specified in sub-paragraph (i) above. For the purpose of such further notice, references to “Relevant Date” shall be construed accordingly.

For the avoidance of doubt, an Electronic Consent may only be used in relation to a resolution proposed by the Issuer or the Trustee which is not then the subject of a meeting that has been validly convened in accordance with paragraph 3 above, unless that meeting is or shall be cancelled or dissolved.

23.2 Written Resolution: where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution 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, (a) by accountholders in the clearing system with entitlements to such Global Bond and/or, (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the “**relevant clearing system**”) and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Bondholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall 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 amount of the Bonds 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.

A Written Resolution and/or Electronic Consent shall take effect as an Extraordinary Resolution. A Written Resolution and/or Electronic Consent will be binding on all Bondholders, whether or not they participated in such Written Resolution and/or Electronic Consent.

Trustee’s Power to Prescribe Regulations

24 Subject to all other provisions in this Trust Deed, the Trustee may, without the consent of the Bondholders, prescribe or approve such further regulations regarding the holding of meetings and attendance and voting at them as it in its sole discretion determines or as proposed by the Issuer including (without limitation) such requirements as the Trustee thinks reasonable to satisfy itself that the persons who purport to make any requisition in accordance with this Trust Deed are entitled to do so and to satisfy itself that persons who purport to attend or vote at a meeting are entitled to do so.

Additional provisions applicable to Virtual Meetings

- 25** The Issuer (with the Trustee's prior approval) or the Trustee in its sole discretion may decide to hold a virtual meeting and, in such case, shall provide details of the means for Bondholders or their proxies or representatives to attend and participate in the meeting, including the electronic platform to be used.
- 26** The Issuer or the chairperson (in each case, with the Trustee's prior approval) or the Trustee in its sole discretion may make any arrangement and impose any requirement or restriction as is necessary to ensure the identification of those entitled to take part in the virtual meeting and the security of the electronic platform. All documentation that is required to be passed between persons present at the virtual meeting (in whatever capacity) shall be communicated by email.
- 27** All resolutions put to a virtual meeting shall be voted on by a poll in accordance with paragraphs 16-19 above (inclusive) and such poll votes may be cast by such means as the Issuer (with the Trustee's prior approval) or the Trustee in its sole discretion considers appropriate for the purposes of the virtual meeting.
- 28** Persons seeking to attend or participate in a virtual meeting shall be responsible for ensuring that they have access to the facilities (including, without limitation, IT systems, equipment and connectivity) which are necessary to enable them to do so.
- 29** In determining whether persons are attending or participating in a virtual meeting, it is immaterial whether any two or more members attending it are in the same physical location as each other or how they are able to communicate with each other.
- 30** Two or more persons who are not in the same physical location as each other attend a virtual meeting if their circumstances are such that if they have (or were to have) rights to speak or vote at that meeting, they are (or would be) able to exercise them.
- 31** The Issuer (with the Trustee's prior approval) or the Trustee in its sole discretion may make whatever arrangements they consider appropriate to enable those attending a virtual meeting to exercise their rights to speak or vote at it.
- 32** A person is able to exercise the right to speak at a virtual meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, as contemplated by the relevant provisions of this Schedule.
- 33** A person is able to exercise the right to vote at a virtual meeting when:
 - (a) that person is able to vote, during the meeting, on resolutions put to the vote at the meeting; and
 - (b) that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting who are entitled to vote at such meeting.

Schedule 4

Terms and Conditions of the Bonds

The following, subject to completion and amendment, and save for the paragraphs in italics, is the text of the Terms and Conditions of the Bonds.

The issue of the U.S.\$750,000,000 1.875 per cent. Convertible Bonds due 2026 (the “**Bonds**”, which expression shall, unless otherwise indicated, include any Further Bonds (as defined below)) was (save in respect of any Further Bonds) authorised by a resolution of the board of directors of Ozon Holdings PLC (the “**Issuer**”) passed on 16 February 2021. The Bonds are convertible into ADSs representing Shares (each as defined in Condition 6(a)(iv) below) of the Issuer.

The Bonds are constituted by a trust deed dated 24 February 2021 (the “**Trust Deed**”) between the Issuer and BNY Mellon Corporate Trustee Services Limited (the “**Trustee**”, which expression shall include all persons for the time being appointed as the trustee or trustees under the Trust Deed) as trustee for the Bondholders (as defined below). The statements set out in these Terms and Conditions (the “**Conditions**”) are summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those provisions applicable to them which are contained in the Paying, Transfer and Conversion Agency Agreement dated 24 February 2021 (the “**Agency Agreement**”) relating to the Bonds between the Issuer, the Trustee and The Bank of New York Mellon, London Branch (the “**Principal Paying, Transfer and Conversion Agent**”, which expression shall include any successor as Principal Paying, Transfer and Conversion Agent under the Agency Agreement), the Paying, Transfer and Conversion Agents for the time being (such persons, together with the Principal Paying, Transfer and Conversion Agent, being referred to below as the “**Paying, Transfer and Conversion Agents**”, which expression shall include their successors as Paying, Transfer and Conversion Agents under the Agency Agreement) and The Bank of New York Mellon SA/NV, Dublin Branch in its capacity as registrar in respect of the Bonds (the “**Registrar**”, which expression shall include any successor as registrar under the Agency Agreement).

The existing ADSs are, and the ADSs to be issued upon conversion of the Bonds will be, evidenced by American Depositary Receipts (“**ADRs**”) issued pursuant to a deposit agreement dated 23 November 2020, as amended, modified, restated or superseded from time to time (the “**Deposit Agreement**”) among the Issuer, The Bank of New York Mellon, as depositary (the “**Depositary**”, which term shall include any successor depositary), and the holders and beneficial owners from time to time of the ADRs. The Bondholders are deemed to have notice of those provisions applicable to them which are contained in the Deposit Agreement.

The Issuer has also entered into a calculation agency agreement (the “**Calculation Agency Agreement**”) dated 24 February 2021 with Conv-Ex Advisors Limited (the “**Calculation Agent**”, which expression shall include any successor as calculation agent under the Calculation Agency Agreement) whereby the Calculation Agent has been appointed to make certain calculations in relation to the Bonds. The Bondholders are deemed to have notice of those provisions applicable to them which are contained in the Calculation Agency Agreement.

Copies of the Trust Deed, the Agency Agreement and the Deposit Agreement are available (i) for inspection at the office of the Trustee at One Canada Square, London E14 5AL, United Kingdom, and at the specified offices of the Paying, Transfer and Conversion Agents and the Registrar (by appointment only and during their respective usual business hours) or (ii) at the Trustee’s or the Principal Paying, Transfer and Conversion Agent’s option electronically by emailing the Trustee or the Principal Paying, Transfer and Conversion Agent at corpsov2@bnymellon.com.

Capitalised terms used but not defined in these Conditions shall have the meanings attributed to them in the Trust Deed unless the context otherwise requires or unless otherwise stated.

1 Form, Denomination, Title and Status

(A) Form and Denomination

The Bonds are in registered form in principal amounts of U.S.\$200,000 each.

(B) Title

Title to the Bonds will pass by transfer and registration as described in Condition 4. The holder (as defined below) of any Bond will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or its theft or loss (or that of the related certificate, as applicable) or anything written on it or the certificate representing it (other than a duly executed transfer thereof)) and no person will be liable for so treating the holder.

(C) Status

The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 2) unsecured obligations of the Issuer ranking *pari passu* and rateably, without any preference among themselves, and at least equally with all other existing and future unsecured and unsubordinated obligations of the Issuer but, in the event of a winding up of the Issuer, save for such obligations that may be preferred by provisions of law that are mandatory and of general application.

2 Negative Pledge

So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer will not create or have outstanding, and will ensure that none of its Material Subsidiaries will create or have outstanding, any mortgage, charge, lien, pledge or other security interest (each a “**Security Interest**”) upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, unless in any such case before or at the same time as the creation of the Security Interest, any and all action necessary shall have been taken to ensure that:

- (A) all amounts payable by the Issuer under the Bonds are secured equally and rateably with such Relevant Indebtedness or guarantee or indemnity benefiting from such Security Interest, as the case may be; or
- (B) such other Security Interest or guarantee or other arrangement (whether or not including the giving of a Security Interest) is provided in respect of all amounts payable by the Issuer under the Bonds as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Bondholders or (ii) shall be approved by an Extraordinary Resolution of the Bondholders.

3 Definitions

In these Conditions, unless otherwise provided:

“**Additional ADSs**” has the meaning provided in Condition 6(a)(v).

“**Additional Cash Alternative Amount**” has the meaning provided in Condition 6(a)(viii).

“**Additional Deliverable ADSs**” has the meaning provided in Condition 7(i).

“**ADS Market Value**” has the meaning provided in Condition 7(i).

“ADS Settlement Notice” has the meaning provided in Condition 7(i).

“ADS Settlement Option” has the meaning provided in Condition 7(i).

“ADS Settlement Option Annulment” has the meaning provided in Condition 7(i).

“ADS Settlement Option Notice” has the meaning provided in Condition 7(i).

“ADS Settlement Option Notice Date” has the meaning provided in Condition 7(i).

“ADS Settlement Retroactive Adjustment” has the meaning provided in Condition 7(i).

“Aggregate ADS Value” means in respect of any Dealing Day, the U.S. dollar amount determined in good faith by the Calculation Agent calculated as follows:

$$\text{Aggregate ADS Value} = \text{ADS} \times \text{VWAP}$$

where:

ADS = U.S.\$200,000 divided by the Conversion Price in effect on such Dealing Day (which shall be the Fundamental Change Conversion Price if such Fundamental Change Conversion Price would apply in respect of any exercise of Conversion Rights in respect of which the Conversion Date would fall on such Dealing Day), provided that if (A) such Dealing Day falls on or after (i) the Ex-Date in relation to any entitlement in respect of which an adjustment is required to be made to the Conversion Price pursuant to Conditions 6(b)(i), 6(b)(ii), 6(b)(iii), 6(b)(iv), 6(b)(v) or 6(b)(ix) or (ii) the relevant date of first public announcement (as applicable pursuant to Conditions 6(b)(vi), 6(b)(vii) or 6(b)(viii)) in respect of which an adjustment is required to be made to the Conversion Price pursuant to Conditions 6(b)(vi), 6(b)(vii) or 6(b)(viii) and (B) such adjustment is not yet in effect on such Dealing Day, the Conversion Price in effect on such Dealing Day shall for the purpose of this definition only be multiplied by the adjustment factor subsequently determined by the Calculation Agent to be applicable in respect of the relevant Conversion Price adjustment.

VWAP = the Volume Weighted Average Price of one ADS on such Dealing Day.

“Applicable RA Reference Date” means (i) in the case of a Retroactive Adjustment pursuant to Conditions 6(b)(i), 6(b)(ii), 6(b)(iii), 6(b)(iv), 6(b)(v) or 6(b)(ix), the relevant Ex-Date and (ii) in the case of any other Retroactive Adjustment, the RA Reference Date in respect of such Retroactive Adjustment.

“Authorised Signatory” has the meaning provided in the Trust Deed.

“Bondholder” and **“holder”** mean the person in whose name a Bond is registered in the Register (as defined in Condition 4(a)).

“Bondholder Taxes” has the meaning provided in Condition 6(f).

“Business Day” means, in relation to any place, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in that place.

“Cash Alternative Amount” has the meaning provided in Condition 6(a)(viii);

“Cash Alternative Calculation Period” means the period of 20 consecutive Dealing Days commencing on the fourth Dealing Day following the Cash Election Date.

“Cash Alternative Election” has the meaning provided in Condition 6(a)(viii).

“Cash Alternative Election Notice” has the meaning provided in Condition 6(a)(viii).

“Cash Election Date” has the meaning provided in Condition 6(a)(viii).

“**Cash Settled ADSs**” means, in respect of an exercise of Conversion Rights by a Bondholder, such number of ADSs (which shall be a whole number of ADSs and shall not exceed the number of Reference ADSs in respect of such exercise) as determined by the Issuer and notified to the relevant Bondholder in the relevant Cash Alternative Election Notice in accordance with Condition 6(a)(viii).

“**Cash Settlement Amount**” has the meaning provided in Condition 7(i).

“**Cash Settlement Ratio**” means, in respect of an exercise of Conversion Rights in respect of which the Issuer has made a Cash Alternative Election, such number as is equal to (x) the Cash Settled ADSs in respect of such exercise of Conversion Rights divided by (y) the Reference ADSs in respect of such exercise of Conversion Rights.

A “**Change of Control**” shall occur if any person or persons, acting together (in each case other than a Permitted Holder that is a legal or beneficial owner of less than 43 per cent. of the Shares (including the ADSs) of the Issuer) (i) acquire(s) or become(s), directly or indirectly, the legal or beneficial owner of more than 50 per cent. of the voting rights attributable to the Shares of the Issuer (including, for the avoidance of doubt, the ADSs) (other than as a result of an Exempt Newco Scheme); or (ii) acquire(s) the right to appoint and/or remove all or a majority of the members of the board of directors of the Issuer.

“**Change of Control Conversion Right Amendment**” has the meaning provided in Condition 11(b)(vi).

“**Closing Date**” means 24 February 2021.

“**Closing Price**” means, in respect of an ADS or any other Security, Spin-Off Security, option, warrant or other right or asset, on any Dealing Day in respect thereof, the closing price on the Relevant Stock Exchange (where the Relevant Stock Exchange is the NASDAQ Global Select Market, the NASDAQ Global Select Market or the New York Stock Exchange (or any of their respective successors), in composite transactions) on such Dealing Day of an ADS or, as the case may be, such other Security, Spin-Off Security, option, warrant or other right or asset published by or derived from Bloomberg page HP (or any successor ticker page) (setting Last Price, or any other successor setting and using values not adjusted for any event occurring after such Dealing Day; and for the avoidance of doubt, all values will be determined with all adjustment settings on the DPDF Page, or any successor or similar setting, switched off) in respect of such ADS, such other Security, Spin-Off Security, option, warrant or other right or asset and such Relevant Stock Exchange (all as determined by the Calculation Agent) (and for the avoidance of doubt such Bloomberg page for the ADSs as at the Closing Date is OZON US Equity HP), if available or, in any other case, such other source (if any) as shall be determined in good faith to be appropriate by an Independent Adviser on such Dealing Day, provided that:

- (i) if on any such Dealing Day (for the purpose of this definition, the “**Original Date**”) such price is not available or cannot otherwise be determined as provided above, the Closing Price of an ADS, such other Security, Spin-Off Security, option, warrant, or other right or asset, as the case may be, in respect of such Dealing Day shall be the Closing Price, determined by the Calculation Agent as provided above, on the immediately preceding Dealing Day in respect thereof on which the same can be so determined, provided however that if such immediately preceding Dealing Day falls prior to the fifth day before the Original Date, the Closing Price in respect of such Dealing Day shall be considered to be not capable of being determined pursuant to this proviso (i); and
- (ii) if the Closing Price cannot be determined as aforesaid, the Closing Price of an ADS, such other Security, Spin-Off Security, option, warrant, or other right or asset, as the case may be, shall be determined as at the Original Date by an Independent Adviser in such manner as it shall determine in good faith to be appropriate,

and the Closing Price determined as aforesaid on or as at any Dealing Day shall, if not in the Relevant Currency, be translated into the Relevant Currency at the Prevailing Rate on such Dealing Day.

“**Code**” has the meaning provided in Condition 8(e).

“**Conversion Date**” has the meaning provided in Condition 6(f).

“**Conversion Notice**” has the meaning provided in Condition 6(f).

“**Conversion Period Commencement Date**” has the meaning provided in Condition 6(a).

“**Conversion Period**” has the meaning provided in Condition 6(a).

“**Conversion Price**” has the meaning provided in Condition 6(a).

“**Conversion Right**” has the meaning provided in Condition 6(a).

“**Conversion Right Transfer**” has the meaning provided in Condition 6(k).

“**Converted Bonds**” means the aggregate principal amount of the Bonds in respect of which Conversion Rights shall have been exercised by a Bondholder pursuant to the relevant Conversion Notice.

“**Current Market Price**” means, in respect of a Share or an ADS at a particular date, the arithmetic average of the daily Volume Weighted Average Price of an ADS on each of the five consecutive Dealing Days ending on the Dealing Day immediately preceding such date (in respect of a Share, divided by the number of Shares represented by an ADS on the relevant Dealing Day), as determined by the Calculation Agent, provided that:

- (a) for the purposes of determining the Current Market Price pursuant to Condition 6(b)(iii) or (iv) (*Rights issues*) or (vi) (*Issue of Securities to Shareholders*) in circumstances where the relevant event relates to an issue of Shares, if at any time during the said five dealing-day period (which may be on each of such five Dealing Days) the Volume Weighted Average Price shall have been based on a price ex-Dividend (or ex- any other entitlement) and/or during some other part of that period (which may be on each of such five Dealing Days) the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum- any other entitlement), in any such case which has been declared or announced, then:
 - (i) if the Shares to be so issued do not rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the ADSs shall have been based on a price cum-Dividend (or cum- any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per ADS as at the Ex-Date in respect of such Dividend or entitlement (or, where on each of the said five Dealing Days the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum-any other entitlement), as at the date of first public announcement of such Dividend or entitlement), in any such case, determined by the Calculation Agent on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit; or
 - (ii) if the Shares to be so issued do rank for the Dividend or entitlement in question, the Volume Weighted Average Price on the dates on which the ADSs shall have been based on a price ex-Dividend (or ex- any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by an amount equal to the Fair Market Value of any such Dividend or entitlement per ADS as at the Ex-Date in respect of such Dividend or entitlement, in any such case, determined by the Calculation Agent on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit;

- (b) for the purpose of determining the Current Market Price of any Shares (including Shares represented by ADSs) which may be comprised in a Scrip Dividend, if on any of the said five Dealing Days the Volume Weighted Average Price of an ADS shall have been based on a price cum all or part of such Scrip Dividend, the Volume Weighted Average Price of an ADS on such Dealing Day or Dealing Days shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the value (as determined in accordance with paragraph (a) of the definition of “**Dividend**”) of such Scrip Dividend or part thereof per ADS; and
- (c) for any other purpose, if any day during the said five-dealing-day period was the Ex-Date in relation to any Dividend (or any other entitlement) the Volume Weighted Average Prices of an ADS that shall have been based on a price cum- such Dividend (or cum- such entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per ADS as at the Ex-Date in respect of such Dividend or entitlement.

“**Daily ADS Market Value**” has the meaning provided in Condition 7(i).

“**Dealing Day**” means a day on which the Relevant Stock Exchange is open for business and on which the ADSs, the Shares, other Securities, Spin-Off Securities options, warrants or other rights or assets (as the case may be) may be dealt in (other than a day on which the Relevant Stock Exchange is scheduled to or does close prior to its regular weekday closing time), provided that, unless otherwise specified or the context otherwise requires, references to “Dealing Day” shall be a Dealing Day in respect of the ADSs.

A “**Delisting Event**” shall occur if:

- (i) the ADSs at any time are not admitted to listing and trading on the NASDAQ Global Select Market (or any of its successors) unless in any such case the ADSs are already, or are immediately thereafter, admitted to trading and/or listing on another internationally recognised, regularly operating and regulated stock exchange in the European Economic Area, the United States of America or the United Kingdom; or
- (ii) trading of the ADSs on the NASDAQ Global Select Market (or, if the ADSs are not admitted to listing and trading on the NASDAQ Global Select Market (or any of its successors) and the ADSs at the relevant time are admitted to trading and/or listing on another internationally recognised, regularly operating and regulated stock exchange in the European Economic Area, the United States of America or the United Kingdom, trading of the ADSs on such exchange) is suspended for a period of seven Dealing Days or more, provided that trading of the ADSs shall not be considered to be suspended on any Dealing Day on which a general suspension of trading on the relevant stock exchange has occurred.

“**Delisting Event Notice**” has the meaning provided in Condition 6(j).

“**Delisting Event Period**” means the period commencing on the occurrence of a Delisting Event and ending 60 calendar days following the Delisting Event or, if later, 60 calendar days following the date on which the relevant Delisting Event Notice is given to Bondholders as required by Condition 6(j).

“**Deliverable ADSs**” has the meaning provided in Condition 7(i).

“**Dividend**” means any dividend or distribution to Shareholders (including a Spin-Off) whether of cash, assets or other property, and however described and whether payable out of a share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including a distribution or payment to Shareholders upon or in connection with a reduction of capital (and for these purposes a distribution of assets includes without limitation an issue of Shares (including Shares represented by ADSs) or other Securities credited as fully or partly paid up by way of capitalisation of profits or reserves), provided that:

- (a) where a Scrip Dividend is announced, then the Scrip Dividend in question shall be treated as a cash Dividend of an amount equal to the sum of:
- (i) in respect of the portion (if any) of the Scrip Dividend (which may be the whole of the Scrip Dividend) for which a Shareholder or Shareholders may make an election, the value of the option with the highest value, with the value of each option being equal to the value of the relevant property comprising such option as at the Scrip Dividend Valuation Date provided that, in the case of an option comprising more than one type of property, the value of such option shall be equal to the sum of the values of each individual type of property comprising such option, determined as provided below; and
 - (ii) in respect of the portion (if any) of the Scrip Dividend (which may be the whole of the Scrip Dividend) which is not subject to such election, the value of such portion as determined as provided below,
- and where the “value” of any property in or comprising of a Scrip Dividend shall be determined as follows:
- (x) in the case of Shares comprised in such Scrip Dividend, the Current Market Price of such Shares as at the Scrip Dividend Valuation Date;
 - (y) in the case of cash comprising in such Scrip Dividend, the Fair Market Value of such cash as at the Scrip Dividend Valuation Date; and
 - (z) in the case of any other property or assets comprised in such Scrip Dividend, the Fair Market Value of such other property or assets as at the Scrip Dividend Valuation Date;
- (b) any issue of Shares falling within Condition 6(b)(i) or 6(b)(ii) shall be disregarded;
- (c) a purchase or redemption or buy back of share capital of the Issuer (including while represented by ADSs) by or on behalf of the Issuer or any of its Subsidiaries shall not constitute a Dividend unless, in the case of a purchase or redemption or buy back of Shares or ADSs by or on behalf of the Issuer or any of its Subsidiaries, the weighted average price per Share or ADS (before expenses) on any day (a “**Specified Share Day**”) in respect of such purchases or redemptions or buy backs (translated, if not in the Relevant Currency, into the Relevant Currency at the Prevailing Rate on such day) exceeds by more than 5 per cent. the Current Market Price of a Share or, as the case may be, ADS:
- (1) on the Specified Share Day; or
 - (2) where an announcement (excluding, for the avoidance of doubt for these purposes, any general authority for such purchases, redemptions or buy backs approved by a general meeting of Shareholders or any notice convening such a meeting of Shareholders) has been made of the intention to purchase, redeem or buy back Shares and/or ADSs at some future date at a specified price or where a tender offer is made, on the date of such announcement or, as the case may be, on the date of first public announcement of such tender offer (and regardless of whether or not a price per Share or ADS, a minimum price per Share or ADS or a price range or a formula for the determination thereof is or is not announced at such time),
- in which case such purchase, redemption or buy back shall be deemed to constitute a Dividend in the Relevant Currency in an amount equal to the amount by which the aggregate price paid (before expenses) in respect of such Shares or ADSs purchased, redeemed or bought back by or on behalf of the Issuer or, as the case may be, any of its Subsidiaries (translated where appropriate into the Relevant Currency as provided above) exceeds the product of (i) 105 per cent. of such Current Market Price and (ii) the number of Shares or ADSs so purchased, redeemed or bought back;
- (d) if the Issuer or any of its Subsidiaries (or any person on its or their behalf) shall purchase, redeem or buy back any depositary or other receipts or certificates representing Shares (other than ADSs), the provisions of paragraph (c) above shall be applied in respect thereof in such manner and with such modifications (if any) as shall be determined in good faith by an Independent Adviser;

- (e) where a dividend or distribution is paid or made to Shareholders pursuant to any plan or arrangement implemented by the Issuer for the purpose of enabling Shareholders to elect, or which may require Shareholders, to receive dividends or distributions in respect of the Shares held by them from a person other than (or in addition to) the Issuer, such dividend or distribution shall for the purposes of these Conditions be treated as a dividend or distribution made or paid to Shareholders by the Issuer, and the foregoing provisions of this definition and the provisions of these Conditions shall be construed accordingly;
- (f) where a Dividend in cash is declared which provides for payment by the Issuer in the Relevant Currency (or, in the case of a Scrip Dividend, an amount in cash is or may be paid in the Relevant Currency, whether at the option of Shareholders or otherwise), it shall be treated as a Dividend in cash (or, in the case of a Scrip Dividend, an amount in cash) in such Relevant Currency, and in any other case it shall be treated as a Dividend in cash (or, in the case of a Scrip Dividend an amount in cash) in the currency in which it is payable by the Issuer; and
- (g) a dividend or distribution that is a Spin-Off shall be deemed to be a Dividend paid or made by the Issuer,

and any such determination shall be made in good faith by the Calculation Agent or, where specifically provided, an Independent Adviser and, in either such case, on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit.

“**Dispute**” has the meaning provided in Condition 20(b).

“**DTC**” means The Depository Trust Company.

“**equity share capital**” means (other than for the purposes of Condition 6(b)(iii)), in relation to any entity, its issued share capital excluding any part of that capital which, neither as respects dividends nor as respects capital, carries any right to participate beyond a specific amount in a distribution.

“**Event of Default**” has the meaning provided in Condition 10.

“**Ex-Date**” means, in relation to any Dividend, capitalisation, redesignation, reclassification, sub-division, consolidation, issue, grant, offer or other entitlement, unless otherwise defined herein, the first Dealing Day on which the ADSs are traded ex- the relevant Dividend, capitalisation, redesignation, reclassification, sub-division, consolidation, issue, grant, offer or other entitlement on the Relevant Stock Exchange (or, in the case of a Dividend which is a purchase, redemption or buy back of Shares (or, as the case may be, any depositary or other receipts or certificates representing Shares) pursuant to paragraph (c) (or, as the case may be, paragraph (d)) of the definition of “Dividend”, the date on which such purchase, redemption or buy back is made), and provided that, for the avoidance of doubt, the Ex-Date in respect of a Scrip Dividend shall be deemed to be the Ex-Date in respect of the relevant Dividend or capitalisation as referred to in the definition of “Scrip Dividend”.

“**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended.

“**Exempt Newco Scheme**” means a Newco Scheme where, immediately after completion of the relevant Scheme of Arrangement, the ordinary shares or units or equivalent of Newco (or depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco) are admitted to trading on an internationally recognised, regularly operating and regulated stock exchange in the European Economic Area, the United States of America or the United Kingdom.

“**Expected ADS Delivery Date**” has the meaning provided in Condition 7(i).

“**Extraordinary Resolution**” has the meaning provided in the Trust Deed.

“**Fair Market Value**” means, on any date (the “**FMV Date**”):

- (i) in the case of a cash Dividend, the amount of such cash Dividend (determined by reference to the per-ADS amount of such cash Dividend where available), as determined in good faith by the Calculation Agent;
- (ii) in the case of any other cash amount, the amount of such cash (determined by reference to the per-ADS amount of such cash where available), as determined in good faith by the Calculation Agent;
- (iii) in the case of Securities (including Shares and ADSs), Spin-Off Securities, options, warrants or other rights or assets that are publicly traded on a Relevant Stock Exchange of adequate liquidity (as determined in good faith by the Calculation Agent or an Independent Adviser), the arithmetic mean of:
 - (a) in the case of Shares or ADSs or (to the extent constituting equity share capital) other Securities or Spin-Off Securities, for which a daily Volume Weighted Average Price (disregarding for this purpose proviso (ii) to the definition thereof) can be determined, such daily Volume Weighted Average Price of the Shares or ADSs or such other Securities or Spin-Off Securities; and
 - (b) in any other case, the Closing Price of such Securities, Spin-Off Securities, options, warrants or other rights or assets,in the case of both (a) and (b) during the period of five Dealing Days on the Relevant Stock Exchange for such Securities, Spin-Off Securities, options, warrants or other rights or assets commencing on such FMV Date (or, if later, the date (the “**Adjusted FMV Date**”) which falls on the first such Dealing Day on which such Securities, Spin-Off Securities, options, warrants or other rights or assets are publicly traded, provided that where such Adjusted FMV Date falls after the fifth day following the FMV Date, the Fair Market Value of such Securities, Spin-Off Securities, options, warrants or other rights or assets shall instead be determined pursuant to paragraph (iv) below, and no such Adjusted FMV Date shall be deemed to apply) or such shorter period as such Securities, Spin-Off Securities, options, warrants or other rights or assets are publicly traded, all as determined in good faith by the Calculation Agent,
- (iv) in the case of Securities, Spin-Off Securities, options, warrants or other rights or assets that are not publicly traded on a Relevant Stock Exchange of adequate liquidity (as aforesaid) or where otherwise provided in paragraph (iii) above to be determined pursuant to this paragraph (iv), an amount equal to the fair market value of such Securities, Spin-Off Securities, options, warrants or other rights or assets as determined in good faith by an Independent Adviser, on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the market price per Share or ADS, the dividend yield of a Share or ADS, the volatility of such market price, prevailing interest rates and the terms of such Securities, Spin-Off Securities, options, warrants or other rights or assets, and including as to the expiry date and exercise price or the like (if any) thereof.

Such amounts shall (if not expressed in the Relevant Currency on the FMV Date (or, as the case may be, the Adjusted FMV Date)) be translated into the Relevant Currency at the Prevailing Rate on the FMV Date (or, as the case may be, the Adjusted FMV Date), all as determined in good faith by the Calculation Agent.

In addition, in the case of (i) and (ii) above, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit.

“**FATCA**” has the meaning provided in Condition 8(e).

“**Final Maturity Date**” means 24 February 2026.

“**First Call Date**” has the meaning provided in Condition 7(b)(i).

“**First Tribunal**” has the meaning provided in Condition 20(b)(iv).

“**Free Float**” means the aggregate number of Shares held by each person or “group” of persons within the meaning of Section 13(d) of the Exchange Act, other than the Issuer and its Subsidiaries, that owns Shares representing less than 5 per cent, of the total number of issued and outstanding Shares, as determined by an Independent Adviser acting reasonably and in good faith, in consultation with the Issuer and where (i) references to “Shares” shall include Shares represented by outstanding ADSs or other depositary receipts or certificates representing Shares; (ii) Shares held by or on behalf of the Depositary from time to time shall be treated as being held by the holder of the relevant ADSs representing such Shares, and not by the Depositary and (iii) any Shares held pursuant to any employee incentive plans (including held by any trust in connection with such plans) shall be deemed to be included in the Free Float.

A “**Free Float Event**” shall occur if for any period of at least 30 consecutive Dealing Days the number of Shares comprising the Free Float is less than 12.5 per cent. of the total number of issued Shares and where (i) references to “Shares” shall include Shares represented by outstanding ADSs or other depositary receipts or certificates representing Shares; and (ii) Shares held by or on behalf of the Depositary from time to time shall be treated as being held by the holder of the relevant ADSs representing such Shares, and not by the Depositary.

“**Fundamental Change Conversion Price**” has the meaning provided in Condition 6(b)(x).

A “**Fundamental Change Event**” shall occur if a Change of Control or a Free Float Event occurs.

“**Fundamental Change Event Notice**” has the meaning provided in Condition 6(i).

“**Fundamental Change Event Period**” means the period commencing on the date on which a Fundamental Change Event occurs and ending 60 calendar days following such Fundamental Change Event or, if later, 60 calendar days following the date on which a Fundamental Change Event Notice is given to Bondholders as required by Condition 6(i) or, in any such case, if that is not a Dealing Day, the next following Dealing Day.

“**Further Bonds**” means any further Bonds issued pursuant to Condition 18 and consolidated and forming a single series with the then outstanding Bonds.

“**Group**” means the Issuer and its Subsidiaries taken as a whole.

“**IFRS**” means International Financial Reporting Standards (formerly International Accounting Standards) issued by the International Accounting Standards Board (“**IASB**”) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or reissued from time to time) as consistently applied, and any variation to such accounting principles and practices which is not material.

“**Independent Adviser**” means an independent adviser with appropriate expertise, which may be the Calculation Agent appointed by the Issuer at its own expense and (other than where the initial Calculation Agent is appointed) approved in writing by the Trustee or, if the Issuer fails to make such appointment and such failure continues for a reasonable period (as determined by the Trustee in its sole discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the liabilities, costs, fees and expenses of such adviser and otherwise in connection with such appointment, as may be appointed by the Trustee (without liability for so doing) following notification to the Issuer, which appointment shall be deemed to be made by the Issuer.

“**Interest Payment Date**” has the meaning provided in Condition 5(a).

“**Interest Period**” has the meaning provided in Condition 5(a).

“**Knock-out Event**” has the meaning provided in Condition 7(i).

“**Material Adverse Effect**” means a material adverse effect on (a) the business or financial condition of the Group; (b) the Issuer’s ability to perform or comply with its obligations under the Trust Deed or the Bonds or (c) the validity or enforceability of the Trust Deed or the Bonds or the rights or remedies of the Trustee and/or the Bondholders thereunder.

“**Material Subsidiary**” means, at any relevant time, a Subsidiary of the Issuer

- (i) that has (x) total assets representing 10 per cent. or more of the consolidated total assets of the Issuer and its Subsidiaries (excluding any intra-group balances or unsettled amounts between entities in the Group); or (y) revenues representing 10 per cent. or more of the consolidated revenues of the Issuer and its Subsidiaries (excluding any intra-group asset transfers or revenues between entities in the Group), in each case calculated by reference to, or derived from, the then latest audited consolidated annual accounts of the Issuer and the most recent underlying reporting forms, books and records, which were used for the purposes of preparing the Issuer’s consolidated annual accounts; or
- (ii) to which is transferred all or substantially all of the assets and undertaking of a Subsidiary which, immediately prior to such transfer, is a Material Subsidiary whereupon the transferee Subsidiary shall immediately become a Material Subsidiary (and the transferor Subsidiary will thereupon cease to be a Material Subsidiary).

A certificate signed by one Authorised Signatory of the Issuer that in its opinion a Subsidiary of the Issuer is or is not, or was or was not, at any particular time or throughout any specified period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Trustee and the Bondholders and the Trustee shall be entitled to rely on such certificate without further enquiry and without liability to any person.

“**Market Price**” means the Volume Weighted Average Price of an ADS on the relevant Reference Date, provided that if any Dividend or other entitlement in respect of the Shares is announced, whether on or prior to or after the relevant Conversion Date, in circumstances where the record date or other due date for the establishment of entitlement of holders of ADSs in respect of such Dividend or other entitlement shall be on or after the Conversion Date and if, on the relevant Reference Date, the Volume Weighted Average Price of an ADS is based on a price ex-Dividend or ex- any other entitlement, then such Volume Weighted Average Price shall be increased by an amount equal to the Fair Market Value of such Dividend or entitlement per ADS as at the date of first public announcement of such Dividend or entitlement (or if that is not a Dealing Day, the immediately preceding Dealing Day), as determined in good faith by the Calculation Agent on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit) and provided that, for the avoidance of doubt, there shall be no double-counting converting in respect of any Dividend or entitlement.

“**Newco Scheme**” means a Scheme of Arrangement:

- (a) which effects the interposition of a company (“**Newco**”) between the Shareholders immediately prior to the Scheme of Arrangement (the “**Existing Shareholders**”) and the Issuer; or
- (b) pursuant to which Newco acquires all the outstanding Shares and shares of one or more other entities in exchange for the issue of Exchange Securities to the Existing Shareholders and the issue of Exchange Securities (and, if applicable, such other consideration) to some or all of the holders of such shares (“**Existing Shares**”) of such other entity or entities (“**Existing Holders**”) immediately prior to the Scheme of Arrangement,

provided that:

- (i) in the case of paragraphs (a) and (b) (except for a nominal holding by initial subscribers) Exchange Securities are only issued to Existing Shareholders and (in the case of paragraph (b) above) Existing Holders;
- (ii) immediately after completion of the Scheme of Arrangement, Newco is (or one or more wholly-owned Subsidiaries of Newco are) the only shareholder (or shareholders) of the Issuer;
- (iii) all Subsidiaries of the Issuer immediately prior to the Scheme of Arrangement (other than (aa) Newco, if Newco is then a Subsidiary of the Issuer; or (bb) any other Subsidiary of the Issuer or Subsidiaries of the Issuer being disposed of or demerged (or similar) in whole or in part for value on an arms' length basis in connection with the Newco Scheme) are Subsidiaries of the Issuer (or of Newco) immediately after completion of the Scheme of Arrangement and at such time the Issuer (or Newco) holds, directly or indirectly, the same percentage of the ordinary share capital and equity share capital of those Subsidiaries as was held by the Issuer immediately prior to the Scheme of Arrangement; and
- (iv) no person or persons acting in concert, other than any of the Permitted Holders who are Existing Shareholders and who were legal or beneficial owner of less than 43 per cent. of the Shares, shall, as a result of the Newco Scheme (i) own, acquire or control (or have the right to own, acquire or control) the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of Newco; or (ii) own, acquire or control (or have the right to own, acquire or control) more than 50 per cent. of the issued ordinary shares of Newco; or (iii) obtain the power to appoint and/or remove all or a majority of the members of the board of directors of Newco,

and for the purposes of this definition “**Exchange Securities**” means ordinary shares, units or equivalent of Newco or depositary receipts or certificates representing ordinary shares, units of equivalent of Newco.

“**Newco Scheme Modification**” has the meaning provided in Condition 14(a).

“**Notice Cut-Off Date**” has the meaning provided in Condition 7(i).

“**Observation Period**” has the meaning provided in Condition 7(i).

“**Offer Period**” has the meaning provided in Condition 7(d).

“**Optional Redemption Date**” has the meaning provided in Condition 7(b).

“**Optional Redemption Notice**” has the meaning provided in Condition 7(b).

“**Permitted Cessation of Business**” has the meaning provided in Condition 6(k).

“**Permitted Holder**” means any of (i) any entity directly or indirectly managed or advised by Baring Vostok Capital Partners Group Limited and their affiliates (“**BVCP**”), (ii) Sistema Public Joint Stock Financial Corporation and its affiliates (“**Sistema**”), or (iii) a company, limited partner, trust or fund of which BVCP or Sistema is a managing general partner (including an ultimate general partner), a manager or a controlling investor.

a “**person**” includes any individual, company, corporation, firm, partnership, joint venture, trust, undertaking, association, organisation, or state or agency of a state or any political subdivisions thereof (in each case whether or not being a separate legal entity).

“**Physically Settled ADSs**” means, in respect of any exercise of Conversion Rights, (i) the Reference ADSs or (ii) where such exercise is the subject of a Cash Alternative Election, such number of ADSs (which may be equal to zero) as is equal to the Reference ADSs minus the Cash Settled ADSs.

“Potential Event of Default” means an event or circumstance which could, with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 10, become an Event of Default.

“Prevailing Rate” means, in respect of any pair of currencies on any day, the spot mid-rate of exchange between the relevant currencies prevailing as at 12 noon (London time) on that date (for the purpose of this definition, the **“Original Date”**) as appearing on or derived from Bloomberg page BFIX (or any successor page) in respect of such pair of currencies, or, if such a rate cannot be so determined, the rate prevailing as at 12 noon (London time) on the immediately preceding day on which such rate can be so determined, provided that if such immediately preceding day falls earlier than the fifth day prior to the Original Date or if such rate cannot be so determined (all as determined in good faith by the Calculation Agent), the Prevailing Rate in respect of the Original Date shall be the rate determined in such other manner as an Independent Adviser shall consider appropriate.

“Put Date” has the meaning provided in Condition 7(e);

“Put Exercise Notice” has the meaning provided in Condition 7(e);

“Record Date” has the meaning provided in Condition 8(c).

“Redemption ADSs” has the meaning provided in Condition 7(i).

“Reference ADSs” means, in respect of the exercise of Conversion Rights by a Bondholder, the number of ADSs (rounded down, if necessary, to the nearest whole number) determined by the Calculation Agent by dividing the Converted Bonds by the Conversion Price in effect on the relevant Conversion Date, except that where the Conversion Date falls on or after the date on which an adjustment to the Conversion Price takes effect pursuant to Conditions 6(b)(i), 6(b)(ii), 6(b)(iii), 6(b)(iv), 6(b)(v) or 6(b)(ix) but on or prior to the record date or other due date for establishment of entitlement in respect of the relevant consolidation, reclassification, redesignation or subdivision, Dividend, issue or grant (as the case may be) giving rise to such adjustment, then the Conversion Price in respect of such exercise shall be such Conversion Price as would have been applicable to such exercise had no such adjustment been made.

“Reference Date” means, in respect of any Retroactive Adjustment or an ADS Settlement Retroactive Adjustment, the date on which the relevant adjustment to the Conversion Price becomes effective under Condition 6(b) (notwithstanding, as the case may be, that the date upon which it becomes effective falls after the end of the Conversion Period) or, as the case may be, the date as of which the relevant ADS Settlement Retroactive Adjustment takes effect or, in any such case, if that is not a Dealing Day, the next following Dealing Day.

“Register” has the meaning provided in Condition 4(a).

“Relevant Currency” means U.S. dollars.

“Relevant Date” means, in respect of any Bond, whichever is the later of:

- (i) the date on which payment in respect of it first becomes due; and
- (ii) if any amount payable is improperly withheld or refused, the earlier of (a) the date on which payment in full of the amount outstanding is made and (b) the date falling seven calendar days after the date on which the Trustee or the Principal Paying, Transfer and Conversion Agent has given notice to Bondholders of receipt of all sums due in respect to all the Bonds up to that seventh day (except that there is failure in the subsequent payment to the relevant holders) as provided in these Conditions.

“Relevant Indebtedness” means any present or future indebtedness (whether being principal, interest or other amounts), in the form of or evidenced by notes, bonds, debentures, loan stock or other similar debt instruments (but for the avoidance of doubt, excluding term or revolving loans, credit facilities,

credit agreements and other similar facilities and rights and evidence of indebtedness thereunder), whether issued for cash or in whole or in part for a consideration other than cash, and which are, or are capable of being, quoted, listed or ordinarily dealt in or traded on any regulated or unregulated stock exchange, over-the-counter or other securities market, other than any such indebtedness which is denominated in a currency other than U.S. dollars or Euro and distributed entirely within and quoted, listed or ordinarily dealt in or traded within the Russian Federation.

“**Relevant Percentage**” has the meaning provided in Condition 7(i).

“**Relevant Person**” has the meaning provided in Condition 7(i).

“**Relevant Stock Exchange**” means:

- (i) in respect of the ADS, the NASDAQ Global Select Market or, if at the relevant time the ADSs are not at that time listed and admitted to trading on the NASDAQ Global Select Market, the principal stock exchange or securities market on which the ADS are then listed, admitted to trading or quoted or dealt in; and
- (ii) in respect of any Securities (other than ADS), Spin-Off Securities, options, warrants or other rights or assets, the principal stock exchange or securities market on which such Securities, Spin-Off Securities, options, warrants or other rights or assets are then listed, admitted to trading or quoted or dealt in,

where “**principal stock exchange or securities market**” shall mean the stock exchange or securities market on which such ADS, such other Securities, Spin-Off Securities, options, warrants or other rights or assets are listed, admitted to trading or quoted or dealt in, provided that if such ADS, such other Securities, Spin-Off Securities, options, warrants or other rights or assets are listed, admitted to trading or quoted or dealt in (as the case may be) on more than one stock exchange or securities market at the relevant time, then “**principal stock exchange or securities market**” shall mean that stock exchange or securities market on which such ADS, such other Securities, Spin-Off Securities, options, warrants or other rights or assets are then traded as determined by the Calculation Agent (if the Calculation Agent determines that it is able to make such determination) or (in any other case) by an Independent Adviser by reference to the stock exchange or securities market with the highest average daily trading volume in respect of such ADS, such other Securities, Spin-Off Securities, options, warrants or other rights or assets.

A “**Retroactive Adjustment**” shall occur if the Conversion Date in relation to the conversion of any Bond shall be (i) after the date (the “**RA Reference Date**”) which is the record date in respect of any consolidation, reclassification, redesignation or sub-division as is mentioned in Condition 6(b)(i), or which is the record date or other due date for the establishment of entitlement for any such issue, distribution, grant or offer (as the case may be) as is mentioned in Condition 6(b)(ii), 6(b)(iii), 6(b)(iv), 6(b)(v) or 6(b)(ix), or which is the date of the first public announcement of the terms of any such issue or grant as is mentioned in Condition 6(b)(vi) and 6(b)(vii) or of the terms of any such modification as is mentioned in Condition 6(b)(viii); and (ii) before the relevant adjustment to the Conversion Price becomes effective under Condition 6(b).

“**Rules**” has the meaning provided in Condition 20(b).

“**Scheme of Arrangement**” means a scheme of arrangement, share for share exchange or analogous procedure.

“**Scrip Dividend**” means:

- (i) a Dividend in cash which is to be satisfied, or a Dividend in cash which may at the election of a Shareholder or Shareholders be satisfied, in whole or in part, by the issue or delivery of Shares (including Shares represented by ADSs) and/or other property or assets; or

- (ii) an issue of Shares (including Shares represented by ADSs) or other property or assets by way of a capitalisation of profits or reserves (including any share premium account or capital redemption reserve, and whether described as a scrip or share dividend or distribution or otherwise) which is to be satisfied, or which may at the election of a Shareholder or Shareholders be satisfied, in whole or in part, by the payment of cash.

“**Scheduled Dealing Day**” has the meaning provided in Condition 7(i).

“**Scrip Dividend Valuation Date**” means:

- (i) in respect of any portion of a Scrip Dividend for which a Shareholder or Shareholders may make an election, the later of (i) the Ex-Date in relation to the relevant dividend or capitalisation, (ii) the last day on which the relevant election can be made by such Shareholder or Shareholders, and (iii) the date on which the number of Shares, amount of cash, or amount of other property or assets, as the case may be, which may be issued or delivered is publicly announced; or
- (ii) in respect of any portion of a Scrip Dividend which is not subject to such election, the later of (i) the Ex-Date in relation to the relevant dividend or capitalisation and (ii) the date on which the number of Shares (including Shares represented by ADSs), amount of cash or amount of such other property or assets, as the case may be, to be issued and delivered is publicly announced.

“**Securities**” means any securities including, without limitation, Shares, ADSs, and any other shares in the capital of the Issuer, and options, warrants or other rights to subscribe for or purchase or acquire Shares or ADSs or any other shares in the capital of the Issuer.

“**Securities Act**” means the U.S. Securities Act of 1933, as amended.

“**Shareholders**” means the holders of Shares (including Shares represented by ADSs).

“**Specified Date**” has the meaning provided in Conditions 6(b)(vi), (vii) and (viii).

“**Specified Taxes**” has the meaning provided in Condition 6(f).

“**Spin-Off**” means:

- (a) a distribution of Spin-Off Securities by the Issuer to Shareholders as a class; or
- (b) any issue, transfer or delivery of any property or assets (including cash or shares or other securities of or in or issued or allotted) by any entity (other than the Issuer) to Shareholders as a class or, in the case of or in connection with a Scheme of Arrangement, Existing Shareholders as a class (but excluding the issue and allotment of ordinary shares (or depositary or other receipts or certificates representing such ordinary shares) by Newco to Existing Shareholders as a class), pursuant in each case to any arrangements with the Issuer or any of its Subsidiaries.

“**Spin-Off Securities**” means equity share capital of an entity other than the Issuer or options, warrants or other rights to subscribe for or purchase equity share capital of an entity other than the Issuer.

“**Subsidiary**” means in relation to any company, corporation or other legal entity (a “**holding company**”), a company, corporation or other legal entity:

- (a) which is controlled, directly or indirectly, by the holding company;
- (b) in which a majority of the voting rights are held by the holding company, either alone or pursuant to an agreement with others;
- (c) more than half the issued share capital of which is beneficially owned, directly or indirectly, by the holding company; or

(d) which is a subsidiary of another Subsidiary of the holding company,

and, for this purpose, a company, corporation or other legal entity shall be treated as being controlled by another if that other company, corporation or other legal entity is able to determine the composition of the majority of its board of directors or equivalent body.

“**Successor in Business**” has the meaning provided in Condition 6(k).

“**Tax Redemption Date**” has the meaning provided in Condition 7(c).

“**Tax Redemption Notice**” has the meaning provided in Condition 7(c).

“**U.S.\$**” and “**US dollars**” means the lawful currency for the time being of the United States of America.

“**Volume Weighted Average Price**” means, in respect of an ADS, such other Security or, as the case may be, a Spin-Off Security, on any Dealing Day in respect thereof, the volume weighted average price on the Relevant Stock Exchange (where the Relevant Stock Exchange is the NASDAQ Global Select Market, the NASDAQ Global Market or the New York Stock Exchange (or any of their respective successors), in composite transactions) on such Dealing Day of an ADS, such other Security or, as the case may be, a Spin-Off Security, as published by or derived from Bloomberg page HP (or any successor page) (setting Weighted Average Line or any other successor setting and using values not adjusted for any event occurring after such Dealing Day; and for the avoidance of doubt, all values will be determined with all adjustment settings on the DPDF Page, or any successor or similar setting, switched off) in respect of such ADS, such other Security, or, as the case may be, Spin-Off Security and such Relevant Stock Exchange (and for the avoidance of doubt such Bloomberg page for the ADS as at the Closing Date is OZON US Equity HP) if any or, in any such case, such other source (if any) as shall be determined in good faith to be appropriate by an Independent Adviser on such Dealing Day provided that:

- (i) if on any such Dealing Day (for the purposes of this definition, the “**Original Date**”) such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an ADS, such other Security or Spin-Off Security, as the case may be, in respect of such Dealing Day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding Dealing Day in respect thereof on which the same can be so determined, provided however that if such immediately preceding Dealing Day falls prior to the fifth day before the Original Date, the Volume Weighted Average Price in respect of such Dealing Day shall be considered to be not capable of being determined pursuant to this proviso (i); and
- (ii) if the Volume Weighted Average Price cannot be determined as aforesaid, the Volume Weighted Average Price of an ADS, such other Security or Spin-Off Security, as the case may be, shall be determined as at the Original Date by an Independent Adviser in such manner as it shall determine in good faith to be appropriate,

and the Volume Weighted Average Price determined as aforesaid on or as at any Dealing Day shall, if not in the Relevant Currency, be translated into the Relevant Currency at the Prevailing Rate on such Dealing Day.

References to any act or statute or any provision of any act or statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment.

References to any issue or offer or grant to Shareholders or Existing Shareholders “**as a class**” or “**by way of rights**” shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders or Existing Shareholders, as the case may be, other than Shareholders or Existing Shareholders, as the case may be, to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

In making any calculation or determination of Closing Price, Current Market Price, Daily Market Value, ADS Market Value or Volume Weighted Average Price, such adjustments (if any) shall be made in good faith and as the Calculation Agent or an Independent Adviser considers appropriate to reflect any change in the number of Shares represented by an ADS or any consolidation or sub-division of the Shares or any issue of Shares by way of capitalisation of profits or reserves, or any like or similar event.

For the purposes of Conditions 6 (a), (b), (d), (e), (f) and Condition 11 only, (i) references to the “**issue**” of ADS or Shares or ADS or Shares being “**issued**” shall include the transfer and/or delivery of ADS or Shares, whether newly issued and allotted or previously existing or held by or on behalf of the Issuer or any of its Subsidiaries, and (ii) ADS or Shares held by or on behalf of the Issuer or any of its Subsidiaries (and which, in the case of Condition 6(b)(iv) and (b)(vi), do not rank for the relevant right or other entitlement) shall not be considered as or treated as “**in issue**” or “**issued**”, or entitled to receive the relevant Dividend, right or other entitlement.

4 Registration and Transfer of Bonds

(a) *Registration*

The Issuer will cause a register (the “**Register**”) to be kept at the specified office of the Registrar on which will be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers, redemptions and conversions of Bonds.

(b) *Transfer*

Bonds may, subject to the terms of the Agency Agreement and to Conditions 4(c) and 4(d), be transferred by lodging the relevant Bond (with the form of application for transfer in respect thereof duly executed and duly stamped where applicable) at the specified office of the Registrar or any Paying, Transfer and Conversion Agent.

No transfer of a Bond will be valid unless and until entered on the Register. A Bond may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number).

The Registrar will within seven Business Days, in the place of the specified office of the Registrar, on any duly made application for the transfer of a Bond, register the relevant transfer and deliver a new Bond to the transferee at the specified office of the Registrar or (at the risk and, if mailed at the request of the transferee or, as the case may be, the transferor otherwise than by ordinary mail, at the expense of the transferee or, as the case may be, the transferor) mail the Bond by uninsured mail to such address as the transferee or, as the case may be, the transferor may request.

(c) *Formalities Free of Charge*

Such transfer will be effected without charge subject to (i) the person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith, (ii) the Registrar being satisfied with the documents of title and/or identity of the person making the application and (iii) such reasonable regulations as the Issuer may from time to time agree with the Registrar and the Trustee (and as initially set out in the Agency Agreement).

(d) *Closed Periods*

Neither the Issuer nor the Registrar will be required to register the transfer of any Bond (i) during the period of 15 calendar days ending on and including the day immediately prior to the Final Maturity Date or any earlier date fixed for redemption of the Bonds pursuant to Condition 7(b) or 7(c); (ii) in respect of which a Conversion Notice has been delivered in accordance with Condition 6(f); (iii) in respect of which a Bondholder has exercised its right to require redemption pursuant to Condition 7(e); or (iv) during the period of 15 calendar days ending on (and including) any Record Date in respect of any payment of interest on the Bonds.

5 Interest

(a) *Interest Rate*

The Bonds bear interest from (and including) the Closing Date at the rate of 1.875 per cent. per annum calculated by reference to the principal amount thereof and payable semi-annually in arrear in equal instalments on 24 February and 24 August in each year (each an “**Interest Payment Date**”), commencing with the Interest Payment Date falling on 24 August 2021.

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 calendar days each and, in the case of an incomplete month, the number of calendar days elapsed.

“**Interest Period**” means the period beginning on (and including) the Closing Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

(b) *Accrual of Interest*

Each Bond will cease to bear interest (i) where the Conversion Right shall have been exercised by a Bondholder, from the Interest Payment Date immediately preceding the relevant Conversion Date or, if none, the Closing Date (subject in any such case as provided in Condition 6(a)(vii)) or (ii) where such Bond is redeemed or repaid pursuant to Condition 7 or Condition 10, from the due date for redemption or repayment thereof unless payment of principal is improperly withheld or refused or, following any election by the Issuer to exercise the ADS Settlement Option, the Issuer fails to duly perform its obligations to issue and deliver the Redemption ADSs and/or make payment of the Cash Settlement Amount (if any) in accordance with Condition 7(i), in which event interest will continue to accrue at the rate specified in Condition 5(a) (both before and after judgment) up to, but excluding, the Relevant Date or, as the case may be, until such issue and delivery of Redemption ADSs and payment of the Cash Settlement Amount (if any) is duly made in accordance with Condition 7(i).

6 Conversion of Bonds

(a) *Conversion Right*

(i) *Conversion Period*

Subject to the right of the Issuer to make a Cash Alternative Election pursuant to Condition 6(a)(viii) and as otherwise provided in these Conditions, each Bond shall entitle the holder to convert such Bond into ADSs representing Shares (both as defined in Condition 6(a)(iv) below) (or representing rights to receive Shares, such Shares being issued to and held by the Depositary) (the “**Conversion Right**”). Subject to and as provided in these Conditions, the Conversion Right in respect of a Bond may be exercised, at the option of the holder thereof, at any time subject to any applicable fiscal or other laws or regulations and as hereinafter provided) from (and including) 6 April 2021 (the “**Conversion Period Commencement Date**”) to (and including) the date falling 50 New York City Business Days prior to the Final Maturity Date or, if such Bond is to be redeemed pursuant to Condition 7(b) or 7(c) prior to the Final Maturity Date, then up to (and including) the date falling 10 New York City Business Days before the date fixed for redemption thereof pursuant to Condition 7(b) or 7(c), unless there shall be a default in making payment in respect of such Bond on any such date fixed for redemption, in which event the Conversion Right shall extend up to (and including) the date on which the full amount of such payment becomes available for payment and notice of such

availability has been given to Bondholders or, if earlier, the Final Maturity Date; provided that, in each case, if such final date for the exercise of Conversion Rights is not a New York City Business Day, then the period for exercise of Conversion Rights by Bondholders shall end on (and including) the immediately preceding New York City Business Day.

On exercise of the Conversion Right and subject to the right of the Issuer to make a Cash Alternative Election, the number of ADSs to be transferred to the converting Bondholder in respect of the relevant Converted Bonds will be equal to the Reference ADSs in respect of such exercise (subject to Condition 6(a)(v)).

Notwithstanding the foregoing, if a Fundamental Change Event occurs, the Conversion Right may be exercised prior to the Conversion Period Commencement Date, in which case Bondholders exercising the Conversion Right prior to the Conversion Period Commencement Date shall, as a pre-condition to receiving ADSs, be required to certify in the Conversion Notice, among other things, that it or, if it is a broker-dealer acting on behalf of a customer, such customer:

- (a) will become the beneficial owner of any relevant ADSs received pursuant to the exercise of its Conversion Right and (i) is not an officer, director (or person performing similar functions) or other affiliate of the Issuer or a person acting on behalf of such an affiliate or (ii) an underwriter (as referred to in Section 4(a)(1) of the Securities Act) engaged in a distribution of the Bonds or ADSs; and
- (b) is not a U.S. person and is located outside the United States (each within the meaning of Regulation S under the Securities Act) and is acquiring any ADS outside the United States.

By delivery of such Conversion Notice, such Bondholder will be deemed to acknowledge and agree that the Bonds and the relevant ADSs have not been registered under the Securities Act that the Bondholder is entitled to transfer the ADS and the Shares represented thereby without registration under the Securities Act.

Conversion Rights may not be exercised (i) following the giving of notice by the Trustee pursuant to Condition 10 that the Bonds are immediately due and payable or (ii) in respect of a Bond in respect of which the relevant Bondholder has exercised its right to require the Issuer to redeem that Bond pursuant to Condition 7(e).

Save in the circumstances described in Condition 6(a)(vii) in respect of any notice given by the Issuer pursuant to Condition 7(b) or 7(c), Conversion Rights may not be exercised by a Bondholder in circumstances where the relevant Conversion Date would fall during the period commencing on the Record Date in respect of any payment of interest on the Bonds and ending on the relevant Interest Payment Date (both days inclusive).

The period during which Conversion Rights may (subject as provided below) be exercised by a Bondholder is referred to as the “**Conversion Period**”.

Conversion Rights may only be exercised in respect of the whole of a Bond.

(ii) *Fractions of ADSs*

Fractions of ADSs will not be issued or transferred and delivered on exercise of Conversion Rights or pursuant to Condition 6(a)(v) (fractions being rounded down to the nearest whole number of ADSs) and no cash payment or other adjustment will be made in lieu thereof. However, if the Conversion Right in respect of more than one Bond is exercised at any one time by the same holder and the ADSs to be transferred on such conversion are to be transferred to the same person, the number of ADSs to be transferred upon conversion thereof will be calculated by the Calculation Agent on the basis of the aggregate principal amount of the Bonds to be converted.

(iii) *Conversion Price*

The price at which ADSs will be transferred and delivered to Bondholders upon conversion (the “**Conversion Price**”) will initially be U.S.\$86.6480 per ADS, but will be subject to adjustment in the manner provided in Condition 6(b).

(iv) *Definition of “Shares” and “ADSs”*

As used in these Conditions, “**Shares**” means shares of the Issuer belonging to the class which, at the Closing Date, is designated as ordinary shares of the Issuer each with a par value of U.S.\$0.001, together with shares of any class or classes resulting from any sub-division, consolidation or re-classification thereof, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or winding-up of the Issuer.

As used in these Conditions, the expression “**ADSs**” (or an “**ADS**”) means American Depositary Shares evidenced by ADRs issued pursuant to the Deposit Agreement, each such ADS representing, as at the Closing Date, one Share.

(v) *ADS delivery and ADS issues, Retroactive Adjustments*

Following each Conversion Date, the Issuer will ensure that all necessary steps are taken for the due transfer and delivery to the Bondholders of the ADSs to which each Bondholder is entitled on conversion of the relevant Bonds, provided that if the Conversion Date falls prior to the Conversion Period Commencement Date, Shares underlying such ADSs shall not be deposited, and the Issuer will not be required to transfer and deliver such ADSs, until the Conversion Period Commencement Date.

Delivery of ADSs will be made in uncertificated form through DTC to its direct and indirect participants to the account specified by the relevant Bondholder in the relevant Conversion Notice by not later than 10 New York City Business Days following the relevant Conversion Date unless at the relevant time the ADSs are not a participating security in DTC, in which case the ADSs will be issued or delivered in certificated form. Where ADSs are to be issued or transferred and delivered in certificated form, a certificate in respect thereof will be dispatched by mail free of charge to the relevant Bondholder or as it may direct in the relevant Conversion Notice (in each case uninsured and at the risk of the relevant recipient) within 28 calendar days following the relevant Conversion Date.

Where there is any change to the number of Shares represented by each ADS, or where following a change in listing that does not constitute a Delisting Event the Shares are no longer represented by ADSs but are instead represented by depositary or other receipts or certificates which are not ADSs, such modification shall be made to the operation of these Conditions, including without limitation, the adjustment provisions as is appropriate to give the intended result, as determined by an Independent Adviser or (if the Calculation Agent determines in its sole discretion it is capable of making such determination in its capacity as Calculation Agent) the Calculation Agent.

References in this Condition 6 to the issue of Shares or the issue or grant by way of rights, options, warrants or other rights to subscribe for or purchase any Shares shall be construed to include circumstances where such Shares are to be represented by, and/or such issue or grant is made by, the Issuer in respect of ADSs issued or to be issued by the Depositary and representing such Shares, and the provisions of this Condition 6 shall be construed accordingly with such (if any) modifications as an Independent Adviser (or, if the Calculation Agent determines in its sole discretion it is capable of making such determination in its capacity as Calculation Agent, the Calculation Agent), shall determine to be appropriate, by reference, where appropriate, to the number of Shares represented by such ADSs.

If a Retroactive Adjustment occurs in relation to any exercise of Conversion Rights, then the Issuer will (solely in respect of any Physically Settled ADSs) ensure that all necessary steps are taken for the due transfer to the relevant Bondholder, in accordance with the instructions contained in the relevant Conversion Notice, of such additional number of ADSs (if any) (as determined by the Calculation Agent or an Independent Adviser) (the “**Additional ADSs**”) as, together with the number of Physically Settled ADSs transferred on conversion of the Bonds the subject of such exercise of Conversion Rights, is equal to the number of Physically Settled ADSs which would have been required to be transferred on conversion of such Bonds if the relevant adjustment to the Conversion Price had been made and become effective immediately prior to the relevant Conversion Date (such number of Physically Settled ADSs as aforesaid being for this purpose calculated as (i) where such exercise of Conversion Rights is not the subject of a Cash Alternative Election, the Reference ADSs in respect of such exercise of Conversion Rights determined for this purpose by reference to such deemed Conversion Price as aforesaid, and (ii) where such exercise of Conversion Rights is the subject of a Cash Alternative Election, the difference between (A) such number of Reference ADSs as is determined pursuant to (i) above and (B) the product of (x) such number of Reference ADSs determined as aforesaid and (y) the Cash Settlement Ratio in respect of such exercise of Conversion Rights).

The delivery of Additional ADSs pursuant to this Condition is subject to compliance by the relevant Bondholders with the requirements of the Deposit Agreement and the certifications in the relevant Conversion Notice still being true.

(vi) *Ranking and entitlement*

Shares represented by ADSs transferred and delivered to the Bondholders upon conversion of the Bonds will be fully paid and in all respects will rank *pari passu* with all other Shares in issue on the relevant Conversion Date (or, in the case of Shares represented by Additional ADSs, the relevant Reference Date) (except for any right excluded by mandatory provisions of applicable law) and such Shares will be entitled to all rights to the same extent as all other fully-paid Shares of the Issuer. ADSs (including Additional ADSs) transferred and delivered to Bondholders upon conversion will in all respects rank *pari passu* with the other ADSs in issue on the relevant Conversion Date (or, in the case of Additional ADSs, the relevant Reference Date) (except in any such case for any right excluded by mandatory provisions of applicable law) and, without prejudice to the provisions of the Deposit Agreement, the relevant Bondholder shall be treated as the holder thereof with effect from, and be entitled to all rights, distributions, payments and entitlements relating to such ADSs in respect of which the record date or other due date for the establishment of the corresponding entitlement in respect of the Shares represented by such ADSs falls on or after, the relevant Conversion Date (or, in the case of Additional ADSs, the relevant Reference Date). Such ADSs or, as the case may be, Additional ADSs will not rank for (or, as the case may be, the relevant holder shall not be entitled to receive) any rights, distributions or payments relating to such ADSs in respect of which the record date or other due date for the establishment of entitlement in respect of the Shares represented by such ADSs for which falls prior to the Conversion Date or, as the case may be, the relevant Reference Date.

(vii) *Interest on conversion*

Save as provided below, no payment or adjustment shall be made on exercise of Conversion Rights for any interest otherwise accruing on the relevant Bonds from the last Interest Payment Date preceding the relevant Conversion Date relating to such Bonds (or if the relevant Conversion Date falls on or prior to the first Interest Payment Date, the Closing Date).

If any notice of redemption of the Bonds is given pursuant to Condition 7(b) or 7(c) on or after the fifteenth New York City Business Day prior to a record date or other due date for establishment of entitlement which has occurred since the last Interest Payment Date (or in the case of the first Interest Period, since the Closing Date) (whether such notice is given before, on or after such record date) in respect of any Dividend or distribution in respect of the Shares where such notice specifies a date for redemption falling on or prior to the date which is 14 calendar days after the Interest Payment Date next following such record date or other due date for establishment of entitlement, interest shall accrue at the rate provided in Condition 5(a) on Bonds which shall have been delivered for conversion by Bondholders pursuant to this Condition 6(a) and in any such case where the relevant Conversion Date falls after such record date or other due date for establishment of entitlement and on or prior to the Interest Payment Date next following such record date, in each case, from the preceding Interest Payment Date (or, if such Conversion Date falls on or prior to the first Interest Payment Date, from the Closing Date) to but excluding such Conversion Date.

The Issuer shall pay any such interest not later than 14 New York City Business Days after the relevant Conversion Date by transfer to the U.S. dollar account specified in the relevant Conversion Notice and in accordance with instructions given by the relevant Bondholder in the relevant Conversion Notice.

(viii) *Cash Alternative Election*

Upon exercise of a Conversion Right by a Bondholder, the Issuer may make an election (a “**Cash Alternative Election**”) by giving notice (a “**Cash Alternative Election Notice**”) to the relevant Bondholder by not later than the Cash Election Date to the address (or, if a fax number or email address as is provided in the relevant Conversion Notice to such fax number or email address) specified for that purpose in the relevant Conversion Notice (with a copy to the Trustee, the Principal Paying, Transfer and Conversion Agent (and (if different) the relevant Agent to which the Conversion Notice was delivered) and the Calculation Agent) to satisfy the exercise of the Conversion Right in respect of the relevant Bonds by (i) making payment, or procuring that payment is made, to the relevant Bondholder of the Cash Alternative Amount in respect of the Cash Settled ADSs in respect of such exercise as specified in the relevant Cash Alternative Election Notice, and (ii) where the number of Cash Settled ADSs is less than the number of Reference ADSs in respect of the relevant exercise of Conversion Rights, by transferring and delivering a number of ADSs equal to the number of Reference ADSs minus the number of Cash Settled ADSs, together in any such case with any other amount payable by the Issuer, to such Bondholder pursuant to these Conditions in respect of, or relating to, the relevant exercise of Conversion Rights, including any interest payable pursuant to Condition 6(a)(vii).

“**Cash Election Date**” means the date falling four Dealing Days following the relevant Conversion Date.

The Cash Alternative Election Notice shall be irrevocable and shall specify:

- (a) the Conversion Price in effect on the relevant Conversion Date and the number of Reference ADSs in respect of such exercise of Conversion Rights;
- (b) the number of Cash Settled ADSs in respect of the relevant exercise of Conversion Rights, by reference to which the Cash Alternative Amount is to be calculated; and
- (c) if the number of Cash Settled ADSs (determined as aforesaid) is less than the number of Reference ADSs in respect of the relevant exercise of Conversion Rights, the number of Physically Settled ADSs to be transferred and delivered by the Issuer to the relevant Bondholder in respect of such exercise of Conversion Rights.

The Issuer will pay the Cash Alternative Amount, together with any other amount as aforesaid, by not later than the seventh New York City Business Day following the last day of the Cash Alternative Calculation Period by transfer to a U.S. dollar account in accordance with the instructions contained in the relevant Conversion Notice.

If there is a Retroactive Adjustment to the Conversion Price following the exercise of Conversion Rights by a Bondholder in circumstances where (x) a Cash Alternative Election is made in respect of such exercise and (y) if any Dealing Day comprised in the Cash Alternative Calculation Period in respect of such exercise of Conversion Rights falls on or after the Applicable RA Reference Date, the Issuer shall pay to the relevant Bondholder an additional amount (the “**Additional Cash Alternative Amount**”) calculated in good faith by the Calculation Agent and equal to the Market Price of such number of ADSs (rounded down if necessary to the nearest whole number of ADSs) (if any) as is equal to that by which the number of Cash Settled ADSs would have been increased (including for this purpose any fraction of an ADS) when divided by the adjustment factor applied to the Conversion Price in relation to such Retroactive Adjustment.

The Issuer will pay the Additional Cash Alternative Amount not later than the seventh New York City Business Day following the relevant Reference Date by transfer to a U.S. dollar account in accordance with instructions contained in the relevant Conversion Notice.

“**Cash Alternative Amount**” means, in respect of any exercise of Conversion Rights in respect of which the Issuer shall have made a Cash Alternative Election, an amount in U.S. dollars (rounded to the nearest whole multiple of U.S.\$0.01, with U.S.\$0.005 being rounded upwards) calculated by the Calculation Agent in accordance with the following formula and which shall be payable by the Issuer to a Bondholder in respect of the relevant Cash Settled ADSs specified in the relevant Cash Alternative Election Notice:

$$CAA = \sum_{n=1}^N \frac{1}{N} \times CSA \times P_n$$

where:

CAA	=	the Cash Alternative Amount;
CSA	=	the Cash Settled ADS;
P _n	=	the Volume Weighted Average Price of one ADS on the nth Dealing Day of the Cash Alternative Calculation Period; and
N	=	20, being the number of Dealing Days in the Cash Alternative Calculation Period,

provided that:

- (a) if any Dividend or other entitlement in respect of the Shares is announced, (whether on or prior to or after the relevant Conversion Date) in circumstances where the record date or other due date for the establishment of entitlement of holders of ADSs in respect of such Dividend or other entitlement shall be on or after the relevant Conversion Date and if on any Dealing Day in the Cash Alternative Calculation Period the Volume Weighted Average Price is based on a price ex- such Dividend or ex- such other entitlement, then such Volume Weighted Average Price shall be increased by an amount equal to the Fair Market Value of any such Dividend or other entitlement per ADS as at the Ex-Date in respect of such Dividend or entitlement, determined by the Calculation Agent on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit, all as determined by the Calculation Agent, provided that where such Fair Market Value as aforesaid cannot be

determined in accordance with these Conditions before the second New York City Business Day before the date on which payment of the Cash Alternative Amount is to be made, the relevant Volume Weighted Average Price as aforesaid shall be adjusted in such manner as determined in good faith to be appropriate by an Independent Adviser no later than such second New York City Business Day before such payment date as aforesaid;

- (b) if any Additional Cash Alternative Amount is due in respect of the exercise of Conversion Rights in respect of which the Cash Alternative Amount is being determined, any Volume Weighted Average Price on any Dealing Day falling in the relevant Cash Alternative Calculation Period but before the Applicable RA Reference Date shall be (in the case of a Retroactive Adjustment pursuant to Condition 6(b)(iii)) decreased by an amount equal to the Fair Market Value of the relevant Dividend as at the Ex-Date in respect thereof or (in any other case) multiplied by the adjustment factor (as determined pursuant to these Conditions) applied to the Conversion Price in respect of the relevant Retroactive Adjustment, all as determined by the Calculation Agent, provided that where such adjustment factor as aforesaid cannot be determined in accordance with these Conditions before the second New York City Business Day before the date on which payment of the Additional Cash Alternative Amount is to be made, the relevant Volume Weighted Average Price as aforesaid shall be adjusted in such manner as determined in good faith to be appropriate by an Independent Adviser no later than such second New York City Business Day before such payment date as aforesaid; and
- (c) if any doubt shall arise as to the calculation of the Cash Alternative Amount or if such amount cannot be determined as provided above, the Cash Alternative Amount shall be equal to such amount as is determined in such other manner as an Independent Adviser shall consider in good faith to be appropriate to give the intended result.

(b) *Adjustment of Conversion Price*

Upon the occurrence of any of the events described below, the Conversion Price shall be adjusted by the Calculation Agent as follows:

- (i) *Consolidation, reclassification, redesignation or subdivision*

If and whenever there shall be a consolidation, reclassification, redesignation or subdivision affecting the number of Shares in issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A}{B} \times \frac{C}{D}$$

where:

- A is the aggregate number of Shares in issue immediately before such consolidation, reclassification, redesignation or subdivision, as the case may be;
- B is the aggregate number of Shares in issue immediately after, and as a result of, such consolidation, reclassification, redesignation or subdivision, as the case may be.
- C is the number of Shares represented by an ADS following or as a result or consequence of such consolidation, reclassification, redesignation or subdivision in respect of the Shares; and

- D is the number of Shares represented by an ADS immediately prior to such consolidation, reclassification, redesignation or subdivision, as the case may be.

Such adjustment shall become effective on the Effective Date.

“**Effective Date**” means, in respect of this paragraph (b)(i), the date on which the consolidation, reclassification, redesignation or sub-division, as the case may be, takes effect.

(ii) *Capitalisation of profits or reserves*

If and whenever the Issuer shall issue any Shares credited as fully paid to Shareholders by way of capitalisation of profits or reserves, including any share premium account or capital redemption reserve (other than an issue of Shares constituting a Scrip Dividend) the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A}{B} \times \frac{C}{D}$$

where:

- A is the aggregate number of Shares in issue immediately before such issue;
 B is the aggregate number of Shares in issue immediately after such issue;
 C is the number of Shares represented by an ADS following or as a result or consequence of such issue of Shares; and
 D is the number of Shares represented by an ADS immediately prior to such issue of Shares.

Such adjustment shall become effective on the Effective Date.

“**Effective Date**” means, in respect of this paragraph (b)(ii), the date of issue of such Shares.

(iii) *Dividends*

- (A) If and whenever the Issuer shall declare, announce, make or pay any Dividend to Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A-B}{A}$$

where:

- A is the Current Market Price of one Share on the Ex-Date in respect of such Dividend; and
 B is the portion of the Fair Market Value of the aggregate Dividend attributable to one Share, with such portion being determined by dividing the Fair Market Value of the aggregate Dividend by the number of Shares entitled to receive the relevant Dividend (or, in the case of a purchase, redemption or buy back of Shares, ADSs or any depositary or other receipts or certificates representing Shares by or on behalf of the Issuer or any Subsidiary of the Issuer, by the number of Shares in issue immediately following such purchase, redemption or buy back, and treating as not being in issue any Shares, or any Shares represented by ADSs or other depositary or other receipts or certificates, purchased, redeemed or bought back).

Such adjustment shall become effective on the Effective Date.

“**Effective Date**” means, in respect of this paragraph (b)(iii)(A), the later of (i) the Ex-Date in respect of such Dividend and (ii) the first date upon which the Fair Market Value of the relevant Dividend is capable of being determined as provided herein.

- (B) For the purposes of the above, Fair Market Value shall (subject as provided the definition of “Dividend” and in the definition of “Fair Market Value”) be determined as at the Ex-Date in respect of the relevant Dividend.

(iv) *Rights issues*

If and whenever the Issuer or any Subsidiary of the Issuer or (at the direction or request or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) any other company, person or entity shall issue any Shares to Shareholders as a class by way of rights, or shall issue or grant to Shareholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares, or any other Securities which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, or the right to otherwise acquire, any Shares (or shall grant any such rights in respect of existing Securities so issued), in each case at a consideration receivable per Share (based, where appropriate, on such number of Shares as is determined pursuant to the definition of “C” and the proviso below) which is less than 95 per cent. of the Current Market Price per Share on the Ex-Date in respect of the relevant issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A is the number of Shares in issue on such Ex-Date;
- B is the number of Shares which the aggregate consideration (if any) receivable for the Shares issued by way of rights, or for the Securities issued by way of rights and upon exercise of rights of conversion into, or exchange or subscription for, or the right to otherwise acquire, Shares, or for the options or warrants or other rights issued by way of rights and for the total number of Shares deliverable on the exercise thereof, would purchase at such Current Market Price per Share; and
- C is the number of Shares to be issued or, as the case may be, the maximum number of Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights or upon conversion or exchange or exercise of rights of subscription or purchase or other rights of acquisition in respect thereof at the initial conversion, exchange, subscription, purchase or acquisition price or rate;

provided that if on such Ex-Date such number of Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time, then for the purposes of this paragraph (b)(iv), “C” shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at such Ex-Date and as if such conversion, exchange, subscription, purchase or acquisition had taken place on such Ex-Date.

Such adjustment shall become effective on the Effective Date.

“Effective Date” means, in respect of this paragraph (b)(iv), the later of (i) the Ex-Date in respect of the relevant issue or grant and (ii) the first date upon which the adjusted Conversion Price is capable of being determined in accordance with this paragraph (b)(iv).

(v) *Issue of Securities to Shareholders*

If and whenever the Issuer or any Subsidiary of the Issuer or (at the direction or request or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) any other company, person or entity shall (other than in the circumstances the subject of paragraph (b)(iv) and other than constituting a Scrip Dividend) issue any Securities to Shareholders as a class by way of rights or grant to Shareholders as a class by way of rights any options, warrants or other rights to subscribe for or purchase or otherwise acquire any Securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the Ex-Date in respect of the relevant issue or grant; and

B is the Fair Market Value on such Ex-Date of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the Effective Date.

“Effective Date” means, in respect of this paragraph (b)(v), the later of (i) the Ex-Date in respect of the relevant issue or grant and (ii) the first date upon which the adjusted Conversion Price is capable of being determined in accordance with this paragraph (b)(v).

(vi) *Issue of Shares at below Current Market Price*

If and whenever the Issuer shall issue (otherwise than as mentioned in paragraph (b)(iv) above) wholly for cash or for no consideration any Shares (other than Shares represented by ADSs transferred or delivered on conversion of the Bonds (which term shall for this purpose include any Further Bonds) or on the exercise of any rights of conversion into, or exchange or subscription for or purchase of, or rights to otherwise acquire, Shares and other than constituting a Scrip Dividend) or if and whenever the Issuer or any Subsidiary of the Issuer or (at the direction or request or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) any other company, person or entity shall issue or grant (otherwise than as mentioned in paragraph (b)(iv) above) wholly for cash or for no consideration any options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares (other than the Bonds, which term shall for this purpose include any Further Bonds), in each case at consideration receivable per Share (based, where appropriate, on such number of Shares as is determined pursuant to the definition of “C” and the proviso below) which is less than 95 per cent. of the Current Market Price per Share on the date of first public announcement of the terms of such issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A is the number of Shares in issue immediately before the date of first public announcement of the terms of such issue of Shares or issue or grant of options, warrants or other rights as provided above;
- B is the number of Shares which the aggregate consideration (if any) receivable for the issue of such Shares or, as the case may be, for the Shares to be issued or otherwise made available upon the exercise of any such options, warrants or rights, would purchase at such Current Market Price per Share; and
- C is the number of Shares to be issued pursuant to such issue of such Shares or, as the case may be, the maximum number of Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights;

provided that if on the date of first public announcement of the terms of such issue or grant (as used in this paragraph (b)(vi), the “**Specified Date**”) such number of Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time, then for the purposes of this paragraph (b)(vi), “C” shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange, subscription, purchase, acquisition had taken place on the Specified Date.

Such adjustment shall become effective on the Effective Date.

“**Effective Date**” means, in respect of this paragraph (b)(vi), the later of (i) the date of issue of such Shares or, as the case may be, the issue or grant of such options, warrants or rights and (ii) the first date upon which the adjusted Conversion Price is capable of being determined in accordance with this paragraph (b)(vi).

(vii) *Other issues*

If and whenever the Issuer or any Subsidiary of the Issuer or (at the direction or request of or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) any other company, person or entity shall (otherwise than as mentioned in paragraphs (b)(iv), (b)(v) or (b)(vi) above) issue wholly for cash or for no consideration any Securities (other than the Bonds which term shall for this purpose exclude any Further Bonds and other than constituting a Scrip Dividend) which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, purchase of, or rights to otherwise acquire, Shares (or shall grant any such rights in respect of existing Securities so issued) or Securities which by their terms might be reclassified or redesignated as Shares, and the consideration per Share (based, where appropriate, on such number of Shares as is determined pursuant to the definition of “C” and the proviso below) receivable upon conversion, exchange, subscription, purchase, acquisition, reclassification or redesignation is less than 95 per cent. of the Current Market Price per Share on the date of first public announcement of the terms of the issue of such Securities (or the terms of such grant), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A is the number of Shares in issue immediately before the date of first public announcement of the terms of the issue of such Securities (or the terms of such grant);
- B is the number of Shares which the aggregate consideration (if any) receivable for the Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription, purchase or acquisition attached to such Securities or, as the case may be, for the Shares to be issued or to arise from any such reclassification or redesignation would purchase at such Current Market Price per Share; and
- C is the maximum number of Shares to be issued or otherwise made available upon conversion or exchange of such Securities or upon the exercise of such right of subscription, purchase or acquisition attached thereto at the initial conversion, exchange, subscription, purchase or acquisition price or rate or, as the case may be, the maximum number of Shares which may be issued or arise from any such reclassification or redesignation;

provided that if on the date of first public announcement of the terms of the issue of such Securities (or the terms of such grant) (as used in this paragraph 6(b)(vii), the “**Specified Date**”) such number of Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription, purchase or acquisition are exercised or, as the case may be, such Securities are reclassified or redesignated or at such other time as may be provided), then for the purposes of this paragraph (b)(vii), “C” shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange, subscription, purchase or acquisition, reclassification or, as the case may be, redesignation had taken place on the Specified Date.

Such adjustment shall become effective on the Effective Date.

“**Effective Date**” means, in respect of this paragraph (b)(vii), the later of (i) the date of issue of such Securities or, as the case may be, the grant of such rights and (ii) the first date upon which the adjusted Conversion Price is capable of being determined in accordance with this paragraph (b)(vii).

(viii) *Modification of rights*

If and whenever there shall be any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any Securities (other than the Bonds, which term shall for this purpose include any Further Bonds) which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, or the right to otherwise acquire, any Shares (other than in accordance with the terms (including terms as to adjustment) applicable to such Securities upon issue) so that following such modification the consideration per Share (based, where appropriate, on such number of Shares as is determined pursuant to the definition of “C” and the proviso below) receivable upon conversion, exchange, subscription, purchase or acquisition has been reduced and is less than 95 per cent. of the Current Market Price per Share on the date of first public announcement of the terms for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A is the number of Shares in issue immediately before the date of first public announcement of the terms for such modification;
- B is the number of Shares which the aggregate consideration (if any) receivable for the Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription, purchase or acquisition attached to the Securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange, subscription, purchase or acquisition price or rate of such Securities; and
- C is the maximum number of Shares which may be issued or otherwise made available upon conversion or exchange of such Securities or upon the exercise of such rights of subscription, purchase or acquisition attached thereto at the modified conversion, exchange, subscription, purchase or acquisition price or rate but giving credit in such manner as the Calculation Agent shall consider appropriate for any previous adjustment under this paragraph (b)(viii) or paragraph (b)(vii) above;

provided that if on the date of first public announcement of the terms of such modification (as used in this paragraph (b)(viii), the “**Specified Date**”) such number of Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription, purchase or acquisition are exercised or at such other time as may be provided), then for the purposes of this paragraph (b)(viii), “C” shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange, subscription, purchase or acquisition had taken place on the Specified Date.

Such adjustment shall become effective on the Effective Date.

“**Effective Date**” means, in respect of this paragraph (b)(viii), the later of (i) the date of modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to such Securities and (ii) the first date upon which the adjusted Conversion Price is capable of being determined in accordance with this paragraph (b)(viii).

(ix) *Certain arrangements*

If and whenever the Issuer or any Subsidiary of the Issuer or (at the direction or request of or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) any other company, person or entity shall offer any Shares or such other Securities in connection with which Shareholders as a class are entitled to participate in arrangements whereby such Shares or Securities may be acquired by them (except where the Conversion Price falls to be adjusted under paragraphs (b)(ii), (b)(iii), (b)(iv), (b)(v), (b)(vi) or (b)(vii) above or (b)(x) below (or, where applicable, would fall to be so adjusted if the relevant issue or grant was at less than 95 per cent. of the Current Market Price per Share on the relevant day), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A is the Current Market Price of one Share on the Ex-Date in respect of the relevant offer; and
- B is the Fair Market Value on such Ex-Date of the portion of the relevant offer attributable to one Share.

Such adjustment shall become effective on the Effective Date.

“**Effective Date**” means, in respect of this paragraph (b)(ix), the later of (i) the Ex-Date in respect of the relevant offer and (ii) the first date upon which the adjusted Conversion Price is capable of being determined in accordance with this paragraph (b)(ix).

(x) *Fundamental Change Event*

If a Fundamental Change Event shall occur, then upon any exercise of Conversion Rights where the Conversion Date falls (a) during the Fundamental Change Event Period or (b) on a date following the giving by the Issuer of an Optional Redemption Notice pursuant to Condition 7(b)(i) in circumstances where the precondition specified in Condition 7(b)(i) would not have been satisfied assuming (solely for the purpose of this proviso (b)) that the Aggregate ADS Value in respect of the relevant Dealing Days had been determined only on the basis of the Conversion Price in effect (but not using the Fundamental Change Conversion Price where applicable), the Conversion Price solely for the purpose of such exercise (the “**Fundamental Change Conversion Price**”) shall be determined as set out below:

$$FCCP = OCP / (1 + (CP \times c/t))$$

where:

- FCCP = means the Fundamental Change Conversion Price
- OCP = means the Conversion Price in effect on the relevant Conversion Date
- CP = means 42.5 per cent.
- c = means the number of calendar days from and including the date the Fundamental Change Event occurs to but excluding the Final Maturity Date
- t = means the number of calendar days from and including the Closing Date to but excluding the Final Maturity Date

(xi) *Other adjustments*

If the Issuer (following consultation with the Calculation Agent) determines that an adjustment should be made to the Conversion Price (or that a determination should be made as to whether an adjustment should be made) as a result of one or more circumstances not referred to above in this Condition 6(b) (even if the relevant circumstance is specifically excluded from the operation of paragraphs (b)(i) to (x) above), the Issuer shall, at its own expense and acting reasonably, request an Independent Adviser to determine, in consultation with the Calculation

Agent, if different as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and the date on which such adjustment (if any) should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this paragraph (b)(xi) if such Independent Adviser is so requested to make such a determination not more than 21 calendar days after the date on which the relevant circumstance arises and if the adjustment would result in a reduction to the Conversion Price.

For the avoidance of doubt, the issue of Shares pursuant to the exercise of Conversion Rights by the Issuer for the purposes of satisfying its obligations in respect of the delivery of the ADSs if the Conversion Rights are exercised shall not result in an adjustment to the Conversion Price.

(xii) *Modifications*

Notwithstanding the foregoing provisions:

- (a) where the events or circumstances giving rise to any adjustment pursuant to this Condition 6(b) have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of any other events or circumstances which have already given or will give rise to an adjustment to the Conversion Price or where more than one event which gives rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of the Issuer, following consultation with the Calculation Agent, a modification to the operation of the adjustment provisions is required to give the intended result, such modification shall be made to the operation of the adjustment provisions as may be determined in good faith by an Independent Adviser to be in its opinion appropriate to give the intended result;
- (b) such modification shall be made to the operation of these Conditions as may be determined in good faith by an Independent Adviser, in consultation with the Calculation Agent (if different), to be in its opinion appropriate (i) to ensure that an adjustment to the Conversion Price or the economic effect thereof shall not be taken into account more than once and (ii) to ensure that the economic effect of a Dividend is not taken into account more than once;
- (c) other than pursuant to Condition 6(b)(i), no adjustment shall be made that would result in an increase to the Conversion Price; and
- (d) other than pursuant to Condition 6(b)(i) (if applicable), no adjustment to the Conversion Price shall be made in respect of any issues of Shares, or grant of any options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares, for non-cash consideration.

(xiii) *Calculation of consideration*

For the purpose of any calculation of the consideration receivable or price pursuant to paragraphs (b)(iv), (b)(vi), (b)(vii) and (b)(viii), the following provisions shall apply:

- (a) the aggregate consideration receivable or price for Shares issued for cash shall be the amount of such cash (determined by reference to the per-ADS amount of such cash where available);
- (b) (x) the aggregate consideration receivable or price for Shares to be issued or otherwise made available upon the conversion or exchange of any Securities shall be deemed to be the consideration or price received or receivable for any such Securities (whether on one

or more occasions) and (y) the aggregate consideration receivable or price for Shares to be issued or otherwise made available upon the exercise of rights of subscription attached to any Securities or upon the exercise of any options, warrants or rights shall be deemed to be that part (which may be the whole) of the consideration or price received or receivable for such Securities or, as the case may be, for such options, warrants or rights which are attributed by the Issuer to such rights of subscription or, as the case may be, such options, warrants or rights or, if no part of such consideration or price is so attributed, the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as at the relevant Ex-Date referred to in paragraph (b)(iv) or as at the relevant date of first public announcement referred to in paragraph (b)(vi), (b)(vii) or (b)(viii), as the case may be, plus in the case of each of (x) and (y) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such Securities, or upon the exercise of such rights of subscription attached thereto or, as the case may be, upon exercise of such options, warrants or rights and (z) the consideration receivable or price per Share upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such Securities or, as the case may be, upon the exercise of such options, warrants or rights shall be the aggregate consideration or price referred to in (x) or (y) above (as the case may be) divided by the number of Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate, all as determined in good faith by the Calculation Agent;

- (c) if the consideration or price determined pursuant to (a) or (b) above (or any component thereof) shall be expressed in a currency other than the Relevant Currency (other than in circumstances where such consideration is also expressed in the Relevant Currency, in which case such consideration shall be treated as expressed in the Relevant Currency in an amount equal to the amount of such consideration when so expressed in the Relevant Currency), it shall be converted by the Calculation Agent into the Relevant Currency at the Prevailing Rate on the relevant Ex-Date (for the purposes of paragraph (b)(iv)) or the relevant date of first public announcement (for the purposes of paragraph (b)(vi), (vii) or (viii), as the case may be);
- (d) in determining the consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Shares or such other Securities or options, warrants or rights, or otherwise in connection therewith;
- (e) the consideration or price shall be determined as provided above on the basis of the consideration or price received, receivable, paid or payable, regardless of whether all or part thereof is received, receivable, paid or payable by or to the Issuer or another entity;
- (f) if as part of the same transaction, Shares shall be issued or issuable for a consideration receivable in more than one or in different currencies then the consideration receivable per Share shall be determined by dividing the aggregate consideration (determined as aforesaid and converted, if and to the extent not in the Relevant Currency, into the Relevant Currency as aforesaid) by the aggregate number of Shares so issued; and
- (g) references in these Conditions to “cash” includes any promise or undertaking to pay cash or any release or extinguishment of, or set-off against, a liability or obligation to pay a cash amount.

(c) *Decision and Determination of the Calculation Agent or an Independent Adviser*

Adjustments to the Conversion Price shall be determined and calculated by the Calculation Agent upon request from the Issuer and/or, to the extent so specified in the Conditions and upon request from the Issuer, by an Independent Adviser.

Adjustments to the Conversion Price calculated by the Calculation Agent or, where applicable, an Independent Adviser and any other determinations made by the Calculation Agent or, where applicable, an Independent Adviser, or an opinion of an Independent Adviser, pursuant to these Conditions shall in each case be made in good faith and shall be final and binding (in the absence of manifest error) on the Issuer, the Trustee, the Bondholders, the Calculation Agent (in the case of a determination by an Independent Adviser) and the Paying, Transfer and Conversion Agents.

The Calculation Agent may consult, at the expense of the Issuer, on any matter (including, but not limited to, any legal matter), any legal or other professional adviser and it shall be able to rely upon, and it shall not be liable and shall incur no liability as against the Trustee, the Bondholders or the Paying, Transfer and Conversion Agents in respect of anything done, or omitted to be done, relating to that matter in good faith in accordance with that adviser's opinion.

The Calculation Agent shall act solely upon the request from, and exclusively as agent of, the Issuer and in accordance with these Conditions, and subject always to the provisions of the Calculation Agency Agreement. Neither the Calculation Agent (acting in such capacity) nor any Independent Adviser appointed in connection with the Bonds (acting in such capacity) will thereby assume any obligations towards or relationship of agency or trust and shall not be liable and shall incur no liability in respect of anything done, or omitted to be done in good faith, in its capacity as Calculation Agent as against the Trustee, the Bondholders or the Paying, Transfer and Conversion Agents.

If following consultation between the Issuer and the Calculation Agent any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to the appropriate adjustment to the Conversion Price, following consultation between the Issuer and an Independent Adviser, a written opinion of such Independent Adviser in respect thereof shall be conclusive and binding on the Issuer, the Bondholders, the Calculation Agent (if different) and the Trustee, save in the case of manifest error.

(d) *Share or Option Schemes, Dividend Reinvestment Plans*

No adjustment will be made to the Conversion Price where Shares or other Securities (including, but not limited to, rights, warrants and options) are issued, offered, exercised, allotted, purchased, appropriated, modified or granted: (i) to, or for the benefit of, employees or former employees (including directors holding or formerly holding executive office or non-executive office, consultants, advisors or former consultants or advisors or the personal service company of any such person) or their spouses or relatives, in each case, of the Issuer or any of its Subsidiaries or any associated company or to a trustee or nominee to be held for the benefit of any such person, in any such case pursuant to any share or option or incentive scheme; or (ii) pursuant to any dividend reinvestment plan or similar plan or scheme.

(e) *Rounding Down and Notice of Adjustment to the Conversion Price*

On any adjustment, the resultant Conversion Price, if not an integral multiple of U.S.\$0.0001, shall be rounded down to the nearest whole multiple of U.S.\$0.0001. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made.

Notice of any adjustments to the Conversion Price shall be given by the Issuer to Bondholders and to the Trustee promptly after the determination thereof.

The Conversion Price shall not in any event be reduced so that on conversion of the Bonds, ADSs would fall to be issued in circumstances not permitted by applicable laws or regulations. The Issuer undertakes that it shall not take any action, and shall procure that no action is taken, that would otherwise result in an adjustment to the Conversion Price to below any minimum level permitted by applicable laws or regulations or that would otherwise result in ADSs being required to be issued or transferred and delivered in circumstances not permitted by applicable laws or regulations.

(f) *Procedure for exercise of Conversion Rights*

Conversion Rights may be exercised by a Bondholder (provided that the relevant Conversion Date falls during the Conversion Period) by delivering the relevant Bond to the specified office of any Paying, Transfer and Conversion Agent, during its usual business hours, accompanied by a duly completed and signed notice of conversion (a “**Conversion Notice**”) in the form (for the time being current) obtainable from any Paying, Transfer and Conversion Agent. Conversion Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations applicable in the jurisdiction in which the specified office of the Paying, Transfer and Conversion Agent to whom the relevant Conversion Notice is delivered is located. A Conversion Notice can be deemed received by the Paying, Transfer and Conversion Agent if sent by electronic means.

A Bondholder exercising Conversion Rights shall, as a pre-condition to receiving ADSs, also be required to comply with any relevant provisions of the Deposit Agreement, including the provision of such confirmations, certificates and undertakings and compliance with such other formalities as may be required pursuant to the Deposit Agreement or requested by the Depositary (the “**Deposit Requirements**”).

If a converting Bondholder shall fail to comply with any Deposit Requirements, the purported exercise of Conversion Rights shall be invalid.

If such delivery is made after the end of normal business hours or on a day which is not a Business Day in the place of the specified office of the relevant Paying, Transfer and Conversion Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following Business Day in such place.

Any determination as to whether any Conversion Notice has been duly completed and properly delivered shall be made by the relevant Paying, Transfer and Conversion Agent and shall, save in the case of manifest error, be conclusive and binding on the Issuer, the Trustee, the Paying, Transfer and Conversion Agents and the relevant Bondholder.

A Conversion Notice, once delivered, shall be irrevocable.

The conversion date in respect of a Bond (the “**Conversion Date**”) shall be the Business Day in New York City immediately following the date of the delivery (or deemed delivery) of the relevant Bond and the Conversion Notice as provided in this Condition 6(f).

A Conversion Notice once deposited may not be withdrawn without the consent in writing of the Issuer.

The Issuer shall pay all capital, stamp, issue and registration and transfer taxes and duties payable in the Republic of Cyprus, the Russian Federation, Belgium or Luxembourg, or in any other jurisdiction in which the Issuer may be domiciled or resident or to whose taxing jurisdiction it may be generally subject (“**Specified Taxes**”), in respect of the transfer and delivery of any ADSs in respect of the exercise of such Conversion Right (including any Additional ADSs). If the Issuer fails to pay any Specified Taxes, the relevant Bondholder shall be entitled to tender and pay the same and the Issuer, as a separate and independent stipulation, covenants to reimburse and indemnify each Bondholder in respect of any payment thereof and any interest and penalties payable in respect thereof.

A Bondholder exercising Conversion Rights must pay directly to the relevant authorities any capital, stamp, issue, registration and transfer taxes and duties arising on the exercise of Conversion Rights (other than any Specified Taxes). A Bondholder must also pay all, if any, taxes imposed on it and arising by reference to any disposal or deemed disposal by it of a Bond or interest therein in connection with the exercise of Conversion Rights by it. Any such capital, stamp, issue, registration or transfer taxes or duties or other taxes payable by a Bondholder are referred to as “**Bondholder Taxes**”.

Neither the Trustee, the Calculation Agent nor any Paying, Transfer and Conversion Agent shall be responsible for determining whether any Specified Taxes or Bondholder Taxes are payable or the amount thereof and shall not be responsible or liable for any failure by the Issuer to pay such Specified Taxes or by a Bondholder to pay such Bondholder Taxes.

A Bondholder exercising a Conversion Right will be required to certify, among other things, that it will become the beneficial owner of any relevant ADSs received pursuant to the exercise of its Conversion Right and (i) is not an officer, director (or person performing similar functions) or other affiliate of the Issuer or a person acting on behalf of such an affiliate or (ii) an underwriter (as referred to in Section 4 (a)(1) of the Securities Act) engaged in a distribution of the Bonds or ADSs.

By delivery of such Conversion Notice, such Bondholder will be deemed to acknowledge and agree that the Bonds and the relevant ADSs have not been registered under the Securities Act and that the Bondholder is entitled to transfer the ADS and the Shares represented thereby without registration under the Securities Act.

The Issuer will pay all costs, fees and expenses, including, where relevant, those of the Paying, Transfer and Conversion Agent, the Depositary and any custodian acting on behalf of such Depositary, in connection with the delivery of ADSs on exercise of Conversion Rights.

Notwithstanding any other provisions of these Conditions, a Bondholder exercising Conversion Rights following a Change of Control Conversion Right Amendment as described in Condition 11(b)(vi) will be deemed, for the purposes of these Conditions, to have received the ADSs to be transferred and delivered arising on conversion of its Bonds in the manner provided in these Conditions, and have exchanged such ADSs for the consideration that it would have received therefor if it had exercised its Conversion Right in respect of such Bonds at the time of the occurrence of the relevant Change of Control.

(g) *Purchase or Redemption of Shares or ADSs*

The Issuer or (subject to applicable law) any Subsidiary of the Issuer may exercise such rights as they may from time to time enjoy to purchase or redeem or buy back any shares of the Issuer (including Shares) or ADSs or any depositary or other receipts or certificates representing the same without the consent of the Bondholders.

(h) *No Duty to Monitor*

The Trustee, the Calculation Agent and the Paying, Transfer and Conversion Agents shall not be under any duty to monitor whether any event or circumstance has happened or exists or may happen or exist and which requires or may require an adjustment to be made to the Conversion Price or be responsible or liable to any person for any loss arising from any failure by any of them to do so. The Trustee, the Calculation Agent and the Paying, Transfer and Conversion Agents shall also not be responsible or liable to any person (other than in the case of the Calculation Agent, to the Issuer strictly in accordance with the relevant provisions of the Calculation Agency Agreement) for any determination as to whether or not an adjustment to the Conversion Price is required or should be made or for any determination or calculation of any such adjustment.

(i) *Fundamental Change Event*

Within five calendar days following the occurrence of a Fundamental Change Event, the Issuer shall give notice thereof to Bondholders in accordance with Condition 17 and to the Trustee (a “**Fundamental Change Event Notice**”). The Fundamental Change Event Notice shall contain a statement informing Bondholders of their entitlement to exercise their Conversion Rights as provided in these Conditions and their entitlement to exercise their rights to require redemption of their Bonds pursuant to Condition 7(e).

The Fundamental Change Event Notice shall also specify:

- (i) all information material to Bondholders concerning the Fundamental Change Event;
- (ii) the Conversion Price immediately prior to the occurrence of the Fundamental Change Event and the Fundamental Change Conversion Price applicable pursuant to Condition 6(b)(x) on the basis of the Conversion Price in effect immediately prior to the occurrence of the Fundamental Change Event;
- (iii) the Closing Price of the ADSs as at the latest practicable date prior to the publication of the Fundamental Change Event Notice;
- (iv) the Fundamental Change Event Period;
- (v) the Put Date; and
- (vi) such other information relating to the Fundamental Change Event as the Trustee may require.

The Trustee shall not be required to monitor or take any steps to ascertain whether a Fundamental Change Event or any event which could lead to a Fundamental Change Event has occurred or may occur and will not be responsible or liable to Bondholders or any other person for any loss arising from any delay or failure by it to do so.

(j) *Notice of Delisting Event*

Within five calendar days following the occurrence of a Delisting Event, the Issuer shall give notice thereof to the Bondholders in accordance with Condition 17 and to the Trustee (a “**Delisting Event Notice**”). The Delisting Event Notice shall contain a statement informing Bondholders of their entitlement to exercise their Conversion Rights as provided in these Conditions and their entitlement to exercise their rights to require redemption of their Bonds pursuant to Condition 7(e).

The Delisting Event Notice shall also specify:

- (i) all information material to Bondholders concerning the Delisting Event;
- (ii) the Conversion Price immediately prior to the occurrence of the Delisting Event;
- (iii) the Closing Price of the ADSs as at the latest practicable date prior to the publication of the Delisting Event Notice;
- (iv) the Delisting Event Period;

(v) the Put Date; and

(vi) such other information relating to the Delisting Event as the Trustee may require.

The Trustee shall not be required to take any steps to monitor or ascertain whether a Delisting Event or any event which could lead to a Delisting Event has occurred or may occur and will not be responsible or liable to Bondholders or any other person for any loss arising from any failure by it to do so.

(k) *Consolidation, Amalgamation or Merger*

Without prejudice to Condition 6(b)(x), in the case of any consolidation, amalgamation or merger of the Issuer with any other corporation (other than constituting a Change of Control and other than a consolidation, amalgamation or merger in which the Issuer is the continuing corporation) (a “**Successor in Business**”), the Issuer will forthwith give notice thereof to Bondholders and to the Trustee of such event and will take such steps as shall be required, subject to applicable law and as provided in the Trust Deed (including the execution of a deed supplemental to or amending the Trust Deed):

- (i) to ensure that the Successor in Business is substituted in place of the Issuer as the principal debtor under the Bonds and the Trust Deed;
- (ii) to ensure that each Bond then outstanding will (during the period in which Conversion Rights may be exercised) be convertible into equity share capital (or similar (including without limitation depositary or other receipts or certificates representing equity share capital)) of the Successor in Business, on such basis and with a Conversion Price (subject to adjustment as provided in these Conditions) economically equivalent to the Conversion Price existing immediately prior to the implementation of such consolidation, amalgamation or merger, as determined in good faith by an Independent Adviser (each a “**Conversion Right Transfer**”); and
- (iii) to ensure that the Trust Deed (as so amended or supplemented if applicable) and the Conditions provide at least the same or equivalent powers, protections, rights and benefits to the Trustee and the Bondholders following the implementation of such consolidation, amalgamation or merger as they provided to the Trustee and the Bondholders prior to the implementation of such consolidation, amalgamation or merger, *mutatis mutandis*.

The satisfaction of the requirements set out in subparagraphs (i), (ii) and (iii) of this Condition 6(k) by the Issuer is herein referred to as a “**Permitted Cessation of Business**”. Notwithstanding any other provision of these Conditions, a Permitted Cessation of Business shall not result in a breach of undertaking, constitute an Event of Default or otherwise result in any breach of any provision of these Conditions or the Trust Deed. Following the occurrence of a Permitted Cessation of Business, references in these Conditions, the Trust Deed and the Agency Agreement to the “Issuer” will be construed as references to the relevant Successor in Business.

At the request of the Issuer, but subject to the Issuer’s compliance with the provisions of subparagraph (i), (ii) and (iii) of this Condition 6(k), the Trustee shall (at the expense of the Issuer), without the requirement for any consent or approval of the Bondholders, be obliged to concur with the Issuer in effecting any substitution under subparagraph (i) above and Conversion Right Transfer (including, *inter alia*, the execution of a deed supplemental to or amending the Trust Deed), provided that the Trustee shall not be obliged so to concur if in the opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Trustee in these Conditions, the Trust Deed or the Agency Agreement (including, for the avoidance of doubt, any supplemental trust deed or supplemental agency agreement) in any way.

If, following consultation with the Calculation Agent, any doubt shall arise as to how determinations, calculations or adjustments which are specifically required to be performed by the Calculation Agent in these Conditions should be performed following any such consolidation, amalgamation or merger, a written opinion of an Independent Adviser in respect thereof shall be conclusive and binding on the Successor in Business, the Issuer, the Trustee, the Bondholders, the Calculation Agent and all other parties, save in the case of manifest error.

The above provisions of this Condition 6(k) will apply, *mutatis mutandis*, to any subsequent consolidation, amalgamation or merger.

7 Redemption and Purchase

(a) *Final Redemption*

Unless previously redeemed, converted or purchased and cancelled, as provided in these Conditions, the Bonds will be redeemed at their principal amount on the Final Maturity Date. The Bonds may only be redeemed at the option of the Issuer prior to the Final Maturity Date in accordance with Condition 7(b) or 7(c) and may only be redeemed by Bondholders prior to the Final Maturity Date in accordance with Condition 7(e).

(b) *Redemption at the Option of the Issuer*

Subject as provided in Condition 7(d), on giving not less than 30 nor more than 60 calendar days' notice (an "**Optional Redemption Notice**") to Bondholders and to the Trustee, the Issuer may redeem all but not some only of the Bonds on the date (the "**Optional Redemption Date**") specified in the Optional Redemption Notice at their principal amount, together with accrued but unpaid interest up to (but excluding) the Optional Redemption Date:

- (i) at any time on or after 10 March 2024 (the "**First Call Date**"), if the Aggregate ADS Value on each of at least 20 Dealing Days (whether or not consecutive) in any period of 30 consecutive Dealing Days ending no more than 7 Dealing Days prior to the giving of the relevant Optional Redemption Notice to the Bondholders shall have exceeded U.S.\$260,000 as verified by the Calculation Agent upon request by the Issuer; or
- (ii) at any time if, prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 85 per cent. or more in principal amount of the Bonds originally issued (which shall for this purpose include any Further Bonds issued prior to the date the Optional Redemption Notice is given).

On the Optional Redemption Date, the Issuer shall redeem the Bonds at their principal amount, together with accrued interest up to (but excluding) the Optional Redemption Date.

(c) *Redemption for Taxation Reasons*

- (i) Subject as provided below, the Bonds may be redeemed at the option of the Issuer, subject to the next following paragraph, in whole, but not in part, at any time, on giving not less than 30 nor more than 60 calendar days' notice (a "**Tax Redemption Notice**") to the Bondholders (which notice shall be irrevocable) at their Principal Amount together with accrued but unpaid interest up to (but excluding) the Tax Redemption Date (the "**Tax Redemption Date**") if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) it has or will become obliged to pay additional amounts as provided or referred to in Condition 9 as a result

of any change in, or amendment to, the laws or regulations of the Republic of Cyprus or the Russian Federation or any political or governmental subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 17 February 2021 and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; provided that no Tax Redemption Notice shall be given earlier than 90 calendar days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Prior to the publication of any Tax Redemption Notice pursuant to this paragraph, the Issuer shall deliver to the Trustee (a) a certificate signed by one Authorised Signatory of the Issuer stating that the obligation referred to in (i) above has arisen and cannot be avoided by the Issuer taking reasonable measures available to it and (b) an opinion of independent legal or tax advisers of recognised international standing (which may be addressed to the Issuer) to the effect that such change or amendment or change in such application or official interpretation of such laws or regulations, has occurred on or after 17 February 2021 and that the Issuer has or will be obliged to pay such additional amounts as a result thereof (irrespective of whether such amendment or change is then effective) and the Trustee shall be entitled to accept such certificate and opinion without any liability for so doing as sufficient evidence of the matters set out in (i) and (ii) above, in which event such certificate shall be conclusive and binding on the Bondholders.

- (ii) If the Issuer gives a Tax Redemption Notice pursuant to this Condition 7(c), each Bondholder will have the right to elect that its Bond(s) shall not be redeemed and that the provisions of Condition 9 requiring the Issuer to pay additional amounts shall not apply in respect of any payment to be made on such Bond(s) which falls due after the relevant Tax Redemption Date whereupon no additional amounts shall be payable in respect thereof pursuant to Condition 9 in respect of payments falling due after the Tax Redemption Date and payment of all amounts on such Bonds shall be made subject to the deduction or withholding of the taxation required to be withheld or deducted by the Republic of Cyprus or the Russian Federation or any political or governmental subdivision or any authority thereof or therein having power to tax. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying, Transfer and Conversion Agent a duly completed and signed notice of election, in the form for the time being current, obtainable from the specified office of any Agent together with the relevant Bonds on or before the day falling 10 calendar days prior to the Tax Redemption Date. Any Bond so deposited shall be returned by the relevant Paying, Transfer and Conversion Agent to the relevant Bondholder on the Tax Redemption Date endorsed to reflect the election made by such Bondholder by uninsured post to, and at the risk of, the relevant Bondholder.
- (iii) References in this Condition 7(c) to the Republic of Cyprus or the Russian Federation shall be deemed also to refer to any jurisdiction in respect of which any undertaking or covenant equivalent to that in Condition 9 is given pursuant to the Trust Deed (except that as regards such jurisdiction the words “becomes effective on or after 17 February 2021” in Condition 6(c)(i) above shall be replaced with the words “becomes effective after, and has not been announced on or before, the date on which any undertaking or covenant equivalent to that in Condition 9 was given pursuant to the Trust Deed”) and references in this Condition 7(c) to additional amounts payable under Condition 9 shall be deemed also to refer to additional amounts payable under any such undertaking or covenant.

(d) *Optional Redemption and Tax Redemption Notices*

The Issuer shall not give an Optional Redemption Notice or Tax Redemption Notice at any time during a Fundamental Change Event Period or an Offer Period or which specifies a date for redemption falling in a Fundamental Change Event Period or an Offer Period or the period of 14 calendar days following the end of a Fundamental Change Event Period or an Offer Period (whether or not the relevant notice was given prior to or during such Fundamental Change Event Period or Offer Period), and any such notice shall be invalid and of no effect (whether or not given prior to the relevant Fundamental Change Event Period or Offer Period) and the relevant redemption shall not be made.

Any Optional Redemption Notice or Tax Redemption Notice shall be irrevocable. Any such notice shall specify (i) the Optional Redemption Date or, as the case may be, the Tax Redemption Date, which shall be a New York City Business Day, (ii) the Conversion Price, the aggregate principal amount of the Bonds outstanding and the Closing Price of the ADSs as derived from the Relevant Stock Exchange, in each case as at the latest practicable date prior to the publication of the Optional Redemption Notice or, as the case may be, the Tax Redemption Notice and (iii) the last day on which Conversion Rights may be exercised by Bondholders.

“**Offer Period**” means (i) any period commencing on the date of first public announcement of an offer or tender (howsoever described) by any person or persons in respect of all or a majority of the issued and outstanding Shares and ending on the date that offer or tender ceases to be open for acceptance or, if earlier, on which that offer or tender lapses or terminates or is withdrawn or (ii) any period commencing on the date of first public announcement of a Scheme of Arrangement relating to the acquisition of all or a majority of the issued and outstanding Shares and ending on the date such Scheme of Arrangement is or becomes effective or, if earlier, the date such Scheme of Arrangement is cancelled or terminated.

(e) *Redemption at the Option of Bondholders Following the occurrence of a Fundamental Change Event or Delisting Event*

Following the occurrence of a Fundamental Change Event or Delisting Event, the holder of each Bond will have the right to require the Issuer to redeem that Bond on the Put Date at its principal amount, together with accrued and unpaid interest up to (but excluding) the Put Date. To exercise such right, the holder of the relevant Bond must deliver such Bond to the specified office of any Paying, Transfer and Conversion Agent, together with a duly completed and signed notice of exercise in the form for the time being current obtainable from the specified office of any Paying, Transfer and Conversion Agent (a “**Put Exercise Notice**”), at any time during the Fundamental Change Event Period or, as the case may be, the Delisting Event Period.

The “**Put Date**” shall be the fourteenth New York City Business Day after the last day of the Fundamental Change Event Period or, as the case may be, the Delisting Event Period.

Payment in respect of any such Bond shall be made by transfer to a US dollar account as specified by the relevant Bondholder in the relevant Put Exercise Notice.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem all Bonds the subject of Put Exercise Notices delivered as aforesaid on the Put Date.

(f) *Purchase*

Subject to the requirements (if any) of any stock exchange on which the Bonds may be admitted to listing and trading at the relevant time and, subject to compliance with applicable laws and regulations, the Issuer or any Subsidiary of the Issuer may at any time purchase any Bonds in the open market or otherwise at any price. Such Bonds may be held, resold reissued, used in any other manner or, at the option of the Issuer, surrendered to the Principal Paying, Transfer and Conversion Agent for cancellation.

(g) *Cancellation*

All Bonds which are redeemed or in respect of which Conversion Rights are exercised will be cancelled and may not be reissued or resold. Bonds purchased by the Issuer or any of its Subsidiaries may be surrendered to the Principal Paying, Transfer and Conversion Agent for cancellation and if so surrendered shall be cancelled and may not be reissued or re-sold.

(h) *Multiple Notices*

If more than one notice of redemption is given pursuant to this Condition 7, the first of such notices to be given shall prevail, save that a notice given pursuant to Condition 7(e) shall prevail over a notice given pursuant to Condition 7(b) or 7(c) in circumstances where the Put Date falls prior to the Optional Redemption Date or Tax Redemption Date, as the case may be.

(i) *ADS Settlement Option*

Notwithstanding any provisions of this Condition 7, the Issuer may elect to satisfy its obligation to redeem the Bonds on the Final Maturity Date pursuant to Condition 7(a) by exercising its option (the “**ADS Settlement Option**”) with respect to all, but not some only, of the Bonds to be redeemed on the Final Maturity Date, provided that:

- (i) the ADSs are listed and admitted to trading on a Relevant Stock Exchange on the ADS Settlement Option Notice Date;
- (ii) no Event of Default or Potential Event of Default shall have occurred and be continuing as at the ADS Settlement Option Notice Date;
- (iii) the Free Float is not less than 20 per cent. of the total number of issued and outstanding Shares on each Dealing Day in the period of 30 consecutive Dealing Days ending on the fifth Dealing Day prior to the date the ADS Settlement Option Notice is given; and
- (iv) an Offer Period shall not be continuing as at the date the ADS Settlement Option Notice is given.

A “**Knock-out Event**” shall occur if one or more of the conditions described in paragraphs (i) to (iv) above is no longer met.

To exercise its ADS Settlement Option, the Issuer shall give a notice to such effect (the “**ADS Settlement Option Notice**,” and the date on which such ADS Settlement Option Notice is given, the “**ADS Settlement Option Notice Date**”) to Bondholders, the Paying, Transfer and Conversion Agent and to the Trustee. The ADS Settlement Option Notice shall be given (i) not more than 60 nor less than 50 Scheduled Dealing Days prior to the Final Maturity Date and (ii) not less than 10 Scheduled Dealing Days prior to the Notice Cut-Off Date.

An ADS Settlement Option Notice shall specify the date which is expected to be (as at the ADS Settlement Option Notice Date) the date of delivery of the ADSs (the “**Expected ADS Delivery Date**”), the Observation Period, the Notice Cut-off Date, the Relevant Percentage and the number of Deliverable ADSs which shall apply in respect of each Bond to be redeemed on the Deliverable ADS Settlement Date. The Issuer may not exercise the ADS Settlement Option in respect of a redemption of Bonds if a Knock-out Event (as defined below) shall have occurred on or prior to the date the relevant ADS Settlement Option Notice is given (and, if given, any such exercise of the ADS Settlement Option shall be null and void).

Where the Issuer shall have exercised the ADS Settlement Option, the Issuer shall, in lieu of redeeming the relevant Bonds wholly in cash, effect redemption in respect of each Bond by:

- (i) transferring and delivering to the relevant Bondholder on or prior to the Deliverable ADS Settlement Date, the Deliverable ADSs;
- (ii) making payment to the relevant Bondholder on the Final Maturity Date of the Cash Settlement Amount (if any); and;
- (iii) making or procuring payment to the relevant Bondholder on the Final Maturity Date in cash of accrued and unpaid interest in respect of such Bonds up to the Final Maturity Date (if any).

“ADS Market Value” means the arithmetic average of the Daily ADS Market Value on each of the first 20 Dealing Days comprised in the Observation Period, or on each of such lesser number of Dealing Days as are comprised in the Observation Period.

“Cash Settlement Amount” means, in respect of a Bond, an amount (rounded to the nearest whole multiple of U.S.\$0.01, with U.S.\$0.005 being rounded upwards) equal to the amount (if any) by which the principal amount of such Bond exceeds 99 per cent. of the product of (a) the ADS Market Value; and (b) the number of Deliverable ADSs to be issued or transferred and delivered to such Bondholder in respect of such Bond, as determined in good faith by the Calculation Agent.

“Daily ADS Market Value” means, in respect of any Dealing Day, the Volume Weighted Average Price of one ADS on such Dealing Day, provided that:

- (a) if on such Dealing Day the ADSs are quoted or traded on the Relevant Stock Exchange cum- any dividend or other entitlement in any such case (A) which results in an adjustment to the Conversion Price pursuant to Condition 6(b) and such adjustment is in effect as at the ADS Settlement Option Notice Date or (B) which a Bondholder is not otherwise entitled to pursuant to this Condition 7(i) (including pursuant to any Additional Deliverable ADSs in respect thereof pursuant to Condition 7(i)(xi)) in respect of the Deliverable ADSs, then the Daily ADS Market Value in respect of such Dealing Day shall be the Volume Weighted Average Price of one ADS on such Dealing Day reduced by an amount equal to the Fair Market Value (on such Dealing Day) of any such dividend or other entitlement; and
- (b) if on such Dealing Day the ADSs are quoted on the Relevant Stock Exchange ex- any dividend or other entitlement, in any such case which a Bondholder is otherwise entitled to pursuant to this Condition 7(i) (including pursuant to any Additional Deliverable ADSs in respect thereof, but excluding an adjustment to the Conversion Price in respect thereof which is in effect as at the ADS Settlement Option Notice Date) in respect of the Deliverable ADSs, then the Daily Market Value in respect of such Dealing Day shall be the Volume Weighted Average Price of one ADS on such Dealing Day increased by an amount equal to the Fair Market Value (on such Dealing Day) of any such dividend or other entitlement.

“Deliverable ADSs” means, in respect of a Bond, such number of ADSs (which shall not exceed the number of Redemption ADSs) as is equal to the product (rounded down if necessary to the nearest whole multiple of an ADS) of (i) the Redemption ADS and (ii) the Relevant Percentage.

“Deliverable ADS Settlement Date” means the date on which the delivery of the Deliverable ADSs is made to the relevant Bondholder, which shall be on or before the fifth Scheduled Dealing Day prior to the start of the Observation Period.

“Observation Period” means the period of 25 Scheduled Dealing Days ending on (and including) the fifth Scheduled Dealing Day prior to the Final Maturity Date.

“Redemption ADSs” means, in respect of any Bond, such number of ADSs (unrounded) determined in good faith by the Calculation Agent by dividing the principal amount of such Bond by the Conversion Price in effect on the ADS Settlement Option Notice Date, except that where the ADS Settlement Option Notice Date falls on or after the date an adjustment to the Conversion Price takes effect pursuant to Conditions 6(b)(i), 6(b)(ii), 6(b)(iii), 6(b)(iv), 6(b)(v) or 6(b)(ix) but on or prior to the record date or other due date for establishment of entitlement in respect of the relevant event giving rise to such adjustment, then provided the Issuer is able to confer the benefit of relevant consolidation, reclassification, redesignation or subdivision, Dividend, issue or grant (as the case may be) on the relevant Bondholder in respect of the relevant Deliverable ADSs to be issued or transferred and delivered to such Bondholder as a result of the exercise of the ADS Settlement Option, the Conversion Price for the purpose of this definition shall be such Conversion Price as would have been applicable on the ADS Settlement Option Notice Date had no such adjustment been made.

“Relevant Percentage” means a percentage between 1 per cent. and 100 per cent. (both inclusive) chosen by the Issuer in its sole discretion and specified by the Issuer in the relevant ADS Settlement Option Notice.

“Scheduled Dealing Day” means a day on which the Relevant Stock Exchange for the ADSs is scheduled (on the ADS Settlement Option Notice Date) to be open for business (other than a day on which such Relevant Stock Exchange is scheduled to close prior to its regular weekday closing time), and, for the avoidance of doubt, regardless of whether such day is or is not a Dealing Day for the ADSs.

Fractions of ADSs will not be issued or transferred or delivered pursuant to this Condition 7(i) and no cash payment will be made in lieu thereof. However, if one or more ADS Settlement Notices and relevant Bonds are delivered not later than the Notice Cut-off Date such that the Deliverable ADSs to be transferred and delivered on the Deliverable ADS Settlement Date are to be registered in the same name, the number of ADSs to be issued or transferred and delivered in respect thereof and the Cash Settlement Amount (if any) shall be calculated on the basis of the aggregate principal amount of such Bonds, as determined in good faith by the Calculation Agent.

Where ADSs are to be issued or transferred and delivered to the Relevant Person pursuant to paragraph (iii) or (xi) below, the number of ADSs so to be issued and transferred and delivered and the Cash Settlement Amount (if any) shall be calculated on the basis of the aggregate principal amount of Bonds in respect of which such issue or transfer and delivery is to be made.

If either (a) the Issuer does not deliver an ADS Settlement Option Notice in the manner and by the time set out in this Condition 7(i) or (b) the Issuer does so give an ADS Settlement Option Notice but an event or circumstance constituting a Knock-out Event (disregarding for these purposes all references in the definition of Knock-out Event to the ADS Settlement Option Notice Date) occurs thereafter but on or prior to the Deliverable ADS Settlement Date (such circumstances being referred to as an **“ADS Settlement Option Notice Annulment”**), the Bonds shall be redeemed for cash in accordance with the provisions of Condition 7(a) and payment in respect thereof shall be made in accordance with Condition 8.

If the Issuer elects to exercise the ADS Settlement Option, the following provisions shall apply:

- (i) In order to obtain delivery of the relevant Deliverable ADSs, the relevant Bondholder must deliver a duly completed notice substantially in the form set out in the Agency Agreement (the **“ADS Settlement Notice”**) a copy of which may be obtained from the specified office of any

Paying, Transfer and Conversion Agent, together with the relevant Bonds to the specified office of any Paying, Transfer and Conversion Agent by not later than 5:00p.m. (local time in the place of the specified office of the Principal Paying, Transfer and Conversion Agent) on the 5th Scheduled Trading Day (or if such day is not a business day in the place of the specified office of the Principal Paying, Transfer and Conversion Agent, the immediately preceding business day) prior to the Expected ADS Delivery Date (the “**Notice Cut-off Date**”, which shall not be earlier than the last day of the Conversion Period). If such delivery is made after 5:00p.m. (local time as aforesaid) at the specified office of the relevant Paying, Transfer and Conversion Agent or on a day which is not a business day in such place, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following such business day.

- (ii) Subject as provided herein, if the ADS Settlement Notice and the relevant Bonds are delivered on or before the Notice Cut-off Date, (i) the Deliverable ADSs will be delivered on or prior to the Deliverable ADS Settlement Date in accordance with the instructions given in the relevant ADS Settlement Notice; and (ii) the Cash Settlement Amount (if any) and any accrued and unpaid interest in respect of such Bonds will be paid in accordance with Condition 8 on the Final Maturity Date.
- (iii) If the ADS Settlement Notice and relevant Bonds are not delivered to a Paying, Transfer and Conversion Agent on or before the Notice Cut-off Date, then (1) on the Final Maturity Date, the Cash Settlement Amount (if any) and accrued and unpaid interest will be paid to the relevant Bondholders in accordance with Condition 8, and (2) the relevant Deliverable ADSs will be issued or transferred and delivered on or prior to the Deliverable ADS Settlement Date to an independent financial institution (the “**Relevant Person**”) selected and appointed by the Issuer at its expense and notified to the Trustee. The Issuer shall procure that all of such Deliverable ADSs shall be sold by or on behalf of the Relevant Person as soon as practicable based on advice from an Independent Adviser selected and appointed by the Issuer at its expense and (subject to any necessary consents being obtained and to the deduction by or on behalf of the Relevant Person of any amount which it determines to be payable in respect of its liability to taxation and the payment of any capital, stamp, issue, registration and/or transfer taxes and duties (if any) and any fees or costs reasonably incurred by the Issuer (including in respect of the appointment of the Independent Adviser and the Relevant Person) and/or by or on behalf of the Relevant Person in connection with the issue, allotment and sale thereof) shall be distributed rateably by or on behalf of the Relevant Person to the holders of the relevant Bonds (subject to the provisions of the Trust Deed) in accordance with Condition 8 or in such other manner as shall be notified to Bondholders.
- (iv) The amount of such net proceeds of sale, the Cash Settlement Amount (if any) and interest paid up to the Final Maturity Date as aforesaid payable to a holder pursuant to paragraph (iii) above shall (without prejudice to paragraph (x) below) be treated for all purposes as the full amount due from the Issuer in respect of the relevant Bonds.
- (v) Neither the Trustee, any Paying, Transfer and Conversion Agent nor the Calculation Agent shall have any liability to any person in respect of the selection and appointment of the Relevant Person, pursuant to paragraph (iii) above, any sale of Deliverable ADSs or Additional Deliverable ADSs, whether for the timing of any such sale or the price at or manner in which any such Deliverable ADSs or Additional Deliverable ADSs are sold or the inability to sell any such Deliverable ADSs or Additional Deliverable ADSs or for the timing of any distribution or otherwise whatsoever.

- (vi) Without prejudice to any ADS Settlement Option Notice Annulment, an ADS Settlement Option Notice and any ADS Settlement Notice shall be irrevocable. Failure properly to complete and deliver an ADS Settlement Notice and deliver the relevant Bonds may result in such notice being treated as null and void and in such circumstances the Issuer shall be entitled to effect settlement in accordance with paragraph (iii) above. Any determination as to whether any ADS Settlement Notice has been properly completed and delivered as provided in these Conditions shall be made by the Issuer in its sole and absolute discretion and shall be conclusive and binding on the relevant Bondholders. Neither the Trustee, nor any Agent nor the Calculation Agent shall have any liability to any person with respect to any determination by the Issuer pursuant to this paragraph (vi) or any resulting delivery, payment or settlement in connection with the relevant Bonds.
- (vii) Shares represented by ADSs transferred and delivered to the Bondholders pursuant to this Condition 7(i) will be fully paid and in all respects will rank *pari passu* with all other Shares in issue on the relevant ADS Settlement Option Notice Date (or, in the case of Shares represented by Additional Deliverable ADSs, the relevant Reference Date) (except for any right excluded by mandatory provisions of applicable law) and such Shares will be entitled to all rights to the same extent as all other fully-paid Shares of the Issuer. ADSs (including any Additional Deliverable ADSs) transferred and delivered pursuant to this Condition 7(i) will be fully paid and will in all respects rank *pari passu* with the other ADSs in issue on the ADS Settlement Option Notice Date (or, in the case of Additional Deliverable ADSs, the relevant Reference Date) (except in any such case for any right excluded by mandatory provisions of applicable law) and without prejudice to the provisions of the Deposit Agreement, the relevant Bondholder shall be treated as the holder thereof with effect from, and be entitled to all rights, distribution, payments and entitlements relating to such ADSs in respect of which the record date or other due date for the establishment of entitlement in respect of the Shares represented by such ADSs on or after the ADS Settlement Option Notice Date, or as the case may be, the relevant Reference Date. Such Deliverable ADSs or, as the case may be, Additional Deliverable ADSs will not rank for (or, as the case may be, the relevant holder shall not be entitled to receive) any rights, distributions or payments relating to such ADSs in respect of which the record date or other due date for the establishment of entitlement in respect of the Shares represented by such ADSs for which falls prior to the ADS Settlement Option Notice Date or, as the case may be, the relevant Reference Date.
- (viii) A Bondholder or the Relevant Person must pay (in the case of the Relevant Person by means of deduction from the net proceeds of sale referred to in paragraph (iii) above or from amounts otherwise available to the Relevant Person for the purpose) any capital, stamp, issue, registration and transfer taxes and duties arising on the issue or transfer and delivery of the relevant Deliverable ADSs or Additional Deliverable ADSs, other than any Specified Taxes payable in respect of the issue or transfer and delivery of the Deliverable ADSs or Additional Deliverable ADSs to a Bondholder or as the case may be to the Relevant Person pursuant to this Condition 7(i), which shall be paid by the Issuer. Such Bondholder or the Relevant Person (as the case may be) must pay (in the case of the Relevant Person, by way of deduction from the net proceeds of sale as aforesaid or from amounts otherwise available to the Relevant Person for the purpose) all, if any, taxes imposed on it and arising by reference to any disposal or deemed disposal by it of a Bond or interest therein by it or the Relevant Person in connection with the exercise of such redemption.
- (ix) Delivery of Deliverable ADSs (including Additional Deliverable ADSs) will be made in uncertificated form through DTC to its direct and indirect participants to the account specified by the relevant Bondholder in the relevant ADS Settlement Notice or, as the case may be, as

specified by the Relevant Person, on or prior to the Deliverable ADS Settlement Date (or, in the case of Additional Deliverable Shares, not later than 10 New York City Business Days following the Reference Date), unless at the relevant time the Deliverable ADSs (including Additional Deliverable ADSs) are not a participating security in DTC, in which case the Deliverable ADSs will be issued or delivered in certificated form.

- (x) Where Deliverable ADSs are to be issued or transferred and delivered in certificated form, a certificate in respect thereof will be dispatched by mail free of charge to the relevant Bondholder or as it may direct in the relevant ADS Settlement Notice or, where Deliverable ADSs are to be issued or transferred and delivered to the Relevant Person pursuant to paragraph (iii) above, as directed by the Relevant Person (in each case uninsured and at the risk of the relevant recipient) within 28 calendar days following the Deliverable ADS Settlement Date or, as the case may be, the Reference Date.
- (xi) If the ADS Settlement Option Notice Date shall be (i) after the record date in respect of any consolidation, reclassification, redesignation or sub-division as is mentioned in Condition 6(b)(i), or after the record date or other due date for the establishment of entitlement for any such issue, distribution, grant or offer (as the case may be) as is mentioned in Condition 6(b)(ii), (iii), (iv), (v) or (ix), or after the date of the first public announcement of the terms of any such issue or grant as is mentioned in Condition 6(b)(vi) and (vii) or of the terms of any such modification as is mentioned in Condition 6(b)(viii); and (ii) before the relevant adjustment becomes effective under Condition 6(b) (such adjustment, an “**ADS Settlement Retroactive Adjustment**”), then the Issuer shall procure that there shall be issued or transferred and delivered to the relevant Bondholder (or, where paragraph (iii) above shall apply, the Relevant Person), in accordance with the instructions contained in the relevant ADS Settlement Notice or, as the case may be, to or to the order of the Relevant Person, such additional number of ADSs (if any) (the “**Additional Deliverable ADSs**”) as, together with the ADSs issued or to be transferred and delivered on redemption of the relevant Bond, is equal to the number of Deliverable ADSs which would have been required to be issued or delivered on redemption of such Bond if the relevant adjustment to the Conversion Price had been made and become effective immediately prior to the Deliverable ADS Settlement Date, all as determined by in good faith by the Calculation Agent provided that if in the case of Condition 6(b)(ii), (b)(iii), (b)(iv), (b)(v) or (b)(ix) the relevant Bondholder shall be entitled to receive the relevant Shares, ADSs, Dividends or other Securities in respect of the ADSs to be issued or transferred and delivered to it, then no such ADS Settlement Retroactive Adjustment shall be made in relation to the relevant event and the relevant Bondholder shall not be entitled to receive Additional Deliverable ADSs in relation thereto.

8 Payments

(a) *Principal and interest*

Payment of principal and interest in respect of the Bonds will be made to the persons shown in the Register at the close of business on the Record Date.

(b) *Other amounts*

Payments of all amounts other than as provided in Condition 8(a) will be made as provided in these Conditions.

(c) *Record Date*

“**Record Date**” means the fifth Business Day, in the place of the specified office of the Registrar, before the due date for the relevant payment.

(d) *Payments*

Each payment in respect of the Bonds pursuant to Condition 8(a) and (b) will be made by transfer to a U.S. dollar account maintained by the payee.

(e) *Payments subject to fiscal laws*

All payments in respect of the Bonds are subject in all cases to any applicable fiscal or other laws and regulations applicable thereto including any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof (“**FATCA**”) or any law implementing an intergovernmental approach to FATCA.

(f) *Delay in payment*

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due as a result of the due date not being a Business Day in any place.

(g) *Paying, Transfer and Conversion Agents, etc.*

The initial Paying, Transfer and Conversion Agents and Registrar and their initial specified offices are listed below. The Issuer reserves the right under the Agency Agreement at any time, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying, Transfer and Conversion Agent or the Registrar and appoint additional or other Paying, Transfer and Conversion Agents or another Registrar, provided that the Issuer will at all times maintain (i) a Principal Paying, Transfer and Conversion Agent and (ii) maintain a Registrar with a specified office outside the United Kingdom. Notice of any change in the Paying, Transfer and Conversion Agents or the Registrar or their specified offices will promptly be given by the Issuer to Bondholders. The Issuer reserves the right, subject to the prior approval of the Trustee, under the Calculation Agency Agreement at any time to vary or terminate the appointment of the Calculation Agent and appoint another Calculation Agent, provided that it will maintain a Calculation Agent which shall be a financial institution of international repute or a financial adviser with appropriate expertise. Notice of any change in the Calculation Agent will promptly be given by the Issuer to Bondholders in accordance with Condition 17 and to the Trustee and the Principal Paying, Transfer and Conversion Agent.

(h) *No charges*

Neither the Registrar nor the Paying, Transfer and Conversion Agents shall make or impose on a Bondholder any charge or commission in relation to any payment, transfer or conversion in respect of the Bonds.

(i) *Fractions*

When making payments to Bondholders, if the relevant payment is not of an amount which is a whole multiple of the smallest unit of the relevant currency in which such payment is to be made, such payment will be rounded down to the nearest unit.

The Bonds on issue will be represented by a global bond (the “Global Bond”) registered in the name of, and held by a nominee on behalf of, a common depositary for Euroclear Bank SA/NV (“Euroclear”) and/or Clearstream Banking S.A. (“Clearstream, Luxembourg”).

All payments in respect of Bonds represented by the Global Bond will be made to, or to the order of, the person whose name is entered in the Register at the close of business on the Clearing System Business Day immediately prior to the date of payment, where "Clearing System Business Day" means Monday to Friday inclusive except 25 December and 1 January.

9 Taxation

All payments made by or on behalf of the Issuer in respect of the Bonds will be made free and clear of and be made 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 by or on behalf of the Republic of Cyprus or the Russian Federation or any political or governmental subdivision or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is required to be made by law.

If any such withholding or deduction is required to be made, the Issuer will pay such additional amounts as will result in the receipt by the Bondholders of the amounts which would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Bond:

- (a) to a Bondholder (or to a third party on behalf of a Bondholder) which is subject to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of having some connection with the Republic of Cyprus or the Russian Federation otherwise than merely by holding the Bond or by the receipt of amounts in respect of the Bond; or
- (b) in respect of estate, inheritance, gift, sales, excise, transfer, personal property or similar taxes, duties, assessments or governmental charges; or
- (c) any combination of the above.

References in these Conditions to principal and/or interest and/or any other amounts payable in respect of the Bonds shall be deemed also to refer to any additional amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

The provisions of this Condition 9 shall not apply in respect of any payments of interest which fall due after the relevant Tax Redemption Date in respect of any Bonds which are the subject of a Bondholder election pursuant to Condition 7(c).

Notwithstanding any other provision of these Conditions, in no event will the Issuer be required to pay any additional amounts in respect of the Bonds for, or on account of, any withholding or deduction required pursuant to FATCA (including pursuant to any agreement described in Section 1471(b) of the Code) or any law implementing an intergovernmental approach to FATCA.

10 Events of Default

If any of the following events (each an "**Event of Default**") occurs and is continuing, the Trustee at its discretion may, and if so requested by the holders of at least one-quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall, (provided in each case that it is indemnified and/or secured and/or prefunded to its satisfaction) give notice to the Issuer that the Bonds are, and they shall accordingly immediately become due and repayable at their principal amount together with accrued interest (if any) to the date of payment:

- (a) the Issuer fails to pay when due any interest or any additional amounts (including any Cash Alternative Amount or Additional Cash Alternative Amount) with respect to the Bonds and such failure continues for a period of 14 calendar days;

- (b) the Issuer fails to pay when due the principal of the Bonds (at final maturity, upon redemption or otherwise) and such failure continues for a period of 14 calendar days;
- (c) the Issuer fails to deliver any of the ADSs following any exercise of Conversion Rights or ADS Settlement Option and such failure continues for 14 calendar days;
- (d) the Issuer does not perform or comply with any one or more of its other obligations in the Bonds or the Trust Deed or if any event occurs or any action is taken or failed to be taken which is (or but for the provisions of any applicable law would be) a breach of any such obligation and which default or breach is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 calendar days (or such longer period as the Trustee may permit) after notice of such default or breach shall have been received by the Issuer from the Trustee requiring the same to be remedied;
- (e) default under any borrowings (as determined in accordance with IFRS) by the Issuer or any Material Subsidiary if that default (i) is caused by a failure to repay any amounts under such borrowings when due or within any originally applicable grace period; or (ii) results in the acceleration of such borrowings prior to the stated maturity thereof, provided that the amount of such borrowings referred to in sub-paragraph (i) and/or sub-paragraph (ii) above individually or in the aggregate exceeds U.S.\$100,000,000 (or its foreign currency equivalent);
- (f) any expropriation, attachment, sequestration, execution, mortgage, charge, pledge, lien or distress is levied against or becomes enforceable and is enforced against, or an encumbrancer takes possession of or sells, (x) the undertaking, (y) revenues or (z) assets of the Issuer or any Material Subsidiary representing a substantial part of the undertaking, revenues or assets of the Group and which, in each case, has resulted in a Material Adverse Effect and is not removed, satisfied, stayed, dismissed or otherwise discharged within 60 calendar days of its commencement;
- (g) (i) the Issuer or any of its Material Subsidiaries is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts generally as they fall due, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts; or (ii) a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of the debts of the Issuer or any of its Material Subsidiaries if such moratorium has resulted in a Material Adverse Effect;
- (h) the Issuer or any Material Subsidiary ceases or threatens to cease to carry on business or operations representing all or substantially all of the business or operations of the Group, except by way of a Permitted Cessation of Business or for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by the Trustee or by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries; or
- (i) a final judgment for the payment of U.S.\$75,000,000 (or its foreign currency equivalent) or more is rendered against the Issuer or any Material Subsidiary by a court or equivalent dispute resolution body (including any duly appointed arbitrator) of competent jurisdiction which is in effect and payable and not satisfied, except in circumstances where such judgment is being contested or appealed by the Issuer or such Material Subsidiary or is discharged within 60 calendar days of it having become payable;

- (j) it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds and the same remains unremedied within 30 calendar days following the date the Issuer has become aware of the same;

provided that, in the case of Conditions 10(d), 10(i) and 10(j) above and, in relation only to a Material Subsidiary, Condition 10(h) above, the Trustee shall have certified to the Issuer that such Event of Default is in its opinion materially prejudicial to the interests of the holders of the Bonds.

11 Undertakings

Whilst any Conversion Right remains exercisable, the Issuer will, save with the approval of an Extraordinary Resolution or with the prior written approval of the Trustee where, in its opinion, it is not materially prejudicial to the interests of the Bondholders to give such approval:

- (a) not issue or pay up any Securities, in either case by way of capitalisation of profits or reserves, other than:
- (i) pursuant to a Scheme of Arrangement involving a reduction and cancellation of Shares and the issue to Shareholders of an equal number of Shares by way of capitalisation of profits or reserves; or
 - (ii) pursuant to or in connection with a Newco Scheme; or
 - (iii) by the issue of fully paid Shares or other Securities to Shareholders and other holders of shares in the capital of the Issuer which by their terms entitle the holders thereof to receive Shares or other Securities on a capitalisation of profits or reserves; or
 - (iv) by the issue of fully paid Shares, issued wholly, ignoring fractional entitlements, in lieu of the whole or part of a Dividend in cash; or
 - (v) by the issue of Shares or any equity share capital to, or for the benefit of, employees or former employees, director or executive holding or formerly holding executive office (including directors holding or formerly holding executive office or non-executive office, consultants, advisors or former consultants or advisors or the personal service company of any such person) or their spouses or relatives, in each case of the Issuer or any of its Subsidiaries or any associated company, in any such case pursuant to an employee, consultant, advisor, director or executive share or option or incentive scheme whether for all employees, consultants, advisors, directors or executives or any one or more of them, or to a trustee or nominee in connection with any such share or option or incentive scheme.
- ((i) to (v) above each being a “**Permitted Issue**”), unless, in any such case, the same constitutes a Dividend or otherwise falls to be taken into account for a determination as to whether an adjustment is to be made to the Conversion Price pursuant to Condition 6(b), regardless of whether in fact an adjustment falls to be made in respect of the relevant capitalisation, gives rise (or would, but for the provisions of Condition 6(e) relating to roundings and minimum adjustments or the carry forward of adjustments, give rise) to an adjustment to the Conversion Price;
- (b) not modify the rights attaching to the Shares with respect to voting, dividends or liquidation nor issue any other class of equity share capital carrying any rights which are more favourable than the rights attaching to the Shares but so that nothing in this Condition 11(b) shall prevent:
- (i) any consolidation, reclassification, redesignation or subdivision of the Shares; or
 - (ii) any modification of such rights which is not, in the opinion of an Independent Adviser acting in good faith, materially prejudicial to the interests of the holders of the Bonds; or

- (iii) any issue of equity share capital where the issue of such equity share capital results, or would, but for the provisions of Condition 6 (e) relating to roundings and minimum adjustments or the carry forward of adjustments or, where comprising Shares, the fact that the consideration per Share receivable therefor is at least 95 per cent. of the Current Market Price per Share at the relevant time for determination thereof pursuant to the relevant provisions of Condition 6(b), otherwise result, in an adjustment to the Conversion Price; or
- (iv) any issue of equity share capital or modification of rights attaching to the Shares, where prior thereto the Issuer shall have instructed an Independent Adviser to determine what (if any) adjustments should be made to the Conversion Price as being fair and reasonable to take account thereof and such Independent Adviser shall have determined in good faith either that no adjustment is required or that an adjustment resulting in a decrease in the Conversion Price is required and, if so, the new Conversion Price as a result thereof and the basis upon which such adjustment is to be made and, in any such case, the date on which the adjustment shall take effect (and so that the adjustment shall be made and shall take effect accordingly); or
- (v) any alteration to the articles of association of the Issuer made in connection with the matters described in this Condition 11 or which is supplemental or incidental to any of the foregoing (including any amendment made to enable or facilitate procedures relating to such matters and any amendment dealing with the rights and obligations of holders of Securities, including Shares, dealt with under such procedures); or
- (vi) any amendment of the articles of association of the Issuer following or in connection with a Change of Control to ensure that any Bondholder exercising Conversion Rights where the Conversion Date falls on or after the occurrence of a Change of Control will receive, in whatever manner, the same consideration for the Shares arising on such exercise as it would have received in respect of any Shares had such Shares been entitled to participate in the relevant Scheme of Arrangement or to have been submitted into, and accepted pursuant to, the relevant offer or tender (a “**Change of Control Conversion Right Amendment**”); or
- (vii) a Permitted Issue;
- (c) except as part of or in connection with or pursuant to any employee, consultant, advisor, director or executive share or option or incentive scheme (whether for all employees, consultants, advisors, directors or executives or any one or more of them, or a trustee or a nominee in connection with any such share or option or incentive scheme), procure that no Securities (whether issued by the Issuer or any Subsidiary of the Issuer or procured by the Issuer or any Subsidiary of the Issuer to be issued or issued by any other person pursuant to any arrangement with the Issuer or any Subsidiary of the Issuer) issued without rights to convert into, or exchange or subscribe for, Shares (or ADSs or other depositary or other receipts or certificates representing Shares) shall subsequently be granted such rights exercisable at a consideration per Share which is less than 95 per cent. of the Current Market Price per Share at the relevant time for determination thereof pursuant to the relevant provisions of Condition 6(b) unless the same gives rise (or would, but for the provisions of Condition 6(e) relating to roundings and minimum adjustments or the carry forward of adjustments, give rise) to an adjustment to the Conversion Price and that at no time shall there be in issue Shares of differing nominal values, save where such Shares have the same economic rights;
- (d) not make any issue, grant or distribution or take or omit to take any other action if the effect thereof would be that, on the exercise of Conversion Rights, Shares to be issued and represented by ADSs could not, under any applicable law then in effect, be legally issued as fully paid;

- (e) not reduce its issued share capital, share premium account, or any uncalled liability in respect thereof, or any non-distributable reserves, except:
- (i) pursuant to the terms of issue of the relevant share capital; or
 - (ii) by means of a purchase or redemption of share capital of the Issuer to the extent permitted by applicable law; or
 - (iii) where the reduction does not involve any distribution of assets to Shareholders; or
 - (iv) solely in relation to a change in the currency in which the nominal value of the Shares is expressed; or
 - (v) to create distributable reserves; or
 - (vi) pursuant to a Scheme of Arrangement involving a reduction and cancellation of Shares and the issue to Shareholders of an equal number of Shares by way of capitalisation of profits or reserves; or
 - (vii) as provided in Condition 11(a)(iii); or
 - (viii) pursuant to a Newco Scheme; or
 - (ix) by way of transfer to reserves as permitted under applicable law; or
 - (x) where the reduction is permitted by applicable law and the Trustee is advised by an Independent Adviser, acting as an expert and in good faith, that in its opinion the interests of the Bondholders will not be materially prejudiced by such reduction; or
 - (xi) where the reduction is permitted by applicable law and results (or, in the case of a reduction in connection with a Fundamental Change Event, will result) in (or would, but for the provisions of Condition 6(e) relating to roundings or the carry forward of adjustments, result in) an adjustment to the Conversion Price or is (or, in the case of a reduction in connection with a Fundamental Change Event, will be) otherwise taken into account for the purposes of determining whether such an adjustment should be made; or
- provided that, without prejudice to the other provisions of these Conditions, the Issuer may exercise such rights as it may from time to time be entitled pursuant to applicable law to purchase, redeem or buy back its Shares and any depositary or other receipts or certificates representing Shares without the consent of Bondholders;
- (f) if any offer is made to all (or as nearly as may be practicable all) Shareholders (or all (or as nearly as may be practicable all) Shareholders other than the offeror and/or associates of the offeror) to acquire the whole or any part of the issued Shares or the ADSs, or if any person proposes a scheme with regard to such acquisition (other than a Newco Scheme), give notice of such offer or scheme to the Trustee and the Bondholders at the same time as any notice thereof is sent to the Shareholders (or as soon as practicable thereafter) that details concerning such offer or scheme may be obtained from the specified offices of the Paying, Transfer and Conversion Agents and, where such an offer or scheme has been recommended by the board of directors of the Issuer, or where such an offer has become or been declared unconditional in all respects or such scheme has become effective, use all reasonable endeavours to procure that a like offer or scheme is extended to Bondholders and to the holders of any ADSs issued during the period of the offer or scheme arising out of the exercise of the Conversion Rights pursuant to these Conditions (which like offer or scheme to Bondholders shall entitle Bondholders to receive the same type and amount of consideration they would have received had they held the number of ADSs to which such Bondholders would be entitled assuming Bondholders were to exercise their Conversion Rights in the relevant Fundamental Change Event Period);

- (g) in the event of a Newco Scheme, take (or shall procure that there is taken) all necessary action to ensure that (to the satisfaction of the Trustee) immediately after completion of the Scheme of Arrangement:
- (1) at the Issuer's option, either (a) Newco is substituted under the Bonds and the Trust Deed as principal obligor in place of the Issuer (with the Issuer providing a guarantee) subject to and as provided in the Trust Deed; or (b) Newco becomes a guarantor under the Bonds and the Trust Deed;
 - (2) such amendments are made to these Conditions and the Trust Deed as are necessary, in the opinion of the Trustee, to ensure that the Bonds may be converted into or exchanged for cash and/or ordinary shares or units or the equivalent in Newco (or depositary or other receipts or certificates representing ordinary shares or units or the equivalent in Newco) *mutatis mutandis* in accordance with and subject to these Conditions with a Conversion Price (subject to adjustment as provided in these Conditions) economically equivalent to the Conversion Price immediately prior to the implementation of such amendments, as determined in good faith by an Independent Adviser;
 - (3) the ordinary shares or units or equivalent of Newco (or depositary or other receipts or certificates representing ordinary shares or units or equivalents of Newco) are admitted to trading on a regulated, regularly operating, recognised stock exchange or securities market as determined by Newco; and
 - (4) the Trust Deed and the Conditions provide at least the same or equivalent powers, protections, rights and benefits to the Trustee and the Bondholders following the implementation of such Newco Scheme as they provided to the Trustee and the Bondholders prior to the implementation of the Newco Scheme, *mutatis mutandis*,
- and the Trustee shall (at the expense of the Issuer and subject to the satisfaction of the conditions set out in (1) to (4) above) be obliged to concur in effecting such substitution or grant of such guarantee and in either case making any such amendments, provided that the Trustee shall not be obliged so to concur if, in the opinion of the Trustee, doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Trustee in these Conditions, the Trust Deed or the Agency Agreement (including, for the avoidance of doubt, any supplemental trust deed or supplemental agency agreement) in any way.
- (h) use all reasonable endeavours to ensure that the ADSs transferred or delivered upon exercise of Conversion Rights will, as soon as is practicable, be admitted to listing and to trading on the Relevant Stock Exchange and will be listed, quoted or dealt in, as soon as is practicable, on any other stock exchange or securities market on which the ADSs may then be listed or quoted or dealt in (but so that this undertaking shall be considered as not being breached as a result of a Change of Control (whether or not recommended or approved by the board of directors of the Issuer) that causes or gives rise to, whether following the operation of any applicable compulsory acquisition provision or otherwise, (including at the request of the person or persons controlling the Issuer as a result of the Change of Control) a de-listing of the ADSs);
 - (i) use all reasonable endeavours to maintain the ADS facility in accordance with the Deposit Agreement such that ADSs can be delivered as and when required to satisfy Conversion Rights;
 - (j) use all reasonable endeavours to ensure that any limit imposed upon the ADS facility would not be exceeded should ADSs deliverable upon conversion of all outstanding Bonds be delivered;

- (k) use all reasonable endeavours to ensure that there are no restrictions on conversion of Shares into ADSs (save as provided in the Deposit Agreement) which would preclude the new ADSs issued upon conversion of all outstanding Bonds from being fungible with existing ADSs;
- (l) make or cause to be made an application for the Bonds to be admitted to trading on an internationally recognised, regularly operating, regulated or non-regulated stock exchange or securities market) within 90 calendar days following the Closing Date and to maintain such admission to trading for so long as any of the Bonds remain outstanding, save that if the Issuer is unable to maintain such admission to trading as aforesaid, the Issuer undertakes to use all reasonable endeavours to obtain and maintain a listing and/or admission to trading for the Bonds on such other stock exchange as the Issuer may from time to time determine and as may be approved by the Trustee and the Issuer will forthwith give notice to the Bondholders and the Trustee of any such listing or delisting of the Bonds by any of such stock exchanges; and
- (m) by no later than the Closing Date (i) publish a copy of these Conditions (including a legend regarding the intended target market for the Bonds) on its website and (ii) thereafter (and for so long as any of the Bonds remain outstanding) maintain the availability of these Conditions (as the same may be amended in accordance with their terms) on such website.

The Issuer has undertaken in the Trust Deed to deliver to the Trustee annually and otherwise on request by the Trustee a certificate signed by one Authorised Signatory of the Issuer as to there not having occurred an Event of Default, Potential Event of Default, Fundamental Change Event or Delisting Event or breach of the Trust Deed since the date of the last such certificate (or, in the case of the first such certificate, the date of the Trust Deed) or if such event or breach has occurred as to the details of such event or breach and the Trustee will be entitled to rely (without further enquiry and without liability to any person) on such certificate. The Trustee shall not be obliged to independently monitor compliance by the Issuer with the undertakings set forth in this Condition 11 nor be liable to any person for not so doing.

12 Prescription

Claims against the Issuer for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal or any other amount (other than interest)) or five years (in the case of interest) from the appropriate Relevant Date in respect of such payment.

Claims in respect of any other obligation in respect of the Bonds, including delivery of Shares, shall be prescribed and become void unless made within 10 years following the due date for performance of the relevant obligations.

13 Replacement of Bonds

If any Bond is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of any Paying, Transfer and Conversion Agent subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Bonds must be surrendered before replacements will be issued.

14 Meetings of Bondholders, Modification and Waiver, Substitution

(a) Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if requested in writing by Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding.

The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons holding or representing more than one-half in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to change the Final Maturity Date, the First Call Date (other than deferring the First Call Date) or any dates for payment of interest or any other amount in respect of the Bonds, (ii) to modify the circumstances in which the Issuer or Bondholders are entitled to redeem the Bonds pursuant to Condition 7(b), (c) or (e) (other than removing the right of the Issuer to redeem the Bonds pursuant to Condition 7(b) or (c)), (iii) to reduce or cancel the principal amount of, or interest on, the Bonds or to reduce the amount payable on redemption of the Bonds, (iv) to modify the basis for calculating the interest or any other amount payable in respect of the Bonds, (v) to modify the provisions relating to, or cancel, the Conversion Rights or the rights of Bondholders to receive ADSs and/or the Cash Alternative Amount on exercise of Conversion Rights pursuant to these Conditions (other than pursuant to or as a result of any amendments to these Conditions and the Trust Deed made pursuant to and in accordance with the provisions of Condition 6(k) in order to effect a Conversion Right Transfer or Condition 11(g) following or as part of a Newco Scheme (“**Newco Scheme Modification**”) or to receive Deliverable ADSs and/or a Cash Settlement Amount following exercise of the ADS Settlement Option, and other than a reduction to the Conversion Price or an increase in the number of ADSs to be issued on exercise of Conversion Rights and/or the Cash Alternative Amount), (vi) to increase the Conversion Price (other than in accordance with these Conditions or pursuant to a Newco Scheme Modification), (vii) to change the currency of the denomination of the Bonds or of any payment in respect of the Bonds, (viii) to change the governing law of the Bonds, the Trust Deed or the Agency Agreement (other than in the case of a substitution of the Issuer (or any previous substitute or substitutes) under Condition 14(c)), or (ix) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be one or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed by the Bondholders shall be binding on all Bondholders (whether or not they were present at any meeting at which such resolution was passed and whether or not they voted on such resolution).

The Trust Deed provides that (i) 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 Bonds outstanding (which may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders) or (ii) a consent given by way of electronic consent through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than 75 per cent. of the aggregate principal amount of the Bonds outstanding, shall, in any such case, be effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held or (iii) a meeting of Bondholders may be held electronically in accordance with the procedures set out in the Trust Deed.

No consent or approval of Bondholders shall be required in connection with any Conversion Right Transfer effected in accordance with Condition 6(k) or any Newco Scheme Modification.

(b) *Modification and Waiver*

The Trustee may agree, without the consent of the Bondholders, to (i) any modification of any of the provisions of the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Bonds or these Conditions which in the Trustee's opinion is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law, and (ii) any other modification to the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Bonds or these Conditions (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach of any of the provisions of the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Bonds or these Conditions which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders.

The Trustee may, without the consent of the Bondholders, determine that any Event of Default or a Potential Event of Default should not be treated as such, provided that in the opinion of the Trustee, the interests of Bondholders will not be materially prejudiced thereby.

Any such modification, authorisation, waiver or determination shall be binding on the Bondholders and, unless the Trustee otherwise requires, shall be notified to Bondholders as soon as practicable.

(c) *Substitution*

The Trustee shall (subject as provided in Condition 11(g)), without the consent of the Bondholders, agree to any substitution as provided in, and for the purposes of, Condition 11(g) in connection with a Newco Scheme.

The Trustee shall (subject as provided in Condition 6(k)), without the consent of the Bondholders, agree to any substitution as provided in, and for the purposes of, Condition 6(k) in connection with a Successor in Business.

In addition, the Trustee may agree, without the consent of the Bondholders, to the substitution in place of the Issuer (or any previous substitute or substitutes under this Condition) as the principal debtor under the Bonds and the Trust Deed of any Subsidiary of the Issuer, subject to (a) the Bonds being unconditionally and irrevocably guaranteed by the Issuer and (b) the Bonds continuing to be convertible or exchangeable into ADSs *mutatis mutandis* as provided in these Conditions with such amendments as the Trustee shall consider appropriate, provided that, (x) the Trustee is satisfied that the interest of the Bondholders will not be materially prejudiced by the substitution, and (y) certain other conditions set out in the Trust Deed are complied with. In the case of such a substitution the Trustee may agree, without the consent of the Bondholders, to a change of the law governing the Bonds and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Bondholders. Any such substitution shall be binding on the Bondholders and shall be notified to Bondholders as soon as practicable.

(d) *Entitlement of the Trustee*

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Bondholders as a class but shall not have regard to any interests arising from circumstances particular to individual Bondholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of the exercise of its trusts, powers or discretions for individual Bondholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders, except to the extent provided for in these Conditions or the Trust Deed.

15 Enforcement

At any time after an Event of Default has occurred and is continuing the Trustee may, at its discretion and without notice, take such proceedings, actions or steps (including lodging an appeal in any proceedings) against the Issuer as it may think fit to enforce the provisions of the Trust Deed and the Bonds, but it shall not be bound to take any such proceedings, actions or steps unless (i) it shall have been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding, and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. Notwithstanding the above:

- (i) the Trustee may refrain from taking any proceedings, actions or steps in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice, be contrary to any law of that jurisdiction; and
- (ii) the Trustee may refrain from taking any proceedings, actions or steps in any jurisdiction if in its opinion based upon legal advice it would or may render it liable to any person or, it would or may not have the power to do the relevant thing by virtue of any applicable law or if it is determined by any court or other competent authority that it does not have such power.

No Bondholder shall be entitled to (i) take any proceedings, actions or steps against the Issuer to enforce the performance of any of the provisions of the Trust Deed or the Bonds or (ii) take any other proceedings, actions or steps (including lodging an appeal in any proceedings) in respect of or concerning the Issuer, in each case unless the Trustee, having become so bound to take any such proceedings, actions or steps fails to do so within a reasonable period and the failure shall be continuing.

16 The Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including:

- (i) provisions relieving it from taking any proceedings, actions or steps unless indemnified and/or secured and/or prefunded to its satisfaction; and
- (ii) provisions limiting or excluding its liability in certain circumstances.

The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security or prefunding given to it by the Bondholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

The Trustee may act and rely without liability to Bondholders and without further investigation on a report, confirmation, certificate, opinion or any advice of any accountants, financial advisers, financial institution, an Independent Adviser or other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to act and rely on any such report, confirmation, certificate, opinion or advice and such report, confirmation, certificate, opinion or advice shall be binding on the Issuer, the Trustee and the Bondholders.

17 Notices

All notices required to be given to Bondholders pursuant to the Conditions will (unless otherwise provided in these Conditions) be given by publication through the electronic communication system of Bloomberg. 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 Bonds 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 publication or, if required to be published in more than one manner or at different times, then such notice shall be deemed to have been given on the date of the publication in each required manner and time. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to be given on such date, as the Trustee may approve.

The Issuer shall send a copy of all notices given by it to Bondholders (or a Bondholder) or the Trustee pursuant to these Conditions simultaneously to the Principal Paying, Transfer and Conversion Agent and the Calculation Agent.

For so long as the Bonds are represented by a Global Bond registered in the name of, and held by a nominee on behalf of, a common depository for Euroclear or Clearstream, Luxembourg notices required to be given to Bondholders pursuant to the Conditions shall also be given by the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg as the case may be. Any such notice shall be deemed to have been given on the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg.

18 Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further notes, bonds or debentures either having the same terms and conditions in all respects as the outstanding notes, bonds or debentures of any series (including the Bonds) or in all respects except for the first payment of interest on them and the first date on which Conversion Rights may be exercised and so that such further issue shall be consolidated and form a single series with the outstanding notes, bonds or debentures of any series (including the Bonds) or upon such terms as to interest, conversion, premium, redemption and otherwise as the Issuer may determine at the time of their issue. Any further notes, bonds or debentures forming a single series with the outstanding notes, bonds or debentures of any series (including the Bonds) constituted by the Trust Deed or any deed supplemental to it shall, and any other notes, bonds or debentures 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 Bondholders and the holders of notes, bonds or debentures of other series in certain circumstances where the Trustee so decides.

19 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

20 Governing Law, Arbitration and Immunity

(a) Governing Law

The Trust Deed, the Agency Agreement and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) *Arbitration*

Any dispute, claim or difference of whatever nature arising out of or in connection with the Trust Deed, the Agency Agreement and/or the Bonds (including a dispute regarding the existence, validity or termination of the Trust Deed, the Agency Agreement and/or the Bonds or a dispute relating to non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement and/or the Bonds) (a “**Dispute**”) shall be referred to and finally resolved by arbitration administered by the LCIA (formerly the London Court of International Arbitration) pursuant to the LCIA rules (the “**Rules**”), which Rules are deemed incorporated by reference into these Conditions, as amended herein. This arbitration agreement shall be governed by, and shall be construed in accordance with, English law.

- (i) The arbitral tribunal shall consist of three arbitrators. The claimant(s), irrespective of number, shall nominate jointly one arbitrator in the request for arbitration. The respondent(s), irrespective of number, shall nominate jointly the second arbitrator within 30 calendar days of receipt of the request for arbitration (or, in the case of multiple respondents, within 30 calendar days of receipt of the request for arbitration by the first respondent). The third arbitrator, who shall serve as Chairman, shall be nominated by agreement of the two party-nominated arbitrators (in consultation with their appointing parties). Failing such agreement within 15 calendar days of the confirmation of the appointment of the second arbitrator, the third arbitrator shall be appointed by the LCIA as soon as possible at the written request of any party. For the avoidance of doubt, the Issuer, the Bondholders and the Trustee irrevocably agree, for the purpose of Article 8.1 of the Rules, that the claimant(s), irrespective of number, and the respondent(s), irrespective of number, shall constitute two separate sides for the formation of the arbitral tribunal.
- (ii) If the claimant(s) or the respondent(s) fail to nominate an arbitrator in accordance with the Rules within the time period stipulated, such arbitrator shall be nominated by the LCIA within 15 calendar days of a written request from any party.
- (iii) The seat of arbitration shall be London, England and the language of the arbitration shall be English.
- (iv) If more than one arbitration is commenced under the Trust Deed, the Agency Agreement and/or the Bonds and any party contends that two or more such arbitrations are so closely connected that it is expedient for them to be resolved in one set of proceedings, the arbitral tribunal appointed in the first filed of such proceedings (the “**First Tribunal**”) shall have the power to determine, provided no date for the hearing on the merits of the Dispute in any such arbitrations has been fixed, that the proceedings shall be consolidated. The Issuer, the Bondholders and the Trustee irrevocably agree and consent to being joined in such consolidated proceedings.
- (v) The tribunal in such consolidated proceedings shall be selected as follows:
 - (a) the parties to the consolidated proceedings shall agree on the composition of the tribunal; or
 - (b) failing such agreement within 30 calendar days of consolidation being ordered by the First Tribunal, the LCIA shall appoint all members of the tribunal within 30 calendar days of a written request by any of the parties to the consolidated proceedings.

- (vi) In any such arbitration, in the event of a declared public health emergency by either the World Health Organisation (the “**WHO**”) or a national government, as a consequence of which it is inadvisable or prohibited for the parties and/or their legal representatives to travel to, or attend any hearing ordered by the tribunal, the following shall apply:
- i. any such hearing shall be held via video or telephone conference upon the order of the tribunal;
 - ii. the parties agree that no objection shall be taken to the decision, order or award of the tribunal following any such hearing on the basis that the hearing was held by video or telephone conference; and
 - iii. in exceptional circumstances only the tribunal shall have the discretion to order that a hearing shall be held in person, but only after full and thorough consideration of the prevailing guidance of the WHO and any relevant travel or social distancing restrictions or guidelines affecting the parties and/or their legal representatives and the implementation of appropriate mitigation.
- (vii) For the avoidance of doubt, the parties to the Trust Deed are intended to have the right under the Contracts (Rights of Third Parties) Act 1999 to enforce the terms of this Condition 20.

(c) *Immunity*

To the extent that the Issuer may now or hereafter be entitled, in any jurisdiction in which any legal action or proceeding may at any time be commenced pursuant to or in accordance with the Trust Deed the Agency Agreement and/or the Bonds, 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 the Trust Deed the Agency Agreement and/or the Bonds and/or to the extent that in any such jurisdiction there may be attributed to the Issuer any such immunity (whether or not claimed), the Issuer irrevocably agrees not to claim, and hereby waives, any such immunity.

Principal Paying, Transfer and Conversion Agent

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

Registrar

The Bank of New York Mellon SA/NV, Dublin Branch
Riverside II
Sir John Rogerson's Quay
Dublin 2
Republic of Ireland

This Deed is delivered on the date stated at the beginning.

Executed as a deed by
OZON HOLDINGS PLC acting by

[Signature]

Name: Belova Nadezhda

SIGNATURE PAGE TO THE TRUST DEED

Executed as a Deed by
BNY MELLON CORPORATE TRUSTEE SERVICES LIMITED
acting by two of its lawful Attorneys:

Attorney: [*Signature*] Digitally signed by Michael Lee
MICHAEL LEE AUTHORISED SIGNATORY

Attorney: [*Signature*] Justen Bersin
Justen Bersin Authorised Signatory

Address: One Canada Square, London E14 5AL

SIGNATURE PAGE TO THE TRUST DEED

Subsidiaries of the Registrant

Legal Name of Subsidiary	Jurisdiction of Organization
Ozon Holding LLC	Russia
Ozon Volga LLC	Russia
Internet Logistics LLC	Russia
Internet Solutions LLC	Russia
Ozon Technologies LLC	Russia
O-courier LLC	Russia
Ozon Invest LLC	Russia
Internet Travel LLC	Russia
Ozon Tour LLC	Russia
MCC Ozon Credit LLC	Russia
Davco Management Limited	Cyprus

CERTIFICATIONS

I, Alexander Shulgin, Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 20-F of Ozon Holdings PLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) [intentionally omitted];
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 30, 2021

By: /s/ Alexander Shulgin

Name: Alexander Shulgin

Title: Chief Executive Officer

(principal executive officer)

CERTIFICATIONS

I, Igor Gerasimov, Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 20-F of Ozon Holdings PLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) [intentionally omitted];
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 30, 2021

By: /s/ Igor Gerasimov

Name: Igor Gerasimov

Title: Chief Financial Officer

(principal financial officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The certification set forth below is being submitted in connection with the Annual Report on Form 20-F of Ozon Holdings PLC (the “Company”) for the year ended December 31, 2020 (the “Report”) for the purpose of complying with Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

I, Alexander Shulgin, Chief Executive Officer, certify that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 30, 2021

By: /s/ Alexander Shulgin

Name: Alexander Shulgin

Title: Chief Executive Officer

(principal executive officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The certification set forth below is being submitted in connection with the Annual Report on Form 20-F of Ozon Holdings PLC (the “Company”) for the year ended December 31, 2020 (the “Report”) for the purpose of complying with Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

I, Igor Gerasimov, Chief Financial Officer, certify that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 30, 2021

By: /s/ Igor Gerasimov

Name: Igor Gerasimov

Title: Chief Financial Officer
(principal financial officer)

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Ozon Holdings PLC:

We consent to the incorporation by reference in the registration statement (No. 333-252457) on Form S-8 of Ozon Holdings PLC of our report dated March 30, 2021, with respect to the consolidated statement of financial position of Ozon Holdings PLC as of December 31, 2020 and 2019, the related consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes, which report appears in the December 31, 2020 annual report on Form 20-F of Ozon Holdings PLC.

Our report refers to the adoption of International Financial Reporting Standard 16, *Leases*.

/s/ JSC “KPMG”

Moscow, Russia

March 30, 2021